

**THE EFFECT OF THE IMPLEMENTATION OF CORPORATE
SOCIAL RESPONSIBILITY (CSR) ON COMPANY IMAGE
(Study Case in State Owned Companies in Indonesia Using CSR Disclosure Index
from 2015-2020)**

A THESIS

**Presented as Partial Fulfillment of the Requirements to Obtain the Bachelor Degree
in Accounting Study Program**



By

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Student Number: 14312015

**INTERNATIONAL PROGRAM
ACCOUNTING STUDY PROGRAM
FACULTY OF BUSINESS AND ECONOMICS
UNIVERSITAS ISLAM INDONESIA
YOGYAKARTA
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DECLARATION OF AUTHENTICITY

Herein I declare the originality of the thesis; I have not presented anyone else's work to obtain my university degree, nor have I presented anyone else's words, ideas or expression without acknowledgment. All quotations are cited and listed in the bibliography of the thesis.

If in the future this statement is proven to be false, I am willing to accept any sanction complying with the determined regulation or its consequence.

Yogyakarta, December 6, 2021



Fahmi Reza Gilang Perkasa

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THESIS APPROVAL PAGE

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**THE EFFECT OF THE IMPLEMENTATION OF CORPORATE SOCIAL
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A BACHELOR DEGREE THESIS

By:

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This thesis or research is a final project in Accounting Study Program, Faculty of Business and Economics, Universitas Islam Indonesia, Yogyakarta, that is required to complete undergraduate study and acquire a bachelor's degree. The researcher recognizes that completing this thesis will require the assistance of individuals who are willing to provide both material and non-material support. For this reason, on this occasion please allow the researcher to humbly express his deepest gratitude to:

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Yogyakarta, 29 November 2021



Fahmi Reza Gilang Perkasa

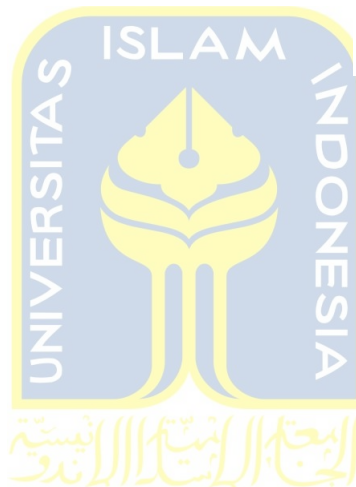
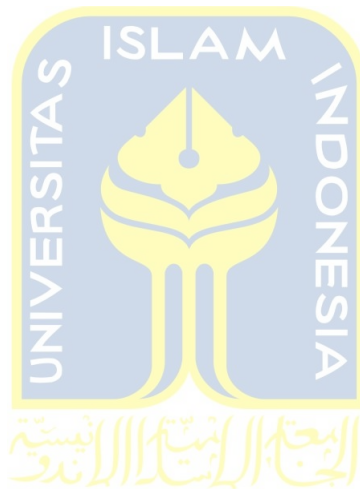


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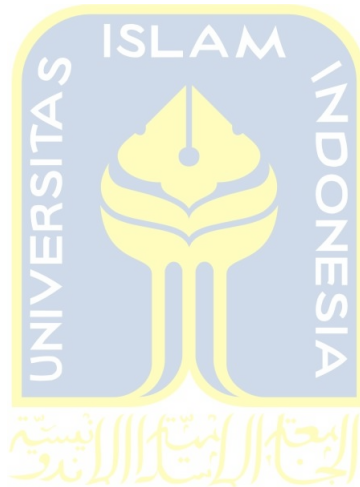
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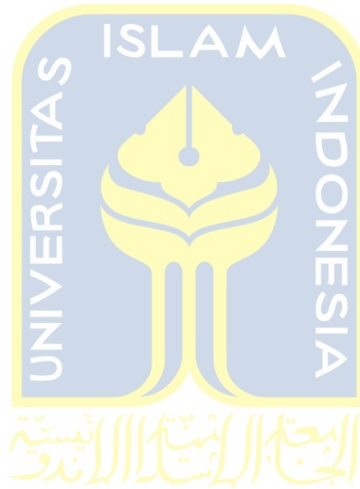
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ABSTRACT

The purpose of this research is to find out and analyze the effect of Corporate Social Responsibility (CSR) to the company image using disclosure index. This research method uses quantitative methods and multiple regression analysis by testing classical assumptions before getting the best research model. The variables in this study are Corporate Social Responsibility (CSR) and Product Quality as independent variables and Company Image as dependent variable. The data in this research are secondary data obtained from Annual Report and Sustainability Report from the State Owned Companies.

The result of this research indicate that Corporate Social Responsibility (CSR) and Product Quality have significant effect on Company Image. Partially both of variables have a significant impact on Company Image.

Keywords: CSR, Product Quality, Company Image



ABSTRAK

Tujuan dari penelitian ini adalah untuk mengetahui dan menganalisis pengaruh Corporate Social Responsibility (CSR) terhadap citra perusahaan menggunakan indeks pengungkapan. Metode penelitian ini menggunakan metode kuantitatif dan analisis regresi berganda dengan menguji asumsi klasik sebelum mendapatkan model penelitian terbaik. Variabel dalam penelitian ini adalah Corporate Social Responsibility (CSR) dan Kualitas Produk sebagai variabel bebas dan Citra Perusahaan sebagai variabel terikat. Data dalam penelitian ini adalah data sekunder yang diperoleh dari Annual Report dan Sustainability Report dari Badan Usaha Milik Negara.

Hasil penelitian ini menunjukkan bahwa Corporate Social Responsibility (CSR) dan Kualitas Produk berpengaruh signifikan terhadap Citra Perusahaan. Secara parsial kedua variabel tersebut berpengaruh signifikan terhadap Citra Perusahaan.

Kata Kunci: CSR, Kualitas Produk, Citra Perusahaan

CHAPTER I

INTRODUCTION

1.1 Study Background

People are becoming more conscious of the social effects that businesses have as a result of their manufacturing processes. This puts pressure on businesses to consider the social consequences of their actions and how to address them. The company's social responsibility (Corporate Social Responsibility) extends beyond environmental protection to all stakeholders, including staff, clients, creditors, shareholders, and the community (Parengkuan, 2017). CSR began with "philanthropic" practices, such as humanitarian encouragement focused on common norms and ethics to benefit others and fight for social equality. Companies are currently using CSR as a tool to boost their brand, which has an effect on their financial results (Sari & Azizah, 2019).

CSR is one way for a company to show its commitment to the environment (Corporate Social Responsibility). CSR is a form of corporate responsibility that focuses on addressing social inequity and environmental harm caused by a company's operations. CSR is a term that encompasses all aspects of a company's activities, including economic, social, and environmental aspects, and extends to all stakeholders (consumers, workers, shareholders, societies, and the environment) (Wardani, 2015).

According to Aryati (2017), since August 16, 2007, the legal basis for companies to conduct CSR has been stated in Article 74 of the Limited Liability Company Law No. 40 of 2007. This law governs the acts that businesses must take in relation to natural resources for which they must be held responsible, particularly in the areas of the environment and social responsibility. Companies must be able to compete in a safe way, follow the rules/norms, and not engage in actions that damage the environment due to the rapid growth of the business world. If the company violates it, legal action will be taken against it. The business should not only concentrate on increasing profits; it also needs to think about the production risks that may have negative social and environmental consequences (Respati & Hadiprajitno, 2015).

The state of the location where a business is based can be a barometer of the company's ability to compete. As a result, in a pyramid model, CSR must be interpreted as a whole. CSR is a form of corporate social responsibility that focuses on the triple bottom line of profit, people, and also the planet (3P) (Prasetyo & Meiranto, 2013-2015, 2017).

According to Law No. 25 on Investment in 2007, the Corporate Social Responsibility itself, the Investment Law also includes a clause governing corporate social responsibility. Article 15b stated "Every investor has an obligation: to perform corporate social responsibility." The interpretation of the letter b of Article 15 adds that "corporate social responsibility" is an inherent responsibility of every investment company, that is, to continue Create harmony,

balance and invest in accordance with the environment, values, norms and culture of the local community.

The existence of PT Telekomunikasi Indonesia Tbk. in society or this digital-based company has always had a responsibility to ensure that the community uses existing technologies wisely and intelligently to achieve positive goals and make all work easier. Technology has a great influence on globalization. Globalization has brought new challenges and problems that must be resolved in order to use globalization to benefit lives (Nurhaida & Musa, 2015). Aware of the significant impact of its business activities on people's lives, PT. Telekomunikasi Indonesia Tbk. committed to ensure that the impact is always positive. Therefore, the researcher wrote that the CSR social responsibility activities that were carried out by PT. Telekomunikasi Indonesia Tbk. Would bring the greatest benefits to the community in a planned and sustainable way (Gina, 2019).

Telkom CSR consists of a partnership plan, a community development plan and CSR public relations, or consists of activities outside the partnership plan and a community development plan. CSR activities PT. Telekomunikasi Indonesia Tbk. is based on the community's sustainable development policy and consists of three pillars, namely, digital environment, digital society and digital economy (Gina, 2019).

Sutrisno (2016) argued that in the field of social and community development, PT. Telekomunikasi Indonesia Tbk. attaches great importance to the field of education. Education is a complex activity, including various

components that are closely related to each other. According to Telkom, a good education is a prerequisite for someone to live a fulfilling life and contribute to society. Furthermore, idealism in education prioritizes universal humanist ideals in order for these values to shape quality human beings (Widodo, 2015).

