



# International Journal Administration Business and Organization

E-ISSN 2721-5652

Available at <https://ijabo.a3i.or.id>

International Journal Administration Business and Organization, Vol. 4 (2), 2023: 23-30

## *The Effect Of Corporate Social Responsibility On Corporate Image Of PT Pertamina Geothermal Energy Area Kamojang (Study of the Kamojang Regional Communities)*

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Received: 08.07.2023. Accepted: 14.08.2023 Published: 15.08.2023 DOI: <https://doi.org/10.61242/ijabo.23.305>

### ABSTRACT

This study aims to find out how Corporate Social Responsibility (CSR) and the corporate image of PT Pertamina Geothermal Energy Area Kamojang are, and how much influence CSR has on the corporate image of PT Pertamina Geothermal Energy Area Kamojang. This study used an explanatory survey method with a sample of 177 which were analyzed using descriptive statistics and simple linear regression. The results of the study stated that the influence of Corporate Social Responsibility on corporate image was 19.6%, while the remaining 80.4% was influenced by other factors. This research can be improved again by adding other variables and increasing the sample size and involving more stakeholders such as company employees and managers.

**Keywords:** Corporate Social Responsibility, corporate image, PT Pertamina Geothermal Energy Area Kamojang

JEL Classification: M14, L14

### BACKGROUND

*Corporate Social Responsibility*(CSR) is defined as a voluntary activity carried out by a company while working to achieve its goals and fulfil its commitments to its stakeholders, including employees, the environment, the community, and society in general (Coombs & Holladay, 2011). Companies that have a good CSR reputation will have stronger support from stakeholders and society, and can also create a positive image for the company (Lee & Yoon, 2018).

The company is expected to have a good image in the eyes of society. Positive image is seen as an important aspect of a company's ability to maintain its position because image and reputation are associated with core aspects of an organization's success such as community support (Özkan et al., 2020).

One company that carries out Corporate Social Responsibility (CSR) to build its corporate image is PT Pertamina Geothermal Energy (PGE) Kamojang Area. PT PGE Area Kamojang is part of PT Pertamina Geothermal Energy which carries out the exploitation of geothermal energy development in Bandung Regency.

The role of PT PGE Area Kamojang in community development is not only in the development of geothermal energy. Great attention is also paid to the surrounding community, especially CSR activities in empowerment, education, environment, and health, to social and infrastructure programs to maintain the community's economic resilience.

PT Pertamina Geothermal Energy Area Kamojang has indeed implemented the program CSR. Nonetheless, ethical issues in Indonesia have become an obstacle to the implementation of CSR. Is it true CSR carried out by the company is based on the company's moral responsibility to the community, or is done simply to protect the company's image in the eyes of the public.

Considering that PT PGE Area Kamojang is a company that controls geothermal energy, it will certainly experience a negative impact on the environment from the production of geothermal energy if it is carried out excessively (Permana & Hamdani, 2015). These negative impacts include subsidence or land subsidence when the volume of liquid is reduced, unexpected timing of forest destruction, air pollution, and threats to animals, and will reduce the life (biodiversity) of plants and animals (Djumaty & Dey, 2018).

After observations made by researchers from 15-17 February and 19-28 May 2023 to several communities around Sukakarya Village, Laksana Village, and Lampegan Village, Kabupaten Bandung, Indonesia, it was found that there were still various phenomena occurring among the community. The problems that occur are that people often breathe smelly air, are disturbed by the noise of geothermal exhaust at the PLTP, CSR programs are not running again, lack of education for farmers, roads are damaged by Pertamina vehicles, and no training programs for breeders animals and the lack of community capacity to manage and develop their business.

This is certainly a company problem that will have an impact on the deterioration of the company's image which can have a negative effect and create a weak company strength in competing. Not only is the company's image considered bad, but it will also have an impact on the company's reputation and public trust in the company will decrease.

In this situation, management participation is crucial with the ultimate goal of realizing various activities and projects within PT PGE's corporate social responsibility, thus building mutually beneficial interactions between the community and the wider surrounding company. Therefore, looking at the big picture above, it is important to research the influence of Corporate Social Responsibility (CSR) on the Corporate Image of PT Pertamina Geothermal Energy Area Kamojang in the community.

