



The Influence of Company Reputation on Customer Loyalty in Indonesian Commercial Banks: The Mediating Role of Country of Origin in the Perspective of Signaling Theory

Muhammad Nadif Kurniawan*, Adi Setiawan

Universitas Swadaya Gunung Jati, Indonesia

Email: muhammad.122020109@ugj.ac.id*, adi.setiawan@ugj.ac.id

Keywords:

company reputation; customer loyalty; country of origin; signal theory; Banking

Abstract

This study aims to analyze the impact of company reputation on the customer loyalty of commercial banks in Indonesia from the perspective of signal theory, as well as evaluate the role of the country of origin as a mediating variable in the relationship. Data was obtained from 61 commercial bank customers at Bank BJB KC Swadaya Gunung Jati University Cirebon using quantitative research methods. A company's reputation is defined as a multidimensional construct that includes corporate social responsibility (CSR), relationship marketing, product quality, and corporate responsiveness. The data were analyzed using structural equation (SEM) model-based path analysis with the help of AMOS software. The results of the study show that corporate social responsibility signals do not directly affect customer loyalty, but indirectly affect significantly through the country of origin, which indicates full mediation. Product quality has been shown to have a direct and significant influence on customer loyalty, and is the most influential factor in the research model. In contrast, relational marketing and company credibility did not show significant influence. The research model can explain 60.9% variation in customer loyalty. The study confirms that a company's reputation serves as a strategic signal, the effectiveness of which depends on the type of signal being sent and the context of the bank's country of origin. These results expand the application of signal theory in Indonesia's banking sector and provide important implications for bank reputation management in building sustainable customer loyalty.

INTRODUCTION

In an era of increasingly complex business competition, a company's reputation has become a strategic factor that greatly determines the competitiveness and sustainability of business, especially in the service industry such as the banking sector. The Company's reputation reflects the collective evaluation of stakeholders on the company's ability to deliver meaningful value (Fombrun et al., 1999). In this context, reputation serves not only as a social perception, but also as an important signal that reduces information asymmetry between companies and customers, as well as strengthens trust in the brand (Azizan & Shailer, 2021; Cowan & Guzman, 2018)

In line with signalling theory, companies can convey strategic signals to consumers through actions such as implementing corporate social responsibility (CSR), providing quality products, building close relationships with customers, and demonstrating strong credibility in the eyes of the public (Boateng, 2013; Hanna & Jeong, 2013). Research shows that these signals not only affect a company's image, but also significantly increase customer loyalty (Gli et al., 2023; Newell & Goldsmith, 2001). In the financial sector, which is based on trust, reputation

is an important bridge that fosters an emotional bond and customer commitment to the banking institution.

However, many previous studies have treated the reputation as a one-dimensional concept and failed to comprehensively analyze the elements that make it up simultaneously within a single conceptual framework (Azizan & Shailer, 2021; Gli et al., 2023). Indeed, a multidimensional approach that includes CSR, product quality, relationship marketing, and corporate trust better describes how customers perceive a company's reputation (Chang et al., 2018). This gap raises the need for research that not only assesses the influence of each of these dimensions, but also explains their causal relationship to consumer loyalty in the context of developing countries such as Indonesia (Asnawi et al., 2020; Farhan et al., 2020).

This situation is even more important considering that Indonesia's banking sector has faced reputational challenges due to failures in risk management, governance issues, or a crisis of public trust in financial institutions. In these conditions, the company's reputation plays a crucial role in restoring trust and strengthening customer loyalty, which is the cornerstone of long-term stability (Azizan & Shailer, 2021). Therefore, this study aims to deepen a more comprehensive understanding of the role of reputation blocks in bank customer loyalty, while also answering the need to expand the scope of the application of signal theory in the domestic banking sector (Arhinful et al., 2025; Kim et al., 2024; Nworie et al., 2024; Zhang et al., 2020).