Many companies in Indonesia have continuously introduced numerous CSR programs that are unquestionably beneficial to the society as what PT. Telekomunikasi Indonesia Tbk has done by organizing a CSR program based on the Triple Bottom Line principle. Using the three main pillars of Telkom's CSR in accordance with the Triple Bottom Line concept of synergizing the world, culture, and benefit, efforts are then made to achieve the task of "Enlightening Society," which is to help the success of the Indonesian people in achieving development, through activities on the three main pillars of Telkom's CSR (Viani, 2016). Based on the background of the problem that had been described, the researcher conducted research entitled **“THE EFFECT OF THE IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY (CSR) ON COMPANY IMAGE IN STATE OWNED COMPANIES IN INDONESIA (Study Case in State Owned Companies in Indonesia Using CSR Disclosure Index from 2015-2020)”**.

1.2 Problem Formulation

Based on the description in the background, the formulations of this research are as follow:

1. Does the application of Corporate Social Responsibility (CSR) have an influence on the company's image?
2. What is the impact on companies that implement Corporate Social Responsibility (CSR)?

1.3 Objective of the Research

Based on the formulations of the problem above, the research objectives are as follow:

1. To examine the influence of the application of Corporate Social Responsibility (CSR) on the company's image.
2. To examine the impact of companies implementing Corporate Social Responsibility (CSR).

1.4 Benefits of the Research

Based on the formulations of the problem above, the benefits of the research are as follow:

1. This research is expected to provide information about the influence of implementing Corporate Social Responsibility (CSR) by companies.
2. This research is expected to provide experience and knowledge that can be applied by the researcher.
3. As information material for further research.

CHAPTER II

LITERATURE REVIEW

2.1. Literature Review

2.1.1 Stakeholder Theory

Stakeholder theory refers to the practices and policies of a company's readiness to operate a business and contribute to sustainable growth, and is linked to the application of legal provisions, principles, stakeholders, and societal and environmental appreciation (Murnita & Putra, 2018). Stakeholders expect organizational management to report on activities that they believe are relevant and should be carried out. A report on the company's social events is one of the activities that must be registered. Since the company has an obligation to all stakeholders, not just shareholders, the company must report on its operations. The aim of stakeholder theory is to assist organizational managers in increasing the importance of their activities' effects and minimizing losses to stakeholders (Ulum, 2017).

CSR activities apply not only to the company's owners (shareholders), but also to the stakeholders that have a direct effect on the company's survival (Gantino, 2016). Strong stakeholder support for company operations will help businesses increase the amount of CSR they report (Saputri & Utami, 2020). Companies that do not pay attention to their stakeholders, according to Prasetyo & Meiranto (2017), would find it difficult to obtain resource support to achieve optimum profit targets, even if their output is decent.

2.1.2 Legitimacy Theory

Legitimacy theory is a social consensus between the business and the society that absorbs resources around the company (Ulum, 2017). According to Sayekti & Wondabio (as cited in Benne & Moningka, 2020), legitimacy theory is a type of contract between a corporation and the community to carry out business operations based on justice principles, implying that the company's value system is in line with societies. The company's CSR disclosure is used to legitimize or explain the company's actions in the eyes of the government (Putra & Wirakusuma, 2017).

If the organization receives approval (legitimacy) from the societies in which it operates, it would be able to accomplish its goals successfully. The company must be able to offer incentives to the people who live around the company's operating locations in addition to the company's own interests (Saputri & Utami, 2020).

Community legitimacy is an important strategic consideration for the company's future growth. This can be used to develop company strategy, especially in the context of efforts to place oneself in an increasingly advanced society. Companies may be seen as desiring or seeking organizational legitimacy from society. As a result, reputation is a possible advantage or resource for the company's long-term survival (going concern) (Cecilia, Rambe, & Torong, 2015).

2.1.3 Corporate Social Responsibility (CSR)

CSR is an activity that involves ethics and corporate responsibility in the execution of organizational activities while balancing economic, social, and environmental factors. CSR is a form of participation and attention paid by a company to enhance the well-being of the community at large, which has a positive effect on the company's survival (Rahman et al., 2018).

According to Situmeang (2016), Corporate Social Responsibility (CSR) is described as the communication of corporate organizations directed at the society, and it is a concept and an idea in which the corporation is no longer faced with a responsibility based on a single bottom line, that is, the company's importance is expressed solely in its financial condition. However, when it comes to CSR, it must be founded on triple bottom lines. Apart from the economic bottom line, there are also social and environmental considerations.

According to Hadi (as cited in Oktina et al., 2020), in introducing CSR in a business, John Elkington revealed the triple bottom line principle, which states that if a company wishes to be sustainable, it must pay attention to the 3Ps, namely profit, people, and the environment. This definition describes the connection between protecting natural resources and the environment (planet), corporate profits (profit), and maintaining relationships with the general public and the company's surroundings (people). Where profit is a type of obligation that the business must fulfill and is the primary focus of a company, such as profit. People, on the other hand, are people who work in the company's immediate vicinity and are normally the direct beneficiaries of any

company-run services. In order to generate value for an organization, the group must have a strong relationship. The planet is the physical world that surrounds a business and is typically affected directly by all of the company's activities. Any business activity that causes environmental harm and is not addressed by the associated company and persists for an extended period of time will disrupt the local environment's equilibrium and, as a result, have a negative effect on the company and the surrounding community.

2.1.4 CSR Regulation in Indonesia

There are several laws or regulations governing CSR in Indonesia:

1. Law Number 21 of 2014 concerning Geothermal Energy the Geothermal Law also has an article that regulates corporate social responsibility. This law mentions the terms corporate social responsibility and community development at the same time. Article 65 paragraph (2) letter b reads: "In implementing Geothermal management, the community has the right to: get benefits from Geothermal exploitation activities through the company's obligation to fulfill corporate social responsibility and/or develop the surrounding community."
2. Government Regulation Number 47 of 2012 concerning Social and Environmental Responsibility of Limited Liability Companies The government issued PP No. 47 of 2012 as an implementing regulation of Article 74 of the PT Law above. PP No. 47 of 2012 which was signed by President Susilo Bambang Yudhoyono contains only nine articles. One of

the regulations that is regulated is the mechanism for implementing the company's Social and Environmental Responsibility. Article 4 paragraph (1) PP No. 47 of 2012 states, "Social and environmental responsibility is carried out by the Board of Directors based on the Company's annual work plan after obtaining approval from the Board of Commissioners or the GMS in accordance with the articles of association of the Company, unless otherwise stipulated in the laws and regulations."

3. Law Number 13 Year 2011 Concerning Handling the Poor, there are at least two articles that pertain to CSR in Law no. 13 of 2011. First, Article 36 paragraph (1) letter c, which states that one of the sources of funding in handling the poor is funds set aside from corporate companies. This provision is reinforced by Article 36 paragraph (2) which states, "Funds set aside from corporate companies as referred to in paragraph (1) letter c shall be used maximally for handling the poor." Apart from that, there is also Article 41 which uses the term community development. Article 41 paragraph (3) explains that business actors participate in providing community development funds as a manifestation of social responsibility for handling the poor.
4. Government Regulation No. 23/2010 concerning the Implementation of Mineral and Coal Mining Business Activities PP No. 23 of 2010 is the implementing regulation of the Minerba Law. This PP explains more about the development and empowerment of the community as mentioned by the Minerba Law. There is one special chapter, namely CHAPTER XII, which

consists of four articles that regulate community development and empowerment. One of them is Article 108 which states, "Every holder of a Production Operation IUP and a Production Operation IUPK is obliged to submit a report on the realization of the community development and empowerment program every 6 (six) months to the minister, governor, or regent/mayor in accordance with their authority." Violation of this obligation may be subject to administrative sanctions.

5. Law Number 4 of 2009 concerning Mineral and Coal Mining the Minerba Law does not explicitly mention social responsibility, but uses the term community development and empowerment programs. Article 108 paragraph (1) of the Minerba Law states that "Holders of IUP (Mining Business Permit) and IUPK (Special Mining Business Permit) are required to prepare community development and empowerment programs." Article 1 point 28 of the Minerba Law defines community empowerment as "an effort to improve the capacity of the community, both individually and collectively, so that their life level will be better."
6. Law No. 40 of 2007 on Limited Liability Companies, Law No. 25 of 2007 on Investment, and Per-5/MBU/State-owned Enterprise State Affairs of 2007 on partnerships the ministerial regulations use small business and community development plans to program BUMN, especially for BUMN companies. Since then, corporate social responsibility has been incorporated into the law on limited liability companies in Law No. 40 of 2007.

7. Law Number 25 of 2007 concerning Investment the Investment Law also includes an article regulating CSR. Article 15 letter b states: "Every investor is obliged to carry out corporate social responsibility." The elucidation of Article 15 letter b adds that what is meant by "corporate social responsibility" is the responsibility inherent in every investment company to continue to create harmonious, balanced, and in accordance with the environment, values, norms and culture of the local community.
8. Law Number 22 Year 2001 regarding Oil and Gas the Oil and Gas Law does not explicitly regulate corporate social responsibility. However, if you read it carefully, there is one rule that implicitly alludes to CSR. The provision is Article 11 paragraph (3) letter p, which states, "The Cooperation Contract as referred to in paragraph (1) must contain at least the basic provisions, namely: development of the surrounding community and guarantee of the rights of indigenous peoples."