## **LITERATURE REVIEW**

### ***Corporate Social Responsibility(CSR)***

*Corporate Social Responsibility(CSR)* in this modern era has become an integral part of the corporate orientation. The principle of dependence and mutual benefit turns out to be the main foundation for implementing social responsibility programs (Prasetyo, 2023). In general, the implementation of business ethics that is currently developing is manifested in the form of Corporate Social Responsibility (Gege, 2014).

There are various interpretations of Corporate Social Responsibility (CSR). One of them views CSR as an ongoing business obligation to act morally, encourage economic growth, and improve the standard of living of employees, society, and local communities (Situmeang, 2016). Furthermore, according to Ismail (2009) explains that CSR is a concept in which business organizations consider the interests of society by acting responsibly on the impact of company activities on employees, suppliers, customers, communities, and other stakeholders and the environment to improve their welfare. Based

on the concept adapted from Carroll (1991), Corporate Social Responsibility has 4 dimensions consisting of:

1. Economics, namely the company's role in community development can be reflected in various activities such as creating jobs, helping infrastructure (facilities), business capital assistance, to the distribution of fair profits between employees and shareholders.
2. Legal, that is companies are expected to comply with the rules and laws set by the government. The notion of "codified ethics" is reflected in legal obligations because it represents the fundamental notion of fair operation as laid down by legislators.
3. Ethical, namely activities and practices that are expected or prohibited by society even though they are not compiled into law.
4. Philanthropic, which includes corporate actions that respond to societal expectations that a company becomes a good corporate citizen. Apart from that, philanthropy is also a voluntary action or program for the community or the goodwill of a company to improve human welfare.

### **Corporate Image**

Every company, consciously or not, must have an image in the eyes of society. Corporate image is very important for the company as part of whether or not the company's performance is trusted (Rifa'i, 2019). The image does not come by itself but is formed by a person or group, from communication carried out by individuals and organizations and there is openness in efforts to build the expected positive image (Rondonuwu, 2020). According to Ruslan (2016), the image can also be understood as an impression, image, and something that is felt by someone towards an object (object, person, organization/company). Either the impression arises by itself or is deliberately formed by the person or company concerned.

Indrasari in his book *Marketing & Customer Satisfaction* (2019) explains that corporate image is related to the physical attributes related to the company such as name, building, product, or service, to influence the quality communicated by everyone so that they are interested in the company. The image or image describes the overall impression made by the public about the company and its products. So the image is influenced by many factors beyond the company's control (Maulyan et al., 2019).

The dimensions of the company's image will affect the impression and perception of the target object towards the company. Following are some dimensions of the corporate image according to Shirley (1995) as follows:

1. Personality, namely the overall characteristics of companies that are understood by the target public such as companies that can be trusted, and companies that have responsibility.
2. Reputation, namely public perception of past organizational actions and future organizational prospects, of course, compared to similar or competing organizations.
3. Value, namely certain conditions that have been achieved by a company is an illustration of public trust in the company after going through a process of activity for several years, namely since the company was founded until now.
4. Corporate identity, namely components that make it easier for the target public to recognize the company such as logos, colors, and slogans.

### **Framework**

This study consists of two variables, namely the independent variable and the dependent variable. The independent variable is Corporate Social Responsibility (CSR), while the dependent variable is company image. CSR is a type of corporate concern that

makes it possible to build a corporate image. The CSR conceptual model has four dimensions: Economic, Legal, Ethical, and Philanthropic (Carroll, 1991). This model shows that companies are responsible for generating profits for stakeholders, complying with legal requirements, carrying out activities as members of society (excluding activities required by law), and carrying out philanthropic activities (Carroll, 1998). After that, the company's image is the overall perception that consumers have of the company as a result of various feelings, concepts, attitudes, and past interactions with the company that are stored in memory. Depending on the consumer's thoughts and experiences with the company, the impression is then changed to a negative or positive image. The corporate image consists of four dimensions: personality, reputation, value, and Corporate Identity (Shirley, 1995).

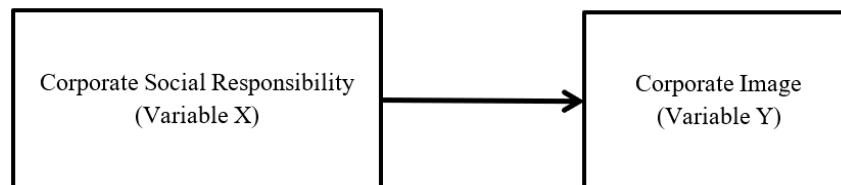


Figure 1: Research Model

From the framework that has been described, this research produces the following hypothesis.

