

# CHAPTER 1

## INTRODUCTION

### 1.1 Background

Surabaya is the second total largest population after Jakarta and the capital city of East Java. Moreover, now Surabaya also became one of the cities in East Java that has many achievements, especially in environmental sectors, such as Adipura, which has been awarded every year since 2006, and also Adiwiyata for green school like SDK Santa Maria. Other achievements that Surabaya has achieved are Kalpataru, Wahana Tata Nugraha, Rekor Muri Taman Kota, ICT Pura, and Anugrah Parahita Ekapraya.

The efforts from the Mayor of Surabaya to make this city greener has been successful because many visitors come from other cities not only to enjoy the culture or food that Surabaya have, but the visitors can enjoy the park with a lot of trees and fresh air or take a picture with a good architecture in the park. This breakthrough that the Mayor of Surabaya has worked on for years is the one that brings more and more visitors in Surabaya every day.

According to Dinas Kependudukan and Catatan Sipil (Dispenduk Capil) of Surabaya, the total population of Surabaya from January to November 2016 is 30.675. Surabaya occupied the highest population in East Java as listed by Badan Pusat Statistik. The high rise due to impacted consumption activity can create a lot of waste generated. As it was taken from Surya Media online and has published on May11, 2015, Surabaya creates 2000 tons of waste per day. From that total number, only 500 tons waste that can be processed until now, while the rest has to be delivered to

TPA (Tempat Pembuangan Akhir). The biggest waste volume is from plastic waste which is difficult to unravel and take a long time to process.

Waste is classified into a few categories such as Municipal Solid Waste (MSW), agricultural and animal refuse, and industrial residues. MSW emerges from household, commerce and trade, small business office building and the institution. MSW is defined by The United Nations as Household Waste and Similar Waste. This includes bulky waste, which includes voluminous unwanted items such as old furniture or found in household green waste such as, garden waste, street sweeping products and market cleaning materials (United Nations Statistic Division, 2007).

Surabaya has introduced the 5R principle in waste management; Reduce, Reuse, Recover, Revalue and Recycle. All of those principles will help Surabaya to minimize growth of waste every day. The potential of the principle has been seen by the team of CSR or Bina Lingkungan PLN as an opportunity to enter one of the areas in Surabaya.

European Commission defines CSR as a concept whereby companies observe social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis (Lai, 2015). (Carrol, 1979) has defined as a hierarchy model that includes four categories of social obligations which all responsible companies demand it. These include the responsibilities of Economic, Legal, Ethical and Philanthropic. The Corporate Social Responsibility program helps the company to build the corporate image.

The image of corporate social responsibility can have a positive effect on corporate image and brand image in the society. A company committed to economic development, ethics in the organization, supporting employees and their families, supporting non-profit groups and the supplying the needs of society, has a far better image in the minds of society than

other firms (Pomeroy and Johnson, 2009). The corporate image is likely to play only a secondary role in customers choice decisions unless competing services are perceived as virtually identical on performance, price, and availability (Lovell, 1984; Andreassen and Lanseng, 1997). In general, corporate image and reputation is considered an asset which gives the organization a chance to differentiate itself aiming to maximize their market share, profits, attracting new customers, retaining existing ones, neutralizing the competitors actions and above all their success and survival in the market. When preparing CSR activities, the company has a goal to increase the positive perception associated with quality of service and provide positive feedback from stakeholders of the company (Bhattacharya, 2004). And also CSR as an evaluative criteria for customer who make the decision to buy a service that the company offer. Customers willingness to maintain a relationship with an organization is contingent on their perception of the benefits of a high relationship between quality and satisfaction, the benefits of a relationship that provide a continuous flow of value.

The object of that study is society in Gunung Anyar which is located on Gunung Anyar Tambak III RT. 03 RW 01, Kelurahan Gunung Anyar. This program has been released from one of the CSR program of PT. PLN. The aim of this program is to give knowledge for society in Gunung Anyar about how important environment to support their job, but at the same time there is still a lot of waste that we can find, especially in Gunung Anyar. Most of the families who are living there are complaining because their children often got sick because of the environment. Many fishermen are also upset when their boats were always trapped by garbage. So after giving knowledge and reminding the society in Gunung Anyar about the damage of the waste, they eventually tried to collect the waste voluntarily.