2.1.5 Component of CSR

According to Carrol (as cited in Nurjanah & Rizky, 2019) the components of corporate social responsibility are divided into four groups by:

a. Economy Responsibilities

Since business institutions are made up of economic operations that profitably generate products and services for the society, the economy is the company's primary social responsibility.

b. Legal Responsibilities

The community hopes that the business is conducted in accordance with the current laws and regulations, which are ultimately created by the community through the legislative body.

c. Ethical Responsibilities

People expect the company to operate in an ethical manner. The moral reflection carried out by business people individually and institutionally (organization) to determine a problem, where this evaluation is a choice of values that emerge in a society, is referred to as business ethics.

d. Discretionary Responsibilities

The group hopes that the company's presence would be beneficial to them. Various philanthropic activities help the corporation meet this public expectation.

Based on the above components, it can be inferred that a company's Corporate Social Responsibility (CSR) activities are primarily economic in nature, in which case the economy can take the form of money or products that support society. Companies must follow all relevant laws and regulations when doing business, as well as conduct themselves ethically (Nurjanah & Rizky, 2019).

2.1.6 CSR Programs

There are six types of Corporate Social Responsibility (CSR) programs, according to Kotler and Lee (as cited in Nurjanah & Rizky, 2019). The

company's decision on which alternative Corporate Social Responsibility (CSR) program to adopt is largely based on the following six types of programs:

a. Cause Promotions

In this program, the company donates funds or other assets to raise public awareness about a social issue, or to promote fundraising, community engagement, or volunteer recruitment for a specific activity.

b. Cause Related Marketing

Depending on the amount of retail sales, the company has agreed to contribute a certain portion of its profits to a charitable activity under this scheme. These programs are primarily focused on the selling of specific goods for a limited time span, as well as charitable activities. Companies typically engage in Cause Related Marketing (CRM) practices such as contributing a certain amount of money for each product sold.

c. Corporate Social Marketing

The company creates and implements campaigns to change people's actions in order to improve public health and safety, maintain a sustainable lifestyle, and increase community wellbeing through this initiative. The Corporate Social Marketing (CSM) initiative focuses on promoting lifestyle improvements related to a variety of health problems, as well as accident/loss prevention, environmental conservation, and community engagement.

d. Corporate Philanthropy

In this scheme, the company makes direct charitable contributions to specific groups of people. The majority of these contributions are in the form of cash, free assistance packages, or services. Corporate philanthropy is commonly associated with the company's different charitable programs.

e. Community Volunteering

The business supports and encourages staff, franchisees, and fellow retailers to volunteer their time to benefit local community groups and neighborhoods through this initiative.

f. Socially Responsible Business Practice (Community Development)

In this initiative, the company goes beyond what is mandated by law in terms of corporate practices and invests in social activities with the aim of enhancing community health and protecting the environment. Employees, vendors, dealers, and non-profit organizations that work with the business and the community in general are all considered part of the community in this situation. Meanwhile, well-being encompasses facets of fitness, protection, and the satisfaction of psychological and emotional needs.

2.1.7 Benefits of CSR

According to Susanto (as cited in Nayenggita et al., 2019), the company's ability to enhance people's lives could allow it to provide significant and profitable benefits. The first advantage of introducing Corporate Social Responsibility programs is the elimination of risk and the avoidance of allegations of unfair treatment. It can be generally seen from the described

statements that corporate social responsibility activities are contributions made by companies or business participants to promote sustainable communities or social participation in an effort to improve the quality or welfare of companies and communities. The second benefit in implementing CSR is that it acts as a buffer, allowing companies to minimize the negative effects of a crisis. Employees' involvement and pride in helping to improve the welfare and quality of life of the community and the surrounding environment will be able to improve and strengthen the relationship between the company and the community, and the consistency will be able to improve and strengthen the relationship between the company and the surrounding environment.

CSR activities are items accomplished by businesses or business actors in contributing to sustainable community or social participation in achieving efforts to enhance the efficiency or welfare of the organization and society, according to the statements mentioned (Nayenggita, Raharjo, & Resnawaty, 2019).

2.1.8 Product Quality

Quality refers to the set of features and characteristics that enable a product to meet specified and unstated needs. It includes things like product longevity, accuracy, ease of use and repair, and other value attributes (Sarifuddin, 2017).

According to Tjiptono (as cited in Sarifuddin, 2017), product quality as "efforts to meet or exceed consumer expectations; quality encompasses

goods, services, individuals, processes, and the environment; quality is an ever-changing situation" (e.g., what is considered quality today may be considered less quality in the future). In today's business world, products are critical tools for achieving growth and prosperity. Companies must continue to produce products as a result of technological advancements, intensified global competition, and consumer needs and desires. There are only two options: succeeding in product production and producing superior products, or failing to meet business objectives because the products are unable to compete in the market. Each company or manufacturer must select a quality level that will aid or assist efforts to increase or sustain the product's quality in its target market (Sarifuddin, 2017).

2.1.9 Company Image

According to Wijaya (2015), the life of a company is influenced by society. Any company operating activity has the potential to have a positive or negative effect on the society in which it operates. The organization would be able to achieve sustainable growth and development if it pays attention to social aspects. The rise of community opposition to businesses as a result of this social element being overlooked, resulting in environments that are not conducive to the company's operations.

Corporate image, according to Silih Agung & Jim (2015), is a perception of truth (which evolves in the minds of the public) (which appears in the media). As a result, in order to achieve the picture that company

management desires, we must first comprehend the selection process that occurs when the public receives knowledge about the facts. The corporate image is compared to an "iceberg" effect, which can be seen in the collective mentality or opinion when accepting truth. According to the circumstance or fact that exists in the organization from time to time, the public may obtain a range of details about the company.

Every entity, whether person, organization, or product, has an image and an inherent reputation (Gassing & Suryanto, 2016). The image that many people have of an individual, corporation, organization, or product is referred to as image. Meanwhile, according to Philip Kotler, an image is a collection of beliefs, ideas, and perceptions that a person has about an object, as described in Gassing & Suryanto (2016). There are six types of images, according to Frank Jefkins in Gassing & Suryanto (2016):

1. Mirror image, a representation of an image that is believed and deemed right by a company or a company leader who believes that outside the company has seen that the company has a positive answer, even though this is not always the case. This is due to variations in desires that vary from the fact that exists in the general population when it comes to the agency.
2. Current image, image that is directly linked to word-of-mouth or knowledge gathered from others. Image is now linked to a person's perception of an organization, agency, or business, and that perception is then shared with others. This would not be a concern if the information provided is positive about the agency; however, it will become a major issue if the information

provided is negative about the agency, such as animosity, mistrust, or bias, resulting in misunderstandings and resentment of the agency.

3. Wish image, the image that the public expects from the organization is well received and interpreted. The picture of desire is directly proportional to expectations and results; the organization has high expectations, and the public responds favorably to this perception.
4. Corporate image, a company's effort in the eyes of the public, in terms of how the company's reputation gets a positive image, is best understood and embraced by the public. Public relations have a responsibility to work for and be accountable for improving the company's reputation, which is one of the company's main objectives.
5. Multiple images, this image complements the company's image. Logos, identity characteristics, brand names, uniforms, and skilled employees are identified in a range of photographs combined with the company's image which are the examples of this.
6. Performance image, this image is more targeted at the company's topic, which is linked to each member's success or self-appearance in order for them to hold the organization's image. Starting with greeting, behaving, and engaging with customers, this can represent company ethics.

According to David & Lego (2016), corporate image refers to how people view businesses, goods, and all of the company's effects on society, whether directly or indirectly. Business image according to Siringoringo & Kurniawan (2018) is a public perception or thinking about a company that is

created from the customer's overall impression. The impression of the quality of employees' communication in building relationships with customers is related to physical characteristics and company attitudes, product and service creativity, and the impression of the quality of employees' communication in building relationships with customers.

According to Prasiska et al., (2017), the 2011 Corporate Image Index survey which was conducted by Frontier Marketing & Research Consultant in partnership with Business Week Magazine on approximately 120 large corporations in Indonesia, the tests of the company's image was on four dimensions as follow:

- a. Quality Dimension. This dimension has to do with the company's product or service quality, its ability to innovate, and its level of confidence in the company.
- b. Performance Dimension. This dimension is concerned with the company's financial results as well as its ability to expand its market.
- c. Responsibility Dimension. This dimension has to do with environmental awareness and social responsibility.
- d. Attractiveness Dimension. This dimension takes into account the company's picture as formed by its employees.

2.1.10 Relationship Between CSR and Company Image

According to Susanto (as cited in Prasiska et al., 2017), companies that faithfully carry out their social duty will receive widespread support from the

society which will reap the benefits of the numerous activities they undertake. The introduction of a CSR program would improve the company's credibility and over time will contribute to its reputation.

Until now, the aim of a company being created was to maximize the profit and enhance the company's reputation, which will ensure long-term growth (sustainability) if the company considers economic, social, and environmental factors. The group has also been wise in evaluating how an organization relates to the community's and surrounding environment's needs. So far, CSR has been linked to the amount of money spent by the company (Prasiska et al., 2017).

According to Untung (Prasiska et al., 2017), intangible value is also very significant in relation to the degree to which the organization is involved and concerned with the environment. CSR is not only measured by the amount of money donated by the company; it is also measured by the extent to which the company is active and proactive with the environment. As a result, many businesses have adopted CSR initiatives as a dedication and corporate responsibility in contributing to economic, social, and environmental aspects, with the expectation of gaining community support and improving the company's profile.

