FROM CSR TO SERVICE QUALITY: UNVEILING THE KEY DRIVERS OF CUSTOMER LOYALTY FOR INDONESIA'S FLAG CARRIER

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ABSTRACT

To stay ahead in the competitive airline industry, various efforts are made to maintain consumer loyalty amidst numerous airline options. Companies engage in Corporate Social Responsibility activities as a marketing strategy. These efforts support sustainability, enhance corporate image, and strengthen customer loyalty. However, relying solely on social activities is not enough to boost customer loyalty. In such a competitive aviation industry, airlines must also focus on business activities related to customers, influenced by service quality. This study examines the impact of CSR and service quality on corporate image and customer loyalty of airlines in Indonesia. Using a quantitative approach, questionnaires were distributed online to 319 respondents. Data was processed using SmartPLS software for hypothesis testing. Out of 16 hypotheses, 14 were accepted, indicating a stronger direct relationship between service quality towards corporate image and customer loyalty compared to CSR. Additionally, the mediating influence of corporate image was identified.

Keywords: *Corporate Social Responsibility; Service Quality; Corporate Image; Customer Loyalty; Airline Industry.*

1. INTRODUCTION

In the current competitive airline business, driven by changing consumer demands, customer loyalty has always been a crucial aspect (Han et al., 2021). The number of airline passengers

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departing from the five major airports in Indonesia increased by 21 percent for domestic flights and 53 percent for international flights in 2023 compared to the previous year. In 2023, the number of passengers reached 33,790,362 for domestic flights and 14,488,270 for international flights (Badan Pusat Statistik 2023). This opportunity must be leveraged to maintain the company's competitive advantage. Despite the increase in airline passengers, attracting and retaining customers in the airline industry remains a challenge due to the inherently fickle nature of customer loyalty (Han et al., 2021). This is exacerbated by the presence of multiple airlines in Indonesia, which intensifies competition and provides customers with a variety of choices.

Leading airline companies dynamically invest in and advocate for corporate social responsibility (CSR) initiatives, including sustainable business practices (Kim et al., 2020). The airline industry, in particular, is under scrutiny for its significant carbon footprint (Cui & Li 2021). Global aviation CO_2 emissions are projected to rise to 1.23-1.49 billion tons by 2025 (Wang et al. 2020). The aviation industry's energy consumption has also increased by more than six per cent over the past decade (Wang et al., 2020). Nevertheless, the economic and social dimensions of CSR must also be considered (Thanh & Anh, 2023). Several airline companies have implemented various CSR policies. For instance, airlines in Nepal engage in tree planting and community cleanup activities (Upadhaya et al., 2018). European airlines focus on recycling plastic waste, managing organic waste, and transitioning to eco-friendly materials (Salesa et al., 2023). American airlines companies participate in social donation programs (Kim et al., 2021). Companies that engage in CSR activities have a greater chance of enhancing customer loyalty and creating a positive corporate image (Kim et al., 2020). In accordance with sustainable aviation principles set by IATA and ICAO, safety has been prioritized alongside environmental concerns. At the corporate level, airlines have identified safety as the most crucial criterion within their CSR strategies, and from the customers' perspective, it is the key attribute they associate with airlines' CSR efforts. Considering the dimensions of CSR from the perspective of sustainable development in the aviation industry, safety should be integrated into airlines' CSR programs as an industry-specific responsibility. Therefore, in this article, CSR is composed of four constructs: economic responsibility, social responsibility, environmental responsibility, and safety responsibility (Thanh & Anh, 2023).

However, a business cannot rely solely on CSR activities to boost customer loyalty. In the highly competitive airline industry, airlines must also focus on their core business strategies, particularly regarding the quality of service provided (Chung et al., 2022). Developing and implementing appropriate policies and strategies to enhance passenger loyalty is crucial and significant in the rapidly changing and competitive aviation business environment (Shen & Yahya, 2021).

Based on prior research, there's a notable research gap regarding the comparison between social activities and business activities, particularly in terms of their impact on corporate image and customer loyalty. Previous studies by Thanh & Anh (2023) have predominantly focused on the influence of social activities on these variables, neglecting the crucial aspect of examining them alongside business activities, such as service quality. Therefore, this study aims to empirically investigate the relationship between business activities, specifically service quality, and its influence on corporate image and customer loyalty in the context of the Indonesian national flag carrier. Furthermore, as a national flag carrier and full-service provider, passengers have higher expectations for companies to engage in CSR activities. This aspect significantly influences passengers' evaluations of the airline company. As a full service carrier, passengers also hold high expectations regarding the quality of services provided.

Therefore, it is essential to understand consumer expectations and determine which factors contribute to corporate image and customer loyalty. Building on the background previously outlined, the research problem addressed in this study is whether social activities in the form of corporate social responsibility and business activities in the form of service quality influence corporate image and customer loyalty of airlines in Indonesia.