H<sub>1</sub>= There is an influence of Corporate Social Responsibility (CSR) on the corporate image.

## RESEARCH METHOD

The method in this study is a quantitative approach with an explanatory survey method. After that, the research population is the community in the Kamojang area, Bandung Regency, Indonesia, ring 1 area of CSR implementation, namely Sukakarya Village, Laksana Village, and Lampegan Village with a population based on age starting at 15 years - 64 years with a total of 11,791 people. The total sample used an internal approach and obtained 170 samples. Then, the samples collected were 186 samples and 177 samples that could be processed. The criteria for the sample are the people of Sukakarya Village, Laksana Village, and Lampegan Village, aged 17 to 64 years, and know at least one CSR program from Pertamina Geothermal Kamojang.

Data was collected by distributing questionnaires to selected respondents. To find out if the questionnaire is valid and consistent, validity and reliability tests are carried out. The results of the validity test on the CSR variable as many as 9 statement items obtained a correlation value of  $\geq 3$ , which means that all of these items are valid and the correlation value on the 9 items statement of the corporate image variable is only 8 items declared valid. After that, the results of testing the reliability of the CSR and corporate image variables were 0.719 and 0.690 respectively, where the value was more than 0.6, which means that the data obtained was feasible to use for this study (Gursida and Harmon, 2017). To determine the effect of CSR on corporate image, this study uses a regression test, test the coefficient of determination, a correlation test, and test the hypothesis.

## RESEARCH RESULTS

The results of data processing to see the effect of Corporate Social Responsibility (CSR) on the corporate image are carried out by a simple regression test as follows.

Table 1: Coefficient of Regression Equation

| Coefficients <sup>a</sup> |            |                             |            |                           |        |      |
|---------------------------|------------|-----------------------------|------------|---------------------------|--------|------|
| Model                     |            | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|                           |            | B                           | Std. Error | Beta                      |        |      |
| 1                         | (Constant) | 19.030                      | 1.749      |                           | 10,879 | .000 |
|                           | CSR        | .336                        | .052       | .442                      | 6,526  | .000 |

a. Dependent Variable: Corporate Image

When entered into the regression equation model, the equation formed is as follows.

$$Y = 19.030 + 0.442X$$

Description: Y = Corporate Image; X = Corporate Social Responsibility (CSR)

Based on the simple regression model above, the following information is obtained:

a = a constant number of 19.030, which means that if there is no change in the CSR variable (X) then the value of the consistency of the company's image (Y) is 19.303.

b = The coefficient number is 0.442, which means that for every additional 1 level of the CSR variable, the company's image increases by 0.442.

Table 2: Model Summary

| Model Summary <sup>b</sup> |                   |          |                   |                            |
|----------------------------|-------------------|----------|-------------------|----------------------------|
| Model                      | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1                          | .442 <sup>a</sup> | .196     | .191              | 2.736                      |

a. Predictors: (Constant), Corporate Social Responsibility  
b. Dependent Variable: Corporate Image

Table 2 model summary is used to analyze the coefficient of determination. It can be seen in the table that the number (R Square) represents the coefficient of determination or how strong the interaction between the two variables is. From these results obtained (R Square) of 0.196, which states that the effect of CSR on the corporate image is 19.6%. While the other 80.4% is influenced by other factors outside the CSR variable.

Table 3: Correlation Between Variables

| Correlations                    |                     |                                 |                 |
|---------------------------------|---------------------|---------------------------------|-----------------|
|                                 |                     | Corporate Social Responsibility | Corporate Image |
| Corporate Social Responsibility | Pearson Correlation | 1                               | .442**          |
|                                 | Sig. (2-tailed)     |                                 | .000            |
|                                 | N                   | 177                             | 177             |
| Corporate Image                 | Pearson Correlation | .442**                          | 1               |
|                                 | Sig. (2-tailed)     | .000                            |                 |
|                                 | N                   | 177                             | 177             |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Table 3 is a correlation test conducted to find the relationship between the two variables. The correlation value of the CSR variable with corporate image obtains a correlation coefficient of 0.442 (positive) which indicates a normal/moderate/sufficient correlation, and a significant value of  $0.000 < 0.05$ . This means that there is a positive and significant relationship between CSR variables and corporate image.