As a result, the company's decision to use CSR as a tool to boost its reputation in a long-term sustainable manner is a sound one. This is because the CSR program's introduction would have a golden circle impact that benefits not only the organization but also its stakeholders. CSR will help not only the

organization, but also the society, the government, and the environment, if it is implemented properly (Oktina et al., 2020).

2.2. Review of Previous Study

Research on the effect of implementing Corporate Social Responsibility (CSR) on the company image has been carried out. Naufalia (2016) conducted a research entitled “The Effect of Corporate Social Responsibility on the Company Image of PT. Telekomunikasi Indonesia, Tbk. The purpose of this research was to assess the impact of corporate social responsibility on the company’s image at PT Telekomunikasi Indonesia, Tbk in North Jakarta. This research took place at Plaza Telkom in North Jakarta. During the research period, all Telkom customers who visited Plaza Telkom in North Jakarta were included in this research. The sample of this research were 67 customers and used incidental sampling technique. The result showed that the influence of corporate social responsibility on corporate image at PT. Telekomunikasi Indonesia, Tbk in North Jakarta is Strong in accordance with the interpretation criteria in Table Interpretation of Correlation Coefficients. Therefore, the results of this research can be concluded that there was an influence between corporate social responsibility and corporate image at PT. Telekomunikasi Indonesia, Tbk in North Jakarta.

Prasiska et al. (2017) conducted research on the CSR and Company Image. The purposes of the research aimed to know the influence of Corporate

Social Responsibility on the company's image in the community around the company of PT. Pandatex with measured variables of Corporate Social Responsibility of Community Support, Environment and Non territorial operations. This research used quantitative methods by conducting a survey on PT. Pandatex. The data analysis in this research used multiple linear analysis and resulted Community Support and Environment did not have significant influence on corporate image whereas Non U.S. Operation on the image of the company. As for the details of the value of the variable third as follows: Community Support registration of -1.298, Environment of 0.385 and Non territorial Operation of 7.381.

Oktina et al. (2020) conducted research entitled The Effect of CSR (Corporate Social Responsibility) Strategy Implementation in Improving Company Image in PT. PERTAMINA (PERSERO) in 2018. The purpose of this research was to determine the effect of implementing the CSR strategy carried out by PT. Pertamina (Persero) through various programs owned by the company's image. The method used in this research was qualitative method/approach. The data collected was obtained from the annual report of PT. Pertamina (Persero) in 2018 taken from IDX, articles and other documents. The results obtained from this research indicated that the overall implementation of CSR strategies carried out by PT. Pertamina (Persero) basically had an influence and played an active role in improving the image, reputation and credibility of the company.

2.3. Hypothesis Development

2.3.1 The application of Corporate Social Responsibility (CSR) on the company's image.

According to Wijaya (2015), the life of a company is influenced by society. Every company's operational activity has the potential to have a positive or negative impact on the communities where the company operates. Organizations will be able to achieve sustainable growth and development if they pay attention to social aspects while CSR is an activity that involves ethics and corporate responsibility in the implementation of organizational activities while still paying attention to economic, social and environmental factors. CSR is a form of participation and attention given by a company to improve the welfare of the wider community which has a positive impact on the company's survival (Rahman et al., 2018). The company's CSR program will offer benefits to the company itself. As a result, in today's world, people do not only consider costs but also have a positive effect on society as a whole. Improving the company's credibility has strategic implications for the company as a positive reputation which is one of its competitive advantages.

H1: CSR has a positive effect on company image.

2.3.2 The impact of companies implementing Corporate Social Responsibility (CSR).

Community legitimacy is an important strategic consideration for the company's future growth. This can be used to develop company strategy,

especially in the context of efforts to place oneself in an increasingly advanced society. Companies may be seen as desiring or seeking organizational legitimacy from society. As a result, reputation is a possible advantage or resource for the company's long-term survival (going concern) (Cecilia, Rambe, & Torong, 2015).

According to Susanto (as cited in Nayenggita et al., 2019), the company's ability to enhance people's lives could allow it to provide significant and profitable benefits.

- 1) The first advantage of introducing Corporate Social Responsibility programs is the elimination of risk and the avoidance of allegations of unfair treatment.
- 2) The second benefit in implementing CSR is as a buffer allowing companies to minimize the negative effects of a crisis. Employees' involvement and pride in helping to improve the welfare and quality of life of the community and the surrounding environment will be able to improve and strengthen the relationship between the company and the community, and the consistency will be able to improve and strengthen the relationship between the company and the surrounding environment.

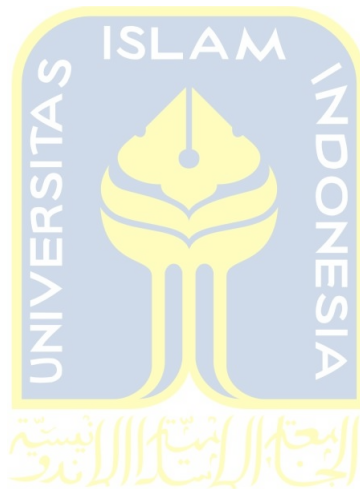
According to Susanto (as cited in Prasiska et al., 2017), companies that faithfully carry out their social duty will receive widespread support from the society which will reap the benefits of the numerous activities they undertake. The introduction of a CSR program would improve the company's credibility and, over time, will contribute to its reputation.

As a result, the company's decision to use CSR as a tool to boost its reputation in a long-term sustainable manner is the right decision. This is because the CSR program's introduction would have a golden circle impact that benefits not only the organization but also its stakeholders. CSR will help not only the organization, but also the society, the government, and the environment, if it is implemented properly (Oktina et al., 2020).

In today's business world, products are critical tools for achieving growth and prosperity. Companies must continue to produce products as a result of technological advancements, intensified global competition, and consumer needs and desires. There are only two options: succeeding in product production and producing superior products, or failing to meet business objectives because the products are unable to compete in the market. Each company or manufacturer must select a quality level that will aid or assist efforts to increase or sustain the product's quality in its target market (Sarifuddin, 2017).

Research on the effect of implementing Corporate Social Responsibility (CSR) on the company image has been carried out. Naufalia (2016) conducted research entitled The Effect of Corporate Social Responsibility on the Company Image of PT Telekomunikasi Indonesia, Tbk. The purpose of this research was to assess the impact of corporate social responsibility on the company's image at PT Telekomunikasi Indonesia, Tbk North Jakarta. The result showed that the influence of corporate social responsibility on corporate image at PT. Telekomunikasi Indonesia, Tbk in North Jakarta is Strong in accordance with the interpretation criteria in Table Interpretation of Correlation Coefficients.

H2: Corporate Social Responsibility (CSR) and product quality have significant impact on Corporate Image.



CHAPTER III

RESEARCH METHOD

According to Siyoto (2015), a coordinated inquiry or investigation that is diligent and critical in collecting evidence to determine something is known as research recognition. With the new application of this viewpoint, the aim of this research was to alter widely held conclusions or to change an opinion. The aim of this research was to find reasons and solutions to the problem, as well as alternative solutions to the problem-solving options.

This research used quantitative method with the existence of variables, which included research in the past, current, and future research issues. Descriptive research is described as research that explains or describes past and present (currently occurring) variables. Experimental research is performed on potential variables.

3.1. Company Profile Used in this Research

3.1.1. PT. Bank Negara Indonesia (BNI)

PT Bank Negara Indonesia (Persero) Tbk. or just BNI is one of Indonesia's top banking service providers. BNI was founded on July 5, 1946, as the first bank owned and operated by the Government of the Republic of Indonesia. Bank BNI's legal status has been altered to that of a public company

since 1992. This corresponds to the company's new name, PT Bank Negara Indonesia (Persero). The corporation did not stop here; in 1996, the company's ambition to "go public" was accomplished through an initial public offering on the stock exchange.

3.1.2. PT. Bank Rakyat Indonesia (BRI)

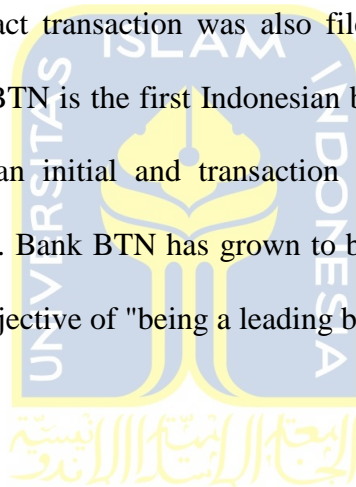
The oldest commercial bank in Indonesia is PT Bank Rakyat Indonesia (Persero) Tbk., which was founded on December 16, 1945 in Purwokerto, Central Java. BRI upgraded its legal status to PT Bank Rakyat Indonesia in 1992, based on Banking Law No. 7 of 1992. (Persero). BRI became a public company on November 10, 2003, and its shares were listed on the Indonesia Stock Exchange.

3.1.3. PT. Bank Mandiri

PT. Bank Mandiri (Persero) Tbk. (BMRI) is a state-owned company that provides financial services in Indonesia. Trade finance, foreign exchange, custodial services, cash management, payment processing, and debit and credit cards are among the bank's offerings. BMRI provides a wide range of financial services to private and government-owned corporations, commercial, small and micro businesses, and retail customers. In 2003, BMRI was listed on the Indonesia Stock Exchange's Main Board. The company is situated in Jakarta, Indonesia and was founded in 1998.