2. HYPOTHESES DEVELOPMENT

Consumers tend to support and identify with companies that participate in CSR, show concern and provide services in the public interest. The level of congruence felt by consumers between the values of companies that implement CSR and themselves can produce a positive attitude towards the company. Therefore, the company's corporate image will improve in the eyes of consumers (Wang, 2020). Implementing CSR is a form of corporate social responsibility so that it can help build the company's image (Zhao *et al.*, 2021; Gurlek *et al.*, 2018). Previous research on corporate social responsibility found that corporate social responsibility has a significant relationship with corporate image, thus suggesting companies to utilize corporate social responsibility as an instrument to improve corporate image When CSR is beneficial for consumers, society and the environment, consumers will like the company's products and services (Chen *et al.*, 2021; Thanh & Anh, 2023). Furthermore, expectations of individuals towards a flight are influenced by how customers perceive the airline. Customers who receive a higher level of service quality will form a positive image (Hassan & Salem, 2022). Previous research by (Song et al., 2019; Triono & Khalid 2023; Hassan & Salem 2022). also found a positive influence of service quality on corporate image. Thus, the research hypothesis is:

H$_{1a}$: Economic responsibility is positively related to corporate image

H₁b: Social responsibility is positively related to corporate image

H₁c: Environmental responsibility is positively related to corporate image

H₁d: Safety responsibility is positively related to corporate image

H₁e: Service quality is positively related to corporate image

Consumers tend to maintain a reciprocal relationship with a company when they perceive benefits, whether intrinsic, such as support or positive feelings, or extrinsic, like financial resources or investments. When a company engages in CSR initiatives to promote national economic growth or social welfare, consumers are more likely to identify with the company. Consequently, they show a willingness to pay higher prices and develop long-term relationships with the company (Wang, 2020). CSR is a key element of a company's success, shaping customer evaluations of a brand and influencing their intention to repurchase products and services (Lee et al., 2022; Chung et al., 2022) and to recommend the products, spreading positive word of mouth (Thanh & Anh, 2023). Similarly, high service quality perception leads to long-term customer relationships. Previous studies (Hassan & Salem, 2022) have shown a positive correlation between the five dimensions of service quality and customer loyalty. Lee et al. (2022) also found that service quality significantly influences repurchase intentions.

Customer loyalty is an inherent characteristic of customers who experience high satisfaction levels (Hassan & Salem, 2022). Satisfied customers are expected to repurchase, leading to increased brand loyalty and fewer complaints. Corporate image is a precursor to customer loyalty, as it fosters positive emotions (Thanh & Anh 2023). In the aviation sector, a strong company image is associated with a willingness to pay higher prices and positive word of mouth in Korea (Park, 2019), as well as the intention to use the service again in America (Lee et al., 2022). Thus, the following hypothesis is proposed:

H₂a: Economic responsibility is positively related to customer loyalty.

H₂b: Social responsibility is positively related to customer loyalty.

H₂c: Environmental responsibility is positively related to customer loyalty.

H₂d: Safety responsibility is positively related to customer loyalty.

H₂e: Service quality is positively related to customer loyalty.

In the aviation sector, corporate image has a strong relationship with the willingness to pay higher prices and positive word of mouth (WOM) in Korea (Park, 2019), as well as the intention to reuse the service in the United States (Lee et al., 2022). When consumers have a positive image of a company, they develop confidence in the company's products and services, thereby increasing their loyalty to the company. Corporate image has a greater impact on customer loyalty in the service industry due to the industry's intangible and difficult-to-evaluate

nature (Lee et al., 2019). Several previous studies consistently affirm that corporate image has a significant impact on customer loyalty (Lee et al., 2022; Lee, Kim, and Roh, 2019; Thanh & Anh, 2023; Hassan & Salem, 2022). Therefore, the following hypothesis is proposed:

H₃: Corporate Image is positively related to Customer Loyalty.

Corporate image serves as a pivotal determinant of customer loyalty and repeat purchasing behavior, with corporate social responsibility (CSR) acting as a crucial mechanism in its cultivation. Through CSR initiatives, companies can establish enduring and mutually beneficial relationships with consumers (Wang, 2020). Consumers tend to favor companies with positive corporate images, exhibiting loyalty, purchase intentions, willingness to pay premiums, and engaging in positive word-of-mouth recommendations (Khoo, 2022). Prior research, such as that by Sunny et al. (2017), has underscored the mediating role of corporate image in the relationship between CSR and customer loyalty, particularly evident in the hospitality industry. Studies conducted in the airline sectors of Vietnam and South Korea (Thanh & Anh, 2023; Kim et al., 2020) have similarly highlighted corporate image as a full mediator of the impact of CSR on customer loyalty. Moreover, service quality also contributes significantly to the formation of corporate image, thereby enhancing consumer loyalty (Khoo, 2022). Positive experiences with service quality evoke emotional responses from consumers, shaping their perceptions of a company's image and, consequently, influencing their loyalty. Extant literature, including studies by Karim & Rabiul (2022), Alam & Noor (2020), and Özkan et al. (2020), has consistently demonstrated the mediating role of corporate image in the relationship between service quality and loyalty. Thus, the proposed hypothesis posits that corporate image mediates the influence of both CSR and service quality on customer loyalty within the context of the studied phenomenon. Thus, the hypothesis proposed are:

H₄ₐ: Corporate image mediates the influence between economic responsibility and customer loyalty.

H₄ᵦ: Corporate image mediates the relationship between social responsibility and customer loyalty.

H₄c: Corporate image mediates the relationship between environmental responsibility and customer loyalty.