In 2010, PT. PLN started to enter Gunung Anyar, by urging the community to plant the mangrove seed. After assessing the potential, PT. PLN take the initiative to establish waste bank. Arkad Matulu as a Deputy Manager, Communication and Community Development of PT. PLN East Java distribution explained that the establishment of Bintang Mangrove waste bank is based on the desire to help the fishermen to keep the spirit in protecting the environment. (Kabar Surabaya, 2015)

PT. PLN began providing trainings in understanding the concept of waste bank and how to run the waste bank management properly. The program that they implemented was “Bayar Listrik dengan Sampah”. Society in Gunung Anyar can trade waste with money and deposit to pay for electricity. This program can help the society in Gunung Anyar to earn additional income by paying electricity with waste that they collect.

## **1.2 Problem Statements**

Of the background explanation that has been described, the problem can be formulated as follows:

1. Does the Corporate Social Responsibility Program Bayar Listrik Dengan Sampah have a positive effect on Corporate Image in Gunung Anyar?
2. Does the Corporate Social Responsibility Program Bayar Listrik Dengan Sampah have a positive effect on Service Quality in Gunung Anyar?
3. Does the Corporate Image of Corporate Social Responsibility Program Bayar Listrik Dengan Sampah PT. PLN East Java Distribution have a positive effect on Service Quality in Gunung Anyar?

4. Does the Service Quality of Corporate Social Responsibility Program Bayar Listrik dengan Sampah PT. PLN East Java Distribution have a positive effect on Customer Satisfaction in Gunung Anyar?

### **1.3 Research Objectives**

Based on the background and the subject of this study, below are the objectives of this study:

1. To analyze the positive effect of Corporate Social Responsibility Program Bayar Listrik Dengan Sampah toward Corporate Image in Gunung Anyar.
2. To analyze the positive effect of Corporate Social Responsibility Program Bayar Listrik Dengan Sampah toward Service Quality in Gunung Anyar.
3. To analyze the positive effect of Corporate Image on Program Bayar Listrik Dengan Sampah with Service Quality in Gunung Anyar.
4. To analyze the positive effect of Service Quality on Program Bayar Listrik Dengan Sampah with Customer Satisfaction in Gunung Anyar.

### **1.4 Significant of the Study**

The Results of this research are expected to provide the following benefits:

#### **1.4.1 Academic Benefits**

It is expected that this study can be useful for readers and researchers to get new information and additional knowledge to understand the effect of Corporate Social Responsibility program towards corporate

image, service quality, and customer satisfaction. Hopefully this study can be used as a reference for future research in this area.

#### **1.4.2 Practical Benefits**

This study is expected to give information and knowledge for companies who wants to implement Corporate Social Responsibility program to create competitive advantage, especially to improve the corporate image, service quality and customer satisfaction.

### **1.5 Writing Systematic**

Systematics of writing is divided into five chapters and arranged in a systematic as follows:

#### **CHAPTER 1: INTRODUCTION**

This chapter discusses about background, research questions, and research objectives, significant of study and systematic of study.

#### **CHAPTER 2: LITERATURE REVIEW**

This chapter presents the previous study, relevant journal, theoretical background and hypothesis. The theoretical background explains about Corporate Social Responsibility, Corporate Image, Service Quality, Customer Satisfaction and the relationship among variables.

#### **CHAPTER 3: RESEARCH METHODS**

This chapter describes the process of analyzing the data including research design, identification of variable, operational definition, type of source data, variable measurement, data collection method, population, sample and sampling technique, data analysis technique, validity and reliability, fitness model task, and hypothesis testing.

#### CHAPTER 4: ANALYSIS AND DISCUSSION

This chapter consists of research data description, data analysis, and discussion, also discussing about respondent description, research variable statistic descriptions, and hypothesis testing.

#### CHAPTER 5: CONCLUSION AND SUGGESTION

This chapter is a closing of this study that consists of conclusion and suggestion for the research object and for the consumer or researcher to do a further research.