3.1.4. PT. Bank Tabungan Negara (BTN)

PT Bank Tabungan Negara (Persero) Tbk., or BTN, is a limited liability corporation that provides banking services in Indonesia. This bank is an Indonesian state-owned corporation that was founded in 1987. BTN had a reorganization in 2003. Based on a letter from the Minister of State Owned Company dated March 31, 2003 and a Decree of the Board of Directors of Bank BTN dated December 3, 2004, the RJP approved a complete corporate reorganization. BTN did not stop here; in 2008, the Securities Collective Investment Contract transaction was also filed. At Bapepam, Asset Backed (KIK Eba) Bank BTN is the first Indonesian bank to achieve this. In addition, BTN completed an initial and transaction listing on the Indonesia Stock Exchange in 2009. Bank BTN has grown to become one of Indonesia's major banks, with the objective of "being a leading bank in housing finance."



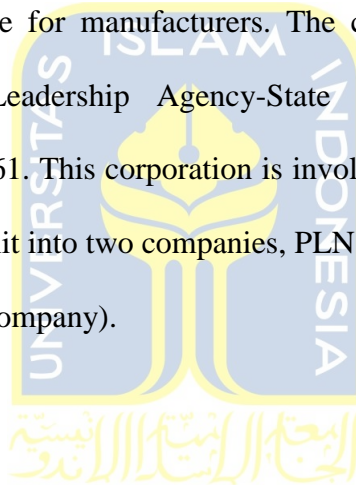
3.1.5. PT. Pertamina

Pertamina is the largest state-owned company (BUMN) in Indonesia in terms of revenue and profit. The company is active in the upstream and downstream sectors of the oil and gas industry. The upstream sector includes exploration and production of oil, gas and geothermal energy, while downstream activities include processing, marketing, trading and shipping. The company was founded in 1957 under the name Permina, but after a merger with Pertamina in 1968, it was renamed Pertamina. Fuel, kerosene, LPG (Liquid Gas Fuel), LNG (Liquid Natural Gas), and petrochemicals are among

the products produced by the corporation. After Chevron Pacific Indonesia (a wholly owned subsidiary of Chevron America, one of the world's leading integrated energy firms), Pertamina is Indonesia's second largest crude oil producer.

3.1.6. PT. Perusahaan Listrik Negara (PLN)

The company PLN was created in the 19th century by a Dutch-owned sugar and tea mill. They took the initiative at the time to construct a power plant infrastructure for manufacturers. The corporation was renamed BPU-PLN (General Leadership Agency-State Electricity Company) by the government in 1961. This corporation is involved in electricity, gas, and coke, and it was later split into two companies, PLN (State Electricity Company) and PGN (State Gas Company).



3.1.7. PT. ANTAM

PT Aneka Tambang Tbk. is a mining corporation that is primarily owned by the government and the public generally. The company, which was established on July 5, 1968, is involved in natural resource exploration, mining, processing, and marketing. The company's principal commodities are high-grade nickel ore (saprolite), low-grade nickel ore (limonite), ferronickel, gold, silver, and bauxite. Antam also provides precious metals processing and refining, as well as geological services. PT Aneka Tambang Tbk. became a limited liability company in 1968 with the merger of several single commodity

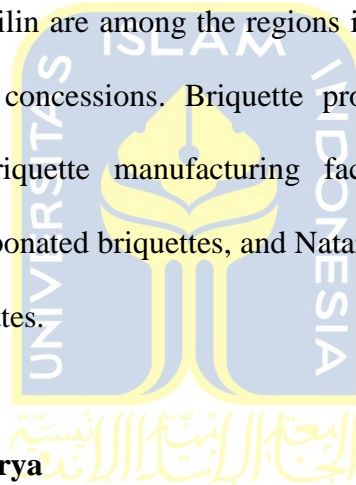
mining companies. ANTAM is a state-owned company resulting from the merger of several mining companies and state-owned projects, namely the State General Mining Company, the State Bauxite Mining Company, the Tjikotok State Gold Mining Company, the State Precious Metals Company, PT Nickel Indonesia, the Diamond Project and many other projects under Bapetamb. The company has conducted an initial public offering (IPO) and listed its shares on the Indonesia Stock Exchange and sold 35% by the government to the public in 1997 to raise money for ferronickel expansion.

3.1.8. PT. Jasa Marga

The Indonesian government formed PT. Jasa Marga (Persero) on March 1, 1978, with the goal of encouraging economic growth through the road network. The major responsibility of Jasa Marga is to plan, build, operate, and maintain toll roads and their infrastructure. Thus, it can perform optimally as a toll road with freeway facilities and better benefits than non-toll public routes. PT. Jasa Marga is entirely liable as both a toll road authority and an operator in Indonesia. The Indonesian government funds the operations and development activities of Jasa Marga, the sole operator of toll highways. The government raises finances through issuing Jasa Marga bonds and taking out foreign loans.

3.1.9. PT. Bukit Asam

PT. Bukit Asam Tbk is a firm established in Indonesia that specializes in coal mining. Conducting coal mining operations, including research, exploration, exploitation, processing, refining, transportation, and trading; managing and operating coal ports and wharves for internal or external use; managing and operating thermal power plants for internal or external use; and providing coal mining and production-related consulting and engineering services are among the company's business activities. Tanjung Enim, Peranap, Palaran, and Ombilin are among the regions in Indonesia where the company has coal mining concessions. Briquette production is also a part of the business. The briquette manufacturing factories are at Tanjung Enim, Indonesia, for carbonated briquettes, and Natar and Gresik, Indonesia, for non-carbonated briquettes.



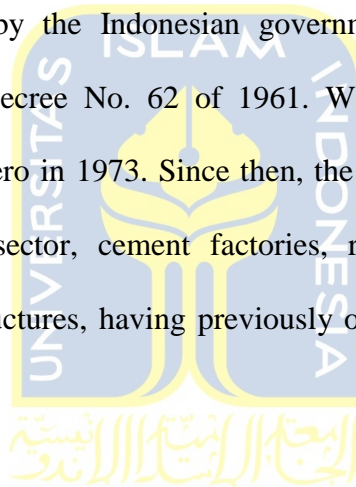
3.1.10. PT. Wijaya Karya

PT. Wijaya Karya (PERSERO) TBK., (Hereinafter Referred to as WIKA or Company) was established by Virtue of Law NO. 19 of 1960 in Conjunction with Government Regulation NO. 64 of 1961 dated 29 March 1961 concerning the establishment of The State Company “WIJAYA KARYA”. WIKA began as a company engaging in electrical and plumbing installation work, and in the 70s, shifted into becoming a civil and building contractor company. Through Initial Public Offering (IPO) in the Indonesia Stock Exchange on 27 October 2007, WIKA released 28.46 percent of its

shares to the public, while the Government of the Republic of Indonesia owns the rest. The funds received from the IPO has helped WIKA to be more flexible in its growth and development.

3.1.11. PT. Waskita Karya

PT. Waskita Karya is a construction company that is part of the Indonesian State-Owned Enterprises (BUMN). The corporation, which originated as a Dutch company called 'Volker Aannemings Maatschappij NV,' was taken over by the Indonesian government on January 1, 1961, and inaugurated by Decree No. 62 of 1961. Waskita Karya's legal status was converted to Persero in 1973. Since then, the company has expanded into the airport building sector, cement factories, roadways, and numerous other industrial infrastructures, having previously only focused on the construction of water facilities.



3.1.12. PT. Garuda Indonesia

PT. Garuda Indonesia (Persero) is one of Indonesia's most well-known airlines. During the Dutch occupation in the 1940s, this airline flew for the first time. Since January 26, 1949, when its first aircraft, the Seulawah or Gunung Emas, was launched, the airline was still known as Indonesian Airways. Garuda established Citilink, a company that provides low-cost flights to Indonesian cities, in the year 2000. With major events such as September 11, 2001, the Bali Bombings I and II, the SARS pandemic, and the Aceh

Tsunami Disaster on December 26, 2004, as well as the crash of a Boeing 737 in Yogyakarta, Garuda's financial woes resurfaced. The European Union has imposed penalties that prevent all Indonesian carrier aircraft from travelling on European routes, exacerbating the situation. After reforming Garuda's finances during the financial crisis. On February 11, 2011, Garuda commenced listing its shares on the Indonesia Stock Exchange.

3.2 Research Variables Operation Definition

These research variables were divided into two categories: independent variables and dependent variables. Corporate Social Responsibility (CSR) and product quality were the independent variables in this research, while Company image was the dependent variable. The variables of this analysis are discussed in greater detail in the following section.

3.2.1 Independent Variable

Independent variables are variables that affect or cause changes or the emergence of the dependent variable (Sugiyono, 2016). The independent variables of this research were Corporate Social Responsibility (CSR) and product/services quality. The quality of CSR disclosure was assessed using a score approach created by Raar (as cited in Rahmawati, 2017) in earlier research. Raar (as cited in Rahmawati, 2017) assigned a number of 1 to 7 to CSR disclosure quality. Table 3.1 shows the definition of CSR disclosure

quality. As for the Product Quality will measure using Customer Satisfaction Index which showed in Annual Report or Sustainability report of the company.

Table 3. 1 CSR Disclosure

Quality Disclosure	Quality Definition
1= Monetary	Disclosure in monetary unit/currency.
2= non-Monetary	Quantitative in units of numbers such as weight, volume, size but not currency.
3= Only Qualitative	Descriptive text only
4= Qualitative and Monetary	Descriptive text and currency
5= Qualitative and non-Monetary	Descriptive text and numerical units
6= Monetary and non-Monetary	Combination of currency units and numbers
7= Qualitative, Monetary, and non-Monetary	Descriptive text, currency units and numeric units

3.2.2 Dependent Variable

The dependent variable is the variable that is affected or that is the result because of the independent variable (Sugiyono, 2016). In this research the dependent variable was company image. The company image measure using market capitalization to define the value which can be realized in a number.