H₄d: Corporate image mediates the relationship between safety responsibility and customer loyalty.

H₄ₑ: Corporate image mediates the relationship between service quality and customer loyalty.

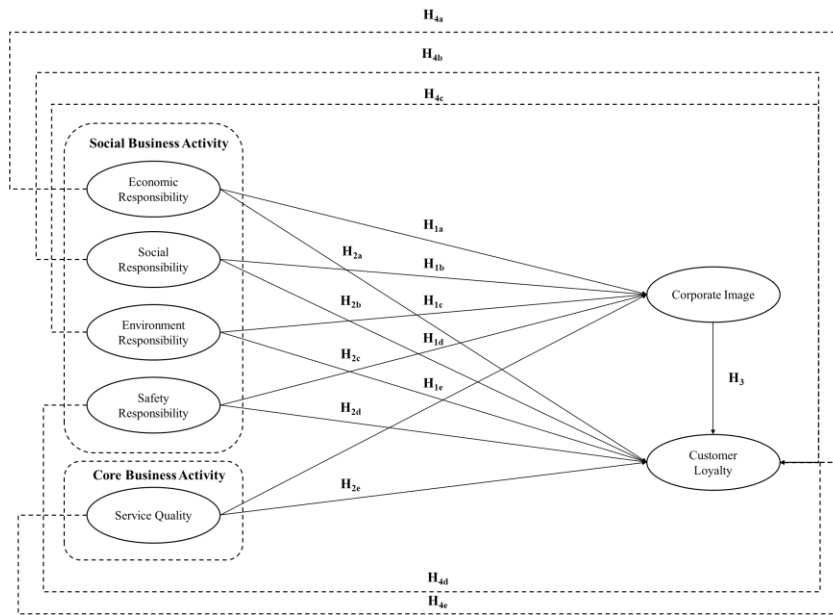Based on these hypothesis, research model formulated by the researcher is depicted in **Figure 1** as follows:

Figure 1. Research Model
Source: Author's Personal Conception (2024).

3. METHODOLOGY

Data collection utilizes a primary data approach through an online questionnaire. The questionnaire, developed using Google Forms, was distributed via social media platforms (Whats App, Instagram, Facebook, Twitter). The survey consisted of 8 items related to demographic and travel-related behavior; these included passenger's name, age, gender, partners in the trip, route of the trip, the number of previous trips via national airports, the number of previous trips, and the purpose of the most recent visits. Data will be collected using a cross-sectional design through an online survey. The survey will be conducted using non-probability sampling, specifically purposive sampling, where participants are selected based on predefined criteria to ensure relevance to the research objectives. This method allows for a focused and purposeful selection of participants who can provide valuable insights related to the study's objectives (Berndt 2020). The research design aims to gather in-depth information and draw meaningful conclusions from the targeted sample. The research targets passengers of national flag carrier in Indonesia. The respondents must have familiarity with CSR activity and have flown with airlines for the last one year. All questionnaire items were measured using a 5-point Likert scale, from "strongly disagree" (1) to "strongly agree" (5). Table 1 and Table 2 outlines

the variables, dimensions, and indicators used to explore the relationships between variables. These indicators were developed into a questionnaire and administered to respondents.

Table 1. Measurement Item

Variable	Items	Reference
Economic Responsibility	a. X continuously improve the quality of the services that they offer b. X builds solid relations with its customers to assure its long-term economic success c. X generates employment opportunities d. X promotes regional specialties and tourism e. X helps developing an efficient integrated transportation system	(Thanh & Anh 2023).
Social Responsibility	a. X plays a role in society that goes beyond mere profit generation b. X sponsors educational, cultural, public health programmes c. X is highly committed to well-defined ethical principles d. X volunteers in times of disaster e. X contributes to the improvement of life quality in the local community	(Thanh & Anh 2023).
Environment Responsibility	a. X sponsors pro-environmental programmes b. X tries to reduce air and noise pollution c. X minimalized single use plastic in the aircraft d. X does recycling program e. X conduct its business activities in accordance with the environmental regulations	(Thanh & Anh 2023).
Safety Responsibility	a. X have safety management system. b. X is committed to airline operation safety c. X is doing well in safety-related guidance. d. X always puts safety as the top priority and the basis of all activities	(Thanh & Anh 2023).
Service Quality	a. X performs the promised services without error b. X provides fast check-in services. c. X departs on time d. X arrives on time e. X cabin crew assures customers. f. X cabin crew is courteous. g. X cabin crew has sufficient working knowledge. h. X pilot has sufficient working knowledge. i. X put customer best interests at heart j. X operating hours is convenient	(Hassan & Salem, 2022; Song et al., 2019; Gilbert & Wong, 2003).