In this study, hypothesis testing was carried out by looking at the significant value in the coefficients table. If the significance value is less than 0.05, then there is an influence from CSR (X) on the corporate image (Y). The following is the hypothesis of this study:

H<sub>1</sub>: There is an influence of Corporate Social Responsibility on the corporate image

Based on Table 1, namely the previous coefficients table which contains the regression equation, it can be seen that the significance value is 0.000. That is, if the significance value is less than 0.05 or  $0.000 < 0.05$ , it can be concluded that H<sub>1</sub> is accepted. So it is proven that there is an influence of Corporate Social Responsibility (X) on corporate image (Y).

## DISCUSSION

The majority of respondents were female at 61.0%, aged between 26 - 35 years followed by 36 - 45 years. This age range is included in the productive age entering the adult phase. In terms of average monthly income, the majority have less than Rp. 500,000, which is the perception of housewives because many women work as housewives by 44.1%. Then followed by an average monthly income of Rp. 2,000,001 to Rp. 3,500,000. And the majority of the community's education there is SMA/SMK/equivalent, which indicates that the community can provide questionnaire statements independently. After that, from the knowledge side of the CSR program, it was found that there were 95.

Based on the coefficient of determination, the Corporate Social Responsibility variable has an effect of 19.6% on corporate image and another 80.4% is influenced by other factors. The correlation test obtained a correlation coefficient value of 0.442 (positive), this number indicates a "normal" relationship between CSR and corporate image, and the significance value of the correlation test is 0.000 less than 0.05 which means it is significant. This means that there is a positive and significant relationship between CSR and corporate image.

In this study, the Philanthropic dimension has the strongest influence. This is by following the research of Mandina et al. (2014) who examined the efficiency of CSR in creating and enhancing corporate image, focusing on corporate philanthropy, and found that practising philanthropic activities leads to improving corporate image and strengthening relationships with the community. When researchers made observations of the Kamojang community, they found that the most philanthropic activities were found in the community. Like the community getting social assistance in the form of COVID-19 pandemic assistance, vaccination assistance, provision of necessities to the community, helping the community around Kamojang whose house caught fire, and providing assistance in the form of money.

The results of this study are also in line with research from Al Mubarak et al. (2019) which explains that the Corporate Social Responsibility variable has a significant value on corporate image. The economic dimension has the strongest influence on corporate image and the ethical dimension has the least influence on corporate image. Then, this research is also supported by research from Woldeamanuel (2022) which states that the four dimensions of Corporate Social Responsibility have a significant effect on corporate

image variables. The economic dimension has the greatest influence, while the ethical dimension has the least influence on corporate image. Although the research of Al Mubarak et al. (2019) and Woldeamanuel (2022) are in line,

This is certainly contrary to the concept of Carroll (2016) which explains that the Economic dimension is placed as the basis because it is a fundamental need in the company. Likened to a building footing must be strong to support the entire building, and sustainable profitability must be strong to support other societal expectations from the company. The bottom line is that CSR infrastructure is built on the premise of an economically sound and sustainable business. Because the Economic dimension is the dimension that has the least influence, this could be due to the lack of Economic dimension indicators that focus on the company's contribution needed by society, so that it has the least influence. In this case, research results may vary because Fadun's research (2014) found findings stating that the four dimensions or components of CSR are not of the same degree of importance. This means that every company that carries out CSR activities has different interests.

## CONCLUSIONS

Based on the discussion that has been described in the section above, the following conclusions are obtained.

Judging from the results of the correlation test, the correlation coefficient value is 0.442 (positive) with a significance value (Sig.)  $0.000 < 0.05$ , which means that the Corporate Social Responsibility (CSR) variable has a positive and significant effect on corporate image. Nevertheless, the influence of CSR on corporate image based on the coefficient of determination is as much as 19.6%, which means that the influence of CSR is still very small, while the other 80.4% is influenced by other factors.

Following the results of this study, it is hoped that future researchers can obtain updates on the Pertamina Geothermal Energy Kamojang CSR program and add new variables such as CSR digital variables. In addition, it is expected to increase the size of the research sample and involve more stakeholders such as company employees and managers.

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