3.3 Population and Sample.

3.3.1 Population

According to Sugiyono (2017), population is a generalization field made up of objects/subjects with specific qualities and characteristics that are chosen by researchers to be studied and to be concluded. The population in this research were all CSR data from 12 state-owned companies in Indonesia.

3.3.2 Sample

According to Sugiyono (2017), a sample is a subset of the population's size and characteristics. As a result, the population sample selected must be genuinely representative.

According to Sugiyono (2017), the sampling method is used to determine the sample size that will be used in the research. The sample in this research were 71 annual report and sustainability report from 12 state-owned companies in Indonesia from 2015-2020.

3.4 Type and Source

The data source that will be used for this research was secondary data. Secondary data were obtained from various sources, namely literature articles, official statistics, scholarly journals, reference books, research institution/universities as well as sites on the internet relating to the research

conducted. This method is done by collecting or documenting secondary data required such as financial reports.

3.5 Data Collecting Method

The data collection method used in this research was documentation method. According to Sugiyono (2017), the documents meant are documentation of past events. Writings, photographs, and monumental works of an individual may all be considered documents. The interview findings would be more reliable if they are backed up by records that include additional research data. The researcher used the library analysis technique to collect data and information in this report. The researcher obtained some information from knowledge that can be used as a reference in science, specifically through literature study to study, research, reading, and reviewing literatures in the form of books, journals, and bulletins that are relevant to research to obtain materials that can be used as a theoretical basis.

3.6 Analysis Method

According to Sugiyono (2016), following the collection of data from all respondents or other data, activities are carried out. Classify data based on variables and categories of respondents, tabulate data based on variables from all respondents, present data for each variable tested, perform calculations to address problem formulations, and perform calculations for theories that have

been formulated are all examples of data analysis activities. The data analysis that the writer used in this research was the associative statistical method.

3.6.1 Multiple Regression Analysis

For research of more than one independent variables, multiple linear regression is used. According to Ghozali (2018), multiple linear regression analysis is used to assess the direction and magnitude of the independent variable's effect on the dependent variable. The findings of the multiple linear regression research were used to determine the impact of Corporate Social Responsibility (CSR) and product quality on corporate image.

$$Y = \alpha - \beta_1 \cdot X_1 - \beta_2 \cdot X_2 - \varepsilon$$

Description:

Y = Company Image

α = Constanta

β_1-4 = Regression Coefficient

X1 = Corporate Social Responsibility (CSR)

X2 = Product/Service Quality

ε = error

3.6.2 Normality Test

According to Sunyoto (2016), the normality test would test the independent variable data (X) and the dependent variable data (Y) in the resulting regression equation, in addition to the traditional multicollinearity

and heteroscedasticity assumption tests. Is it a regular or irregular distribution? The regression equation is said to be good if the independent variable data is close to normal or fully normal, and the dependent variable data is close to normal or completely normal. Researchers must conduct data normality checks in order to decide which types of statistics can be used. If the data to be analyzed comes from a normally distributed population, statistical inferences should be made using parametric statistics. Nonparametric statistics can be used if the data are not usually distributed (Nasrum, 2018).

3.6.3 Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model, there is an inequality of variants or residuals or observations to other observations (Siyoto, 2015). According to Sunyoto (2016), it is also important to verify if the variance of the residuals from one observation is equal to the variance of the residuals from another in the homepage regression equation. Homoscedasticity occurs when the residuals have the same variant, while heteroscedasticity occurs when the variances are not the same or different. If there is no heteroscedasticity in the regression equation, it is fine.

3.6.4 Autocorrelation Test

According to Sunyoto (2016), if autocorrelation exists, the equation is not good or appropriate for prediction. If there is a linear association between the interfering error period t (being) and the interfering error period $t-1$, the

new autocorrelation issue occurs (previous). As a result, the classic autocorrelation assumption test is applied to time series data or data with a time series, such as data from 2000 to 2012.

3.6.5 Multicollinearity Test

The multicollinearity test is used to determine how strong a correlation exists between the independent variables in a regression model (independent). If there is no association between the independent variables, the regression model is said to be fine. The tolerance value and the inverse, namely the variance inflation factor, will reveal the existence or absence of multicollinearity (VIF). If the tolerance value is less than or equal to the VIF value, multicollinearity exists in the results (Ghozali, 2018).

3.6.6 Hypothesis Test (t Test)

The t test according to Ghozali (2016) essentially showed how much one independent variable can explain the variance of the dependent variable on its own. The tests were conducted with a significance level of 0.05 ($\alpha=5\%$). The following are the conditions for accepting or rejecting the hypothesis:

1. The hypothesis is rejected if the significant value is > 0.05 (the regression coefficient is not significant). This indicates that the independent variable has little influence on the dependent variable.

2. The hypothesis is accepted if the significant value is < 0.05 (significant regression coefficient). This indicates that the dependent variable is influenced by the independent variable.

3.6.7 The Coefficient of Determination (R² Test)

According to Ghozali (2016), the coefficient of determination (R²) is used to calculate how well the model can describe the variance in the dependent variable. Between zero and one is the coefficient of determination. According to Gujarati (as cited in Ghozali, 2016), if the empirical test yields a negative adjusted R² value, the adjusted R² value is considered zero.

3.6.8 Goodness of Fit Test (F Test)

According to Ghozali (2016), the F statistical test essentially shows that all of the independent variables in the model have a simultaneous effect on the dependent variable. The F test is performed by comparing the measured F value to the F table and calculating the significance level of 0.05 as follows:

1. If $F_{\text{count}} > F_{\text{table}}$ or probability $<$ significant value ($\text{Sig} \leq 0.05$), the research model can be used.
2. If $F_{\text{count}} < F_{\text{table}}$ or probability $>$ significant value ($\text{Sig} \geq 0.05$), the research model cannot be used.

CHAPTER IV

DATA ANALYSIS AND DISCUSSION

The discussion of the analysis of the results of this research begins with the classical assumption test consisting of the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. After the classical assumption test was carried out, it was followed by a multiple linear regression test consisting of a hypothesis test or (t Test), a coefficient determination test (R² Test), and a Goodness of fit test (F Test). In the previous chapter, it was stated that the data to be used in this research was secondary data obtained from annual reports and company sustainability reports.

This research used 71 annual reports and sustainability reports from 12 state-owned companies that were listed or not listed on the IDX (Indonesian Stock Exchange). After the data were collected, the existing data were edited, coded, and tabulated.

4.1. Data Analysis

4.1.1. Classic Assumption Test

4.1.1.1. Normality Test

The normality test is used to see if the confounding or residual variables in a regression model have a normal distribution. When the data is regularly distributed, a decent regression model is created. Graphical analysis and statistical testing can be used to determine normalcy. The

simple statistical test for normality looks at the kurtosis and skewness values of the residuals, while the non-parametric Kolmogorov-Smirnov test looks at the kurtosis and skewness values of the residuals (Ghozali, 2015).

Table 4. 1 One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		71
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	389038.6958
Most Extreme Differences	Absolute	.189
	Positive	.161
	Negative	-.189
Test Statistic		.189
Asymp. Sig. (2-tailed)		.457 ^c

Source: Secondary data processed, 2021

Researchers used non-parametric statistical analysis by Kolmogorov-Smirnov to detect a normal distribution in this investigation. Normality is assumed if the significance value of the Kolmogorov-Smirnov test is greater than 0.05. The significance value of Kolmogorov-Smirnov was 0.457, based on the findings of the data processing. It can be assumed that the processed data were normally distributed because the Kolmogorov-Smirnov value is bigger than alpha 0.050.

4.1.1.2. Multicollinearity Test

The multicollinearity test was used to see if a suitable regression model had a correlation between the independent variables. The tolerance value and the reverse of the variance inflation factor (VIF) showed

multicollinearity. Multicollinearity arose when the tolerance value was closed to 1 and the VIF value was around 1 and did not exceed 10.

Table 4. 2 Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
CSR	.897	1.115
Product Quality	.872	1.147

Source: Secondary data processed, 2021

The tolerance value was near to 1, while the VIF value was around 1 and did not surpass 10. The calculation results in the graphic above demonstrated that the tolerance value was close to 1, while the VIF value was around 1 and did not exceed 10. This statement implied that the independent variables utilized in this research regression model were free of multicollinearity or were reliable and objective.

4.1.1.3. Heteroscedasticity Test

The heteroscedasticity test was conducted to determine whether there was an inequality of variance from the residuals of one observation to another. If there is a similarity of variance and residual from one observation to another, it is called homoscedasticity, on the other hand, if there is inequality, it is called heteroscedasticity. A good regression model is one with homoscedasticity or no heteroscedasticity. The method used to determine the presence of heteroscedasticity is through a graph plot between

the bound predictive value (ZPRED) and the residual (SRESID). Symptoms of heteroscedasticity can be seen from two things, namely:

1. Heteroscedasticity happens when the distribution of data in the form of dots follows a specific pattern and is irregular.
2. There is no issue with heteroscedasticity if the data distribution in the form of dots does not create a pattern and spreads above and below the Y axis.

The graph of the results of the heteroscedasticity test using SPSS can be seen in the image above.