Table 2. Measurement Item

Variable		Items	Reference
Service Quality	k.	X cabin crew shows careful attention to customers.	
	l.	X cabin crew understand and handle customers' specific requirements.	
	m.	The cabin crew of X are clean and tidy.	
	n.	X provide good quality of in-flight meals	
	o.	X provides variety of in-flight entertainment	
	p.	X aircraft is clean and modern	
	q.	X cabin crew pays attention to passengers' needs	
	r.	X cabin crew gives prompt service.	
	s.	X cabin crew are always willing to help you	
	t.	X cabin crew is responsive in handling customer complaints.	
Corporate Image	a.	I have always had a good impression of X	(Hafez, 2018).
	b.	In my opinion, X has a good image in the minds of consumers.	
	c.	I believe that X has a better image than its competitors.	
	d.	Better image of X motivates me to use their services	
Customer Loyalty	a.	If I need to fly now, X would be my first choice.	(Thanh & Anh 2023).
	b.	I will continue to do fly with X.	
	c.	I would recommend X as the best airline in Indonesia.	
	d.	I would encourage friends and relatives to fly with X.	
	e.	I will say positive things about this airline.	

Source: Primary Data Processed (2024).

The main test analysis utilized SmartPLS version 3.2.7 to evaluate the relationships between research variables using PLS-SEM method, suitable for complex models without data distribution assumptions, This involves testing composite reliability (CR), discriminant & convergent validity, outer loadings, and collinearity in the outer model analysis. The inner model evaluated t-values for hypothesis testing, the coefficient of determination (R^2), and predictive relevance (Q^2).

Out of 319 respondents shown in Table 3, 170 were male and 149 were female. The largest age group was 25-34 years (26.3 per cent), followed by 45-54 years (24.8 per cent). Most respondents held an undergraduate degree (S1) and worked in the private sector (150), with civil servants being the second largest group (50). A majority resided in the Jabodetabek area (270), likely due to frequent use of Soekarno Hatta International Airport, which handles the highest passenger traffic in Indonesia (BPS, 2023). The main reasons for air travel were vacations and business trips, reflecting the respondents' productive age and employment status. Most

respondents traveled by air more than four times a year (146) and 2-3 times (121), with the national flag carrier being used primarily once (132) or 2-3 times (117). Factors like alternative airlines, price, schedule, and routes influenced their choice of airline.

Table 3. Participant Characteristics (N of 319)

Variable	Frequency	Percentage
Gender		
Male	170	53.50
Female	149	46.70
Age		
17-24 years	75	23.50
25-34 years	84	26.30
35-44 years	64	20.10
45-54 years	79	24.80
55-64 years	16	5.00
>64 years	1	0.30
Occupation		
Private Employee	151	47.30
Civil Servant	50	15.70
Student	48	15
Freelancer	28	8.80
Entrepreneur	20	6.30
Housewife	18	5.60
Teacher	2	0.60
Doctor	2	0.60
Residence		
Greater Jakarta (Jabodetabek)	270	84.60
Java (Outside Jabodetabek)	34	10.70
Sumatra	6	1.90
Bali	5	1.60
Sulawesi	2	0.60
Papua	1	0.30
Kalimantan	1	0.30
Reason for Traveling		
Vacation	163	51.50
Business Trip	119	37.30
Education/School	24	7.50
Family Matters	9	2.80
Hajj/Umrah	4	1.30
Frequency of Air Travel in 1 Year		
1 time	52	16.30
2-3 times	121	37.90
>4 times	146	45.80
Frequency of Traveling with National Flag Carrier in 1 Year		
1 time	132	41.40
2-3 times	117	36.70
>4 times	70	21.90

Source: Primary Data Processed (2024).

The outer model analysis was conducted to test convergent validity using Structural Equation Modeling (SEM) with SMARTPLS software. Indicator validity is determined by the factor loading values of each research indicator, with a minimum required factor loading value of 0.7 for an indicator to be considered valid (Hair et al., 2021).

Table 4. Evaluation of Measurement Model

Construct	Item Code	*Item Loading*	Cronbach's Alpha	CR	AVE
Economic Responsibility	ECO1	0.806	0.871	0.907	0.661
	ECO2	0.775			
	ECO3	0.819			
	ECO4	0.868			
	ECO5	0.794			
Social Responsibility	SOC1	0.787	0.826	0.876	0.586
	SOC2	0.717			
	SOC3	0.782			
	SOC4	0.784			
	SOC5	0.755			
Environment Responsibility	ENV1	0.773	0.842	0.886	0.609
	ENV2	0.782			
	ENV3	0.725			
	ENV4	0.839			
	ENV5	0.779			
Safety Responsibility	SAF1	0.872	0.918	0.942	0.803
	SAF2	0.918			
	SAF3	0.920			
	SAF4	0.874			
Service Quality	SQ1	0.724	0.952	0.956	0.525
	SQ2	0.898			
	SQ3	0.876			
	SQ4	0.808			
	SQ5	0.877			
	SQ6	0.797			
	SQ7	0.884			
	SQ8	0.854			
	SQ9	0.804			
	SQ10	0.713			
	SQ11	0.840			
	SQ12	0.811			
	SQ13	0.806			
	SQ14	0.886			
	SQ15	0.856			
	SQ16	0.836			
	SQ17	0.849			
	SQ18	0.841			
	SQ19	0.899			
	SQ20	0.810			
Corporate Image	IMG1	0.882	0.883	0.920	0.742
	IMG2	0.905			
	IMG3	0.898			
	IMG4	0.752			
Customer Loyalty	LOY1	0.712	0.875	0.909	0.670
	LOY2	0.825			
	LOY3	0.931			
	LOY4	0.870			
	LOY5	0.733			

Source: Primary Data Processed (2024).

The validity tests in Table 4 concluded that all indicators were valid, as the item loading value is above 0.7 and the AVE values are above 0.5. Reliability testing was performed to

measure the consistency of the questionnaire as a measurement tool for the variables under study. For reliability, the composite reliability value must exceed 0.7, and Cronbach's alpha must be greater than 0.6 (Hair et al., 2021). Based on the reliability tests, all indicators for each variable consistently measured the latent variables, with composite reliability values above 0.7 and Cronbach's Alpha values above 0.6. The model fit assessment for the research was conducted using SMARTPLS software, examining the Normed Fit Index (NFI) and Standardized Root Mean Square Residual (SRMR). The obtained NFI value is 0.73. While not reaching 1, this value still indicates a satisfactory model fit, accounting for 73 per cent. Considering the SRMR criterion, a research model is deemed fit if its SRMR value is below 0.8 (Sahoo 2020). In this study, the SRMR value is 0.065, indicating a good fit.

Subsequently, discriminant validity was tested using the Fornell-Larcker Criterion and Cross-Loading values. The Fornell-Larcker value must exceed 0.7 (Hair et al., 2021). Table 5 results indicated that each latent variable had a Fornell-Larcker value greater than 0.7. Below are the Fornell-Larcker values for each variable:

Table 5. Discriminant Validity with Fornell and Larcker Approach

	IMG	LOY	ECO	ENV	SAF	SER	SOC
IMG	0.861						
LOY	0.543	0.818					
ECO	0.547	0.436	0.813				
ENV	0.415	0.367	0.422	0.781			
SAF	0.511	0.455	0.425	0.330	0.896		
SER	0.445	0.441	0.413	0.226	0.446	0.724	
SOC	0.486	0.435	0.552	0.582	0.300	0.351	0.766

Source: Primary Data Processed (2024).

The structural model analysis (inner model) was conducted by examining the R square (R^2) values. The R^2 value ranges from 0 to 1, where a value closer to 1 indicates a more accurate prediction of the combined effects of exogenous variables on endogenous variables. Based on the results, the R^2 value for the corporate image variable is 0.442, and for the customer loyalty variable, it is 0.384. An R^2 value above 0.75 is considered substantial, an R^2 value between 0.25 and 0.75 is considered moderate, and an R^2 value below 0.25 is considered weak (Hair et al., 2021). Thus, 42.2 per cent of the corporate image variable is explained by the variables in the study, categorizing it as moderate. Similarly, 38.4 per cent of the customer loyalty variable is explained by the variables in the study, also categorizing it as moderate. Additionally, the Q^2 value assesses the predictive relevance of the model, with a criterion that the Q^2 value must be greater than 0 to indicate predictive accuracy (Hair et al., 2021). The Q^2 values obtained are 0.412 for corporate image and 0.329 for customer loyalty. Since both Q^2 values are greater than zero, the model demonstrates predictive relevance.

4. RESULT AND DISCUSSION

Result

On answering the research hypothesis, the statistical method SEM (Structural Equation Modeling) with SMARTPLS software was used. The path coefficients, t-statistics, and p values for the structural equation model can be observed in Table 6. Path coefficients determine the positive or negative relationships between variables. A positive relationship has a path coefficient value ranging between 0 and 1. Additionally, the acceptance or rejection of the research hypothesis can be determined by the t-statistic value. This study uses a 95 per cent significance level, with the number of subsamples set to 5000. If the t-statistic value is less than 1.645, the hypothesis is rejected (Alkarkhi & Alqaraghuli, 2020). The results of the hypothesis testing using SEM SMARTPLS can be found in the following Table 5.

Table 6. Path Coefficient and Direct Hypotheses Testing

Hypothesis	Path	Original Sample	T Statistics ($|O/STDEV|$)	P Values	Result
H_{1a}	Economic Responsibility → Corporate Image	0.243	2.800	0.003	Supported
H_{1b}	Social Responsibility → Corporate Image	0.169	2.314	0.011	Supported
H_{1c}	Environment Responsibility → Corporate Image	0.096	1.790	0.037	Supported
H_{1d}	Safety Responsibility → Corporate Image	0.262	4.180	0.000	Supported
H_{1e}	Service Quality → Corporate Image	0.143	2.697	0.004	Supported
H_{2a}	Economic Responsibility → Customer Loyalty	0.051	0.909	0.182	Not Supported
H_{2b}	Social Responsibility → Customer Loyalty	0.131	2.314	0.011	Supported
H_{2c}	Environment Responsibility → Customer Loyalty	0.067	1.273	0.102	Not Supported
H_{2d}	Safety Responsibility → Customer Loyalty	0.160	2.679	0.004	Supported
H_{2e}	Service Quality → Customer Loyalty	0.168	2.760	0.003	Supported
H_3	Corporate Image → Customer Loyalty	0.268	4.532	0.000	Supported

Source: Primary Data Processed (2024).