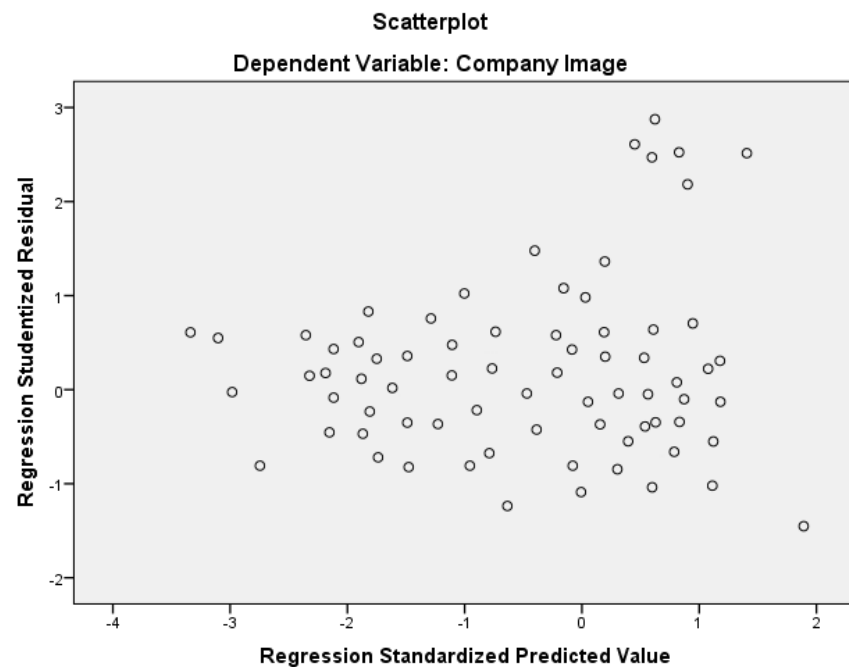


Figure 4. 1 Heteroscedasticity Scatterplots

The analysis findings in the image above revealed that the dots were distributed randomly and did not form a pattern. This means that there was no evidence of heteroscedasticity.

4.1.1.4. Autocorrelation Test

The autocorrelation test was used to see if there was a link between the confounding error in period t and the confounding error in period -1 in the linear regression model (previous). A regression model that is free of auto-correlation is a good one. If the *Durbin-Watson* test fulfills the $du < d < 4-du$ conditions, regression is termed auto-correlation free.

Table 4. 3 Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of The Estimate	Durbin-Watson
1	.305 ^a	.930	.660	394718.393	1.310

Source: Secondary data processed, 2021

The results of the auto-correlation test using the *Durbin-Watson* method can be seen in the picture above. The Durbin-Watson value was 1.310 which showed that the regression used did not have autocorrelation because the Durbin-Watson value was in area B, which was between the dU value (1.673) and the $4-du$ value (2.711). Thus, the assumption of auto-correlation had been fulfilled.

4.1.2. Multiple Regression Analysis

Regression analysis seeks to predict, where in the model there are dependent variables and independent variables. Regression analysis is a type of linear analysis that compares the dependent and independent variables. It

generates the output shown below based on the results of data processing performed with SPSS.

Table 4. 4 Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Description
		B	Std. Error	Beta			
1	(Constant)	1590919.282	895501.963		8.547	.000	Significant
	CSR	1527.153	875.914	.213	3.121	.002	Significant
	Product Quality	294662.533	224145.936	.160	4.050	.000	Significant

Source: Secondary data processed, 2021

Based on the results of statistical tests as seen in the table above, the mathematical equation of this research can be structured as follows:

$$Y = 1590919.282 + 1527.153 X1 + 294662.533 X2$$

According to the findings of the statistical test, there was no independent variable that has no effect on the dependent variable (Company Image). It can be observed from the multiple linear regression equation below:

a. Corporate Social Responsibility (CSR)

The Corporate Social Responsibility (CSR) regression coefficient (X1) was 1527.153, with t_{count} value of 3.121 (higher than 1.997) and a significance value of 0.020 (less than 0.050) indicating that the CSR variable (X1) had significant effect on Company Image (Y) at a 5% error level. With P-value of 0.020, there was 0.2 percent chance of making a

mistake when claiming that CSR (X1) had an impact on Company Image (Y).

b. Product Quality

With a t-count value of 4.050 (greater than 1.997) and a significance value of 0.000 (less than 0.050), the Product Quality regression coefficient (X2) was 294662.533, showing that the Product Quality variable (X2) had a significant effect on Company Image (Y) at a 5% error level. When stating that Product Quality (X2) had an impact on Company Image, there was a 0.0 percent risk of being wrong with P-value of 0.000 (Y).

4.1.3. The Coefficient of Determination (R^2 Test)

The coefficient of determination (R^2) is used to determine how much of the variation in the dependent variable (Y) is explained by the model, and how much it is explained by factors outside the model. According to Ghozali (2015), the fundamental weakness of using the coefficient of determination is the bias towards the number of independent variables included in the model. In each addition of one independent variable, R^2 must increase no matter whether the variable has a significant effect on the dependent variable. Therefore, in this research it used the value of R square to evaluate the best regression.

Table 4. 5 The Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of The Estimate	Durbin-Watson
1	.305 ^a	.930	.660	394718.393	1.310

Source: Secondary data processed, 2021

Based on the SPSS result, it is known that the adjusted R² was 0.66, which suggested that the two independent variables, namely CSR and Product Quality, could explain 66 percent of the company image variable variance, while the remaining (100 percent -66 percent = 34 percent) was explained by other reason.

4.1.4. Goodness of Fit Test (F Test)

The F test is used to determine if all of the independent variables in the model have a combined effect on the dependent variable. The results of data processing performed with SPSS are displayed below.

Table 4. 6 Goodness of Fit Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.084E+12	2	5.419E+11	3.478	.000 ^p
	Residual	1.059E+13	69	1.558E+11		
	Total	1.168E+13	71			

Source: Secondary data processed, 2021

Based on the results shown in the graph above, the calculated F value was 3.478 with a significance of 0.00. The estimated F_{count} (3.478) was more than the F_{table} value (3.13) and sig F (0.00) was less than 5% (0.05), indicating that H₁ was accepted and H₀ was rejected. It means that the

variables were simultaneously independent variables (CSR and Product Quality) and had significant effect on the dependent variable (Company Image). Thus, the regression model can be used to predict the effect of the two independent variables.

4.1.5. Hypothesis Test (t Test)

The t-statistical test is used to determine one independent variable, alone or in combination, may explain the dependent variable. The following are the outcomes of SPSS data processing.

Table 4. 7 Hypothesis Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1590919.282	895501.963		8.547	.000
	CSR	1527.153	875.914	.213	3.121	.002
	Product Quality	294662.533	224145.936	.160	4.050	.000

Source: Secondary data processed, 2021

a. CSR Variables

The t_{count} value of the CSR variable (X1) was 3.121, which implied that it was bigger than the t_{table} (1.997) and Sig t (0.00) was less than 5% (0.05). As a result, the H0 research hypothesis was accepted. This indicated that the CSR variable (X1) had a partial or individual impact on the Company Image (Y1).

b. Product Quality Variables

The Product Quality variable (X2) had t_{count} value of 4.050, which means it was larger than the t_{table} (1.997) and Sig t (0.00) was less than 5%.

(0.05). As a result, the H0 research hypothesis was considered valid. This means that the Product Quality (X2) variable had a partial impact on the Company Image (Y1).

4.2. Discussion

4.2.1. Corporate Social Responsibility (CSR)

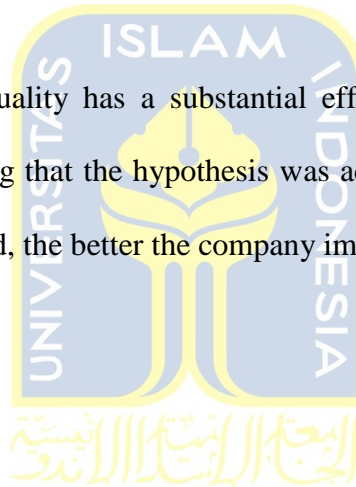
According to Wijaya (2015), the life of a firm is influenced by society. All business's operations have the potential to have a beneficial or bad impact on the communities in which it operates. Organizations that pay attention to social elements will be able to achieve long-term growth and development. CSR, on the other hand, is an activity that incorporates ethics and corporate responsibility into the execution of organizational activities while also taking into account economic, social, and environmental factors.

Based on the findings of the research, CSR variables had an impact on company image. The findings of this research agreed with those of Rahman et al. (2018), who claim that corporate social responsibility (CSR) is a type of participation and attention given by a company to improve the welfare of the wider community while also having a favorable impact on the company's survival. As a result, the company must have a solid and helpful CSR program for the society at large so that people trust the company and it can project a positive image.

4.2.2. Product Quality

According to (Sarifuddin, 2017), in today's corporate world, products are vital tools for achieving growth and wealth. As a result of technical improvements, more global rivalry, and changing consumer requirements and preferences, businesses must continue to manufacture products. There are just two options: succeed in product development and produce superior products, or fail to fulfill corporate goals because the products are unable to compete in the market. Each business or manufacturer must choose a quality level that will aid or support efforts to improve or maintain product quality in its target market.

Product Quality has a substantial effect on Company Image in this research, indicating that the hypothesis was accepted, implying that the better the product created, the better the company image.