The analysis reveals several key findings. Economic responsibility shows a significant positive impact on corporate image, evidenced by a t-statistic of 2.800 and a p-value of 0.003, thereby affirming Hypothesis H_{1a}. Social responsibility also enhances corporate image, with a t-statistic of 2.314 and a p-value of 0.011, supporting Hypothesis H_{1b}. Although environment responsibility's effect on corporate image is weaker (t-statistic 1.790, p-value 0.037), it is still

significant, validating Hypothesis H_{1c}. Among all CSR, safety responsibility stands out with the most substantial positive influence on corporate image, with a t-statistic of 4.180 and a p-value of 0.000, confirming Hypothesis H_{1d}. Service quality further bolsters corporate image, supported by a t-statistic of 2.697 and a p-value of 0.004, aligning with Hypothesis H_{1e}. Comparing the impacts, safety responsibility and service quality have the strongest effects on corporate image, with both having similar p-values but safety responsibility showing a higher t-statistic.

Regarding customer loyalty, economic responsibility's influence is not significant (t-statistic 0.909, p-value 0.182), leading to the rejection of Hypothesis H_{2a}. Social responsibility, with a t-statistic of 2.314 and a p-value of 0.011, positively affects customer loyalty, supporting H_{2b}. Environment responsibility, though weaker (t-statistic 1.273, p-value 0.102), also does not support Hypothesis H_{2c}. Safety responsibility strongly impacts customer loyalty, with a t-statistic of 2.679 and a p-value of 0.004, confirming H_{2d}. Similarly, service quality significantly enhances customer loyalty, with a t-statistic of 2.760 and a p-value of 0.003, supporting H_{2e}. In comparison, service quality has the most substantial positive effect on customer loyalty, followed closely by safety responsibility. Furthermore, corporate image significantly drives customer loyalty, with a t-statistic of 4.532 and a p-value of 0.000, thereby affirming Hypothesis H_3.

Table 7. Path Coefficient and Mediation Hypotheses Testing

Hypothesis	Path	Original Sample	T Statistics	P Values	Decision on Hypothesis
H_{4a}	Economic Responsibility → Corporate Image → Customer Loyalty	0.065	2.451	0.007	Supported (Full Mediation)
H_{4b}	Social Responsibility → Corporate Image → Customer Loyalty	0.045	1.865	0.032	Supported (Partial Mediation)
H_{4c}	Environment Responsibility → Corporate Image → Customer Loyalty	0.026	1.592	0.056	Not Supported (No Mediation)
H_{4d}	Safety Responsibility → Corporate Image → Customer Loyalty	0.070	3.348	0.000	Supported (Partial Mediation)
H_{4e}	Service Quality → Corporate Image → Customer Loyalty	0.038	2.278	0.012	Supported (Partial Mediation)

Source: Primary Data Processed (2024).

To explore the mediating role of corporate image, this study employs the SmartPLS mediation approach. If there is a mediator latent variable in the model, then the total effect value from the exogenous latent variable to the endogenous latent variable can be found in the default report in the PLS, Quality Criteria, and Total Effects sections. The significance of the Total

Effect can be tested using T-Statistics in the Bootstrapping procedure in the Bootstrapping, Total Effects (Mean, STDEV, T-Values) section. For mediation analysis, the indirect effect can be examined using reports in SMART-PLS (Wong, 2013) Partial mediation occurs when both direct and indirect effects of an independent variable on a dependent variable are significant, while full mediation occurs when only the indirect effect through a mediator is significant, while no mediation occurs when both direct and indirect effects of an independent variable on a dependent variable are insignificant (Nitzl et al., 2016). The findings for each hypothesis are presented below in Table 7.

The mediation analysis reveals notable connections between different corporate social responsibilities and customer loyalty mediated by corporate image. Each responsibility (economic, social, and safety) except environment responsibility demonstrates a significant influence on both corporate image and subsequent customer loyalty. These findings highlight the pivotal role of corporate image as a mediator, illustrating how each responsibility impacts customer loyalty. Specifically, economic responsibility exhibits a path coefficient of 0.065 with a t-statistic of 2.451 and a p-value of 0.007, confirming Hypothesis H_{4a}. Social responsibility, on the other hand, shows a partial mediation effect with a path coefficient of 0.045, a t-statistic of 1.865, and a p-value of 0.032, supporting Hypothesis H_{4b}. However, environmental responsibility demonstrates a no mediation effect with a path coefficient of 0.026, a t-statistic of 1.592, and a p-value of 0.045, rejecting Hypothesis H_{4c}. In contrast, safety responsibility exhibits a significant positive influence on corporate image, with a path coefficient of 0.070, a t-statistic of 3.348, and a p-value of 0.000, supporting Hypothesis H_{4d}. Additionally, service quality significantly enhances corporate image with a path coefficient of 0.038, a t-statistic of 2.278, and a p-value of 0.012, aligning with Hypothesis H_{4e}. These results underscore the importance of nurturing a positive corporate image to foster customer loyalty, with each activity contributing distinctly to shaping consumer perceptions and behaviors in a professionally relevant manner.

Discussion

The hypotheses testing results reveal significant relationships between various factors and corporate image. Specifically, economic responsibility, social responsibility, safety responsibility, and service quality all positively influence corporate image. The acceptance of the hypotheses indicates that both CSR activities and service quality significantly contribute to building the corporate image of the airline. Among these factors, safety responsibility has the highest influence, followed by economic responsibility, social responsibility, service quality, and environmental responsibility. This demonstrates that while service quality is crucial, CSR activities, particularly safety responsibility, play a more significant role in enhancing the corporate image of the airline industry. Companies prioritizing safety tend to have a better

corporate image. For example, Upadhaya *et al.* (2018) found that in Nepal, passengers perceive a positive corporate image when airlines emphasize safety, influencing consumer decisions. Safety responsibility significantly impacts corporate image, especially in the Asian market (Wang et al., 2020).

This research findings also aligns with previous research demonstrating the positive impact of economic responsibility on sustainable economic development and passenger attitudes (Kim et al., 2020). Efforts to contribute to national economic development, such as investing in national programs, supporting the tourism sector, and creating job opportunities, enhance the airline's reputation and foster a positive corporate image in the minds of customers (Thanh & Anh, 2023). Previos research by Thanh & Anh (2023), also found a positive influence of social responsibility on corporate image in airlines from Vietnam and Lithuania (Streimikiene et al., 2020). Companies that engage in social activities, sponsor events, care for employee welfare, and participate in community volunteer efforts can significantly enhance their corporate image (Upadhaya et al., 2018). According to Lee et al. (2019), cause-related marketing activities, such as providing scholarships or supporting health organizations, and non-material contributions like volunteer time, can also enhance corporate image and add value to the company. This positive impact extends to stakeholders (Streimikiene et al., 2020).

Regarding how service quality impacts corporate image, the overall corporate image can be enhanced when customers experience high service quality through repeated service encounters (Song et al., 2019). The acceptance of the hypothesis is also supported by previous studies (Hassan and Salem, 2022; Kim & Hwang, 2023; Song et al., 2019) that found a positive influence of service quality on the corporate image of airline companies. Moreover, the mean value for the service quality items is highest in the dimension of assurance, with the item "X cabin crew are couteous" having the highest mean. This finding aligns with Khanh (2017), who identified politeness of pilots and flight attendants as a crucial criterion. Flight attendants must be polite, friendly, understanding, and capable of speaking foreign languages. In the empathy dimension, the item "X put customer best interests at heart " has the highest mean. For the tangibles dimension, the item "The cabin crew of X are clean and tidy." has the highest mean. This aligns with previous research by Khanh (2017), indicating that service quality significantly contributes to shaping corporate image, particularly through the performance of cabin crew. This is further supported by the achievements of Indonesia's flag carrier, which has consecutively won the World's Best Cabin Crew award from Skytrax. The emphasis on cabin crew in delivering high quality service highlights the critical role they play in enhancing customer perceptions and overall corporate image.

However, the path coefficient from environmental responsibility to corporate image is the lowest and is not significant, possibly due to passengers' perception of the airline industry's

negative environmental impact. The transportation system significantly affects the environment through noise, atmospheric pollution, and land use (Orhan, 2021). Despite the crucial role of CSR in addressing environmental concerns, the airline industry faces inherent challenges due to its environmental footprint. Corporate social responsibility, especially concerning the environment and its impact on customer behavior, is crucial in the airline industry. Airline consumption occurs outside customers' residential areas and is subject to various environmental issues. More customers now recognize the importance of responsible consumption and prefer companies that pursue social benefits over excessive profits. Customers sensitive to a company's social and environmental responsibilities often have a positive attitude towards such companies (Han et al., 2020). The significance of a green image is evident in the airline industry. For example, Asiana Airlines in Korea actively works to reduce aircraft emissions and save energy. Similarly, United Airlines has made significant advancements in environmental management, achieving a 20 per cent improvement in fuel efficiency through technological innovations (Hwang & Lyu, 2020). These efforts highlight the importance of environmental responsibility in enhancing corporate image. Additionally, the low path coefficient may result from consumer skepticism towards companies' CSR claims, questioning their authenticity. Effective communication about CSR activities can improve corporate image, as better-publicized socially responsible activities lead to better corporate image perceptions (Streimikiene et al., 2020). Therefore, companies need to ensure clear communication of their environmental CSR efforts to build a strong corporate image. By addressing consumer skepticism and clearly articulating their commitment to environmental responsibility, airlines can improve their corporate image and foster greater customer loyalty.

Regarding customer loyalty, the hypothesis testing results reveal significant relationships between various factors and customer loyalty. Specifically, social responsibility, safety responsibility, and service quality all positively influence customer loyalty. The acceptance of hypotheses H2b, H2d, and H2e indicates that certain CSR activities (social and safety responsibilities) and service quality significantly contribute to building customer loyalty for the airline. Among these factors, safety responsibility has the highest influence, followed by service quality and social responsibility. However, economic responsibility and environmental responsibility do not show a significant influence on customer loyalty, leading to the rejection of hypotheses H2a and H2c. This highlights that while CSR is essential, providing high-quality service is a more critical factor in fostering customer loyalty within the airline industry.