CHAPTER V

CONCLUSION

5.1. Conclusion

The following conclusions can be drawn from the data analysis, hypothesis testing, and discussion:

1. The variable of Corporate Social Responsibility (CSR) had significant and positive impact on Company Image. This favorable link demonstrated that organizations with effective CSR programs that benefit the community had positive impact on their image.
2. The Product Quality variable had significant and positive impact on Company Image, which means that the higher the quality of a company's product, the better its image. This was because the people who used the company's products would be satisfied, and the company's image would improve as a result of the quality of the products made.
3. CSR and Product Quality, the two variables examined in this research, had a significant impact on corporate image, implying that organizations could improve their image by providing community satisfaction through good CSR programs and satisfactory product quality.

5.2. Implication

It can be demonstrated in this research that CSR and product quality had a substantial impact on company image. According to the researcher of this research, a corporation can improve its corporate image by implementing CSR programs and enhancing product quality.

Based on the results above, CSR and product quality were capable of improving corporate image based on the firm's CSR program and the quality of products and services supplied to consumers.

Consumers are more drawn to a company that had a strong CSR program that benefits the community and improves the company's image. As a result, solid CSR program that benefits the larger community can boost a company's image.

In conclusion, Corporate Social Responsibility (CSR) is an action that is either voluntary or mandated by law with the goal of demonstrating a company's or institution's concern for its employees, the community in which it operates, the wider community, and the environment in which it operates, as well as improving the company's image.

5.3. Recommendation

- a. For another research, more independent variables could be used in future research to see whether additional aspects, both important and insignificant, influence company image than CSR and product quality.

- b. More samples are recommended to be used in future research so that the impact of CSR and Product Quality on Company Image can be added or compared across a larger range of industries.

5.4. Limitations

As a direction for further research, this research has some limitations, including:

1. The disclosure of the GRI index in CSR was subjective. Because there were no established requirements that can be utilized as a reference in determining the index, the indicator index in one research may differ from the indicator index in other research.
2. Due to a lack of research time, this research only examined two elements that affect company image.
3. Only 12 state-owned companies were included in this research since some state-owned companies had not go public yet and some did not issue sustainability reports, making it difficult to determine the GRI CSR indicators in a company.

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Appendix 1

*Market capitalization in million rupiah

No	Company	Tahun	CSR	Product Quality	Company Image*
1	BNI	2015	83	4.03	Rp 93,056,796
		2016	40	4.03	Rp 103,033,826
		2017	35	4.03	Rp 184,621,698
		2018	40	4.08	Rp 164,621,699
		2019	29	4.14	Rp 146,391,947
		2020	71	4.14	Rp 115,115,455
2	BRI	2015	132	4.04	Rp 287,395,737
		2016	41	4.02	Rp 285,423,908
		2017	33	4.00	Rp 448,978,748
		2018	85	4.06	Rp 451,445,664
		2019	84	4.09	Rp 542,721,564
		2020	146	4.10	Rp 514,352,027
3	MANDIRI	2015	125	4.10	Rp 215,833,333
		2016	200	4.05	Rp 270,083,333
		2017	18	3.97	Rp 373,333,333
		2018	43	3.93	Rp 344,166,666
		2019	102	4.04	Rp 358,166,666
		2020	101	4.04	Rp 295,166,666
4	BTN	2015	176	4.02	Rp 13,704,136
		2016	157	4.05	Rp 18,426,600
		2017	109	3.92	Rp 37,806,300
		2018	58	4.01	Rp 26,898,600
		2019	107	4.02	Rp 22,450,800
		2020	113	4.02	Rp 18,267,750
5	PERTAMINA	2015	35	3.92	Rp 268,657,625
		2016	62	3.94	Rp 246,599,700
		2017	75	4.01	Rp 322,808,196
		2018	80	4.10	Rp 428,782,410
		2019	116	4.05	Rp 433,975,319
		2020	119	4.10	Rp 440,851,775
6	PLN	2015	99	3.92	Rp 848,219,000
		2016	91	3.87	Rp 880,899,000
		2017	83	3.87	Rp 804,791,000
		2018	52	3.80	Rp 927,414,000
		2019	63	4.07	Rp 869,417,000
		2020	51	4.05	Rp 948,813,000

7	PT ANTAM	2015	267	3.61	Rp	7,550,000
		2016	113	3.94	Rp	21,510,000
		2017	126	4.03	Rp	15,020,000
		2018	108	4.03	Rp	18,380,000
		2019	112	4.24	Rp	20,190,000
		2020	161	4.44	Rp	46,500,000
8	JASA MARGA	2015	71	4.05	Rp	35,530,000
		2016	73	3.88	Rp	31,354,000
		2017	46	3.91	Rp	45,806,000
		2018	80	3.87	Rp	31,063,000
		2019	144	3.94	Rp	37,559,000
		2020	110	3.48	Rp	33,600,000
9	PT BUKIT ASAM	2015	287	4.30	Rp	10,426,196
		2016	153	4.24	Rp	28,801,648
		2017	88	4.40	Rp	28,340,821
		2018	176	4.48	Rp	45,323,616
		2019	142	4.44	Rp	29,766,366
		2020	213	4.47	Rp	31,427,212
10	PT WIJAYA KARYA	2015	84	4.02	Rp	16,218,100
		2016	41	4.24	Rp	21,169,090
		2017	47	4.05	Rp	13,903,420
		2018	73	3.98	Rp	14,845,267
		2019	121	4.07	Rp	17,850,200
		2020	104	4.07	Rp	17,805,350
11	PT WASKITA KARYA	2015	72	4.43	Rp	22,666,063
		2016	69	4.55	Rp	34,612,959
		2017	237	4.69	Rp	29,996,324
		2018	61	4.34	Rp	22,084,237
		2019	242	4.75	Rp	20,157,141
		2020	114	4.54	Rp	19,546,489
12	PT GARUDA INDONESIA	2015	86	4.16	Rp	7,993,500
		2016	138	4.17	Rp	8,749,660
		2017	78	4.15	Rp	7,765,970
		2018	94	4.42	Rp	7,714,200
		2019	56	4.07	Rp	12,891,510

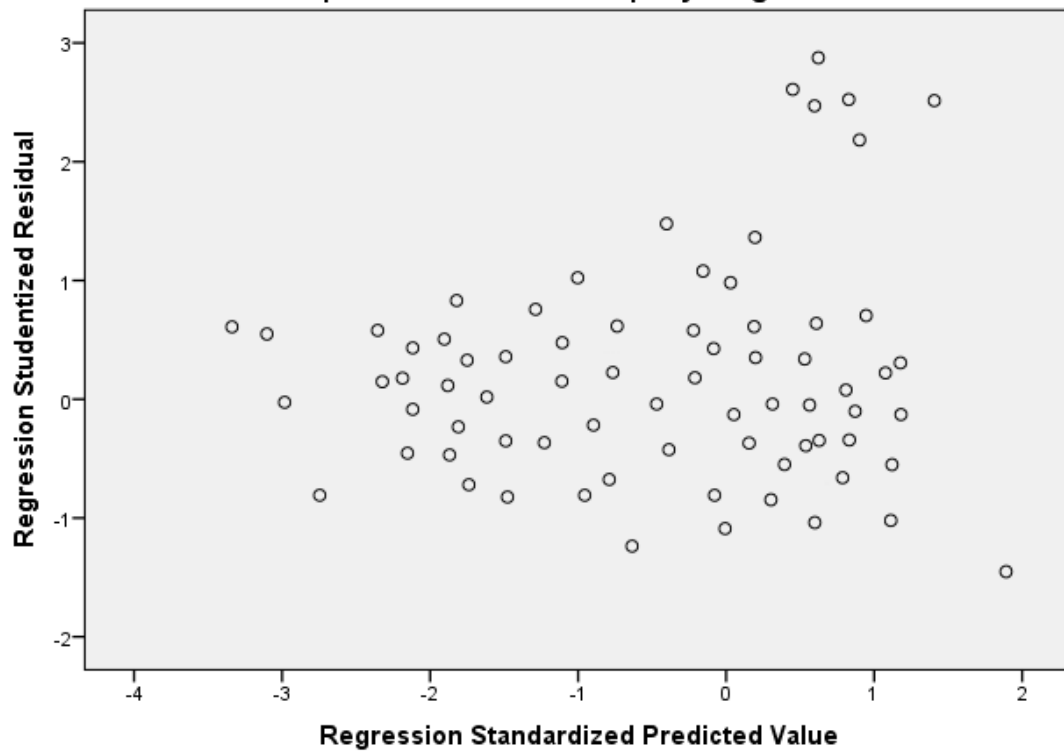
Appendix 2

Model	R	R Square	Adjusted R Square	Std. Error of The Estimate	Durbin-Watson
1	.305 ^a	.930	.660	394718.393	1.310

		Unstandardized Residual
N		71
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	389038.6958
Most Extreme Differences	Absolute	.189
	Positive	.161
	Negative	-.189
Test Statistic		.189
Asymp. Sig. (2-tailed)		.457 ^c

Scatterplot

Dependent Variable: Company Image



Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	CSR	.897	1.115
	Product Quality	.872	1.147

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.084E+12	2	5.419E+11	3.478	.000 ^b
	Residual	1.059E+13	69	1.558E+11		
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	Residual	1.059E+13	69	1.558E+11		
	Total	1.168E+13	71			

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1590919.282	895501.963		8.547	.000
	CSR	1527.153	875.914	.213	3.121	.002
	Product Quality	294662.533	224145.936	.160	4.050	.000