Among the various factors influencing customer loyalty, safety responsibility has the highest path coefficient and t-statistic. This is because safety responsibility is considered a crucial dimension of business activities that significantly determine customer trust and loyalty (Latif et al., 2019). Customers view safety as a critical factor in their loyalty to an airline. Safety

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responsibility often falls under the legal dimension of CSR due to regulations concerning consumer safety, which are required CSR activities. When airlines prioritize safety responsibility, passengers are more likely to maintain long-term relationships with the airline (Kim et al., 2020). Even though obtaining the lowest fare is a consideration for passengers when purchasing tickets, they are unwilling to compromise on safety and would rather pay additional costs (Banerji et al., 2023). The acceptance of this hypothesis is also supported by research on Vietnamese airlines, which found a positive influence of safety responsibility on customer loyalty (Thanh & Anh, 2023). According to Song et al. (2019), the impact of service quality is also significant, being the second-highest factor influencing corporate image in their study. The overall image of a company can improve when customers experience high service quality through repeated interactions. The acceptance of this hypothesis is further supported by previous studies (Hassan and Salem, 2022; Kim and Hwang, 2023; Song et al., 2019), which found a positive impact of service quality on the corporate image of airlines. The results of the study show that customer loyalty increases when consumers perceive that the airline performs its desired responsibilities (social responsibility), not just its required responsibilities. The current study implies that it is necessary for airlines to fulfill their safety responsibilities from the consumers' point of view. Customer loyalty toward the airline increases when the airline is perceived as fulfilling its social and safety responsibilities. Due to the industry-wide characteristics of airlines that offer similar experiential services, enhancing corporate image and competitiveness through appropriate CSR initiatives is crucial for increasing customer loyalty. Therefore, communication and advertisements highlighting the airline's commitment to ethical and eco-friendly responsibilities for society are more persuasive in increasing customer loyalty than those emphasizing economic and legal superiority. For instance, Korean Air's tree-planting initiative in Mongolia and Dutch airline KLM's campaign, which encourages customers to pack lighter, purchase carbon offsets, and even fly less to protect the environment (Kim et al., 2020).

However, economic responsibility is perceived as a mandatory obligation that airlines should inherently fulfill. When airlines engage in economic responsibility activities, passengers view these actions as standard practices, which do not significantly enhance customer loyalty. Similarly, environmental responsibility does not influence customer loyalty due to the prevalent perception among passengers that airlines are not environmentally friendly and the lack of effective communication from airlines regarding their environmental initiatives (Kim et al., 2020).

Corporate image plays a crucial mediating role between CSR activities and customer loyalty. For economic and environmental responsibilities, the mediation is full, indicating that these responsibilities influence customer loyalty entirely through corporate image. This full mediation suggests that improvements in customer loyalty are contingent upon the positive

corporate image fostered by these responsibilities. On the other hand, corporate image serves as a partial mediator for social, safety responsibilities, and service quality, meaning that while these factors directly influence customer loyalty, corporate image further enhances this effect. Consumer attitudes towards a company are closely related to its corporate image. When a company engages in environmental responsibility, consumers tend to prefer companies with a positive image and are more likely to return to use the company's products or services (Gürlek et al., 2017). This relationship underscores the importance of maintaining a strong corporate image in conjunction with CSR activities to effectively drive customer loyalty. Similarly, when consumers have a positive perception of service quality, positive emotions are generated, contributing to the formation of corporate image and relating to customer loyalty. The acceptance of this hypothesis aligns with studies indicating that corporate image significantly mediates the positive relationship between service quality and loyalty (Karim & Rabiul, 2022; Alam & Noor, 2020).

5. CONCLUSION

In conclusion, this study aimed to investigate the impact of corporate social responsibility (CSR) activities and business operations, specifically service quality, on corporate image and customer loyalty within the aviation sector in Indonesia. The findings reveal several key insights. Firstly, CSR positively influences corporate image, albeit to a lesser extent compared to service quality, which significantly enhances corporate image, indicating the pivotal role of high-quality services in enhancing company image. Second, positive corporate image mediates the effects of CSR and service quality on customer loyalty, suggesting that satisfied customers are more likely to exhibit loyalty by repurchasing services and recommending them to others. Among the CSR elements examined, safety responsibility emerges as the most influential in driving customer loyalty. Therefore, aviation companies should prioritize the provision of high-quality services, particularly in flight safety, while fulfilling social and environmental responsibilities to cultivate a positive corporate image and sustainable customer loyalty. Moreover, it is crucial for companies to recognize the mediating role of corporate image in enhancing customer loyalty, emphasizing the importance of activities supporting this variable.

This study offers key insights for airline management and stakeholders on enhancing corporate image and customer loyalty. It highlights the importance of integrating CSR activities and service quality into their strategies. Understanding how economic, social, environmental, and safety responsibilities, along with service quality, affect the airline's reputation can strengthen efforts to build a positive image and long-term loyalty. Continuous improvement in CSR and social activities, such as supporting Indonesian tourism, community support, and

environmental initiatives, is crucial. Additionally, enhancing in-flight entertainment and meal quality can improve passenger satisfaction and loyalty. By focusing on these areas, Indonesia's national flag carrier can boost customer satisfaction and maintain a strong corporate image.

However, this study has certain limitations. Firstly, it did not measure respondents' knowledge of the company's CSR activities, which may have affected their responses to the main test. Future research should establish clear criteria for respondent screening to ensure an adequate understanding of CSR activities. Additionally, the relatively low frequency of airline usage among respondents may limit the generalizability of their perceptions regarding CSR and service quality. Thus, future studies should aim to include a more representative sample of loyal customers.

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