Based on the above considerations, this research has importance not only theoretically but also practically. Theoretically, this study fills a gap in the literature regarding a multidimensional approach to corporate reputation within the framework of signal theory and its impact on customer loyalty (Money et al., 2017; Shahid et al., 2024; Zhang et al., 2020). In practical terms, these findings can be used by bank management to formulate effective reputation strategies to increase customer loyalty amid increasingly fierce industry competition and rising consumer expectations (Azizan & Shailer, 2021; Hanna & Jeong, 2013).

This study uses customer loyalty as a dependent variable. Loyalty is defined as the tendency of consumers to continue using a company's services over time, even though there are many competitor options available. This loyalty is measured not only from behavioral aspects such as repeat purchases, but also includes psychological dimensions such as trust in the brand or organization, as well as emotional attachment (Khan et al., 2020).

The subject of this study is a commercial banking customer of Bank BJB KC Swadaya Gunung Jati University, who receives various corporate reputation signals through activities such as corporate social responsibility (CSR), quality of services and products, relationship marketing, and reliability of financial institutions. Thus, the customer functions as a signal receiver within the framework of signal theory which is the theoretical basis of this research. (Azizan & Shailer, 2021; Cowan & Guzman, 2018).

This study seeks to examine the relationship between Causal between the building blocks of a company's reputation (CSR, product quality, relationship quality, and company credibility) as independent variables to customer loyalty as a dependent variable. This process of causal relationships is explained through signalling theory, where companies send strategic signals to consumers to reduce information asymmetry and form positive perceptions that lead to loyalty (Gli et al., 2023; Hanna & Jeong, 2013).

The main purpose of this study is to analyze the impact of each dimension of company reputation on customer loyalty in Indonesian commercial banks. In addition, this study also

examines the role of the country of origin (COO) as a mediating variable that explains the mechanism by which a company's reputation impacts customer loyalty. In addition, in the context of the domestic banking sector that is currently facing reputational challenges and declining public trust, this study evaluates the validity of signal theory in explaining the relationship between corporate reputation and customer loyalty. (Azizan & Shailer, 2021; Lee et al., 2018)

From the corner Urgency, this study has a very important meaning in efforts to restore and strengthen public confidence in the domestic banking sector after various incidents that have damaged the reputation of financial institutions. By understanding which dimensions of reputation are most effective in building loyalty, companies can develop more precise, relevant, and sustainable communication and marketing strategies. (Ahn et al., 2021; Narteh & Braimah, 2020)

Finally, of novelty, the study's main contribution lies in the adoption of a multidimensional corporate reputation approach that integrates corporate social responsibility, product quality, corporate trust, and relationship marketing into a single analytical framework. In addition, the study expands the scope of signal theory by placing the country of origin as a mediating variable that explains the mechanism by which customers convert a company's reputation signal into loyalty.

This approach provides a deeper understanding of the process of forming customer loyalty in the context of the Indonesian banking industry, an area that has relatively not been explored much in previous empirical research. Since this approach has not been widely used empirically in the context of the Indonesian banking industry, it offers a new perspective on the dynamics of customer loyalty. (Chang et al., 2018; Mariutti et al., 2019)

The formulation of the problem in this study focuses on testing various strategic signals built by companies in influencing customer loyalty. In particular, this study questions whether corporate social responsibility (CSR) signals have a positive influence on customer loyalty, whether the quality of relationships built by companies also has a positive influence, and whether the quality of the products delivered is able to increase customer loyalty. In addition, this study also examines whether the higher the company's credibility shown through various strategic signals will have an impact on increasing customer loyalty. Furthermore, this study also examines the role of country of origin (COO) as a mediating variable in the relationship between the building blocks of a company's reputation—which includes product attributes, company credibility, CSR, and relationship marketing—to customer loyalty.

The purpose of this study is to analyze the influence of corporate reputation signals consisting of CSR on customer loyalty, analyze the influence of product quality signals on customer loyalty, and examine the influence of relationship quality signals on customer loyalty. In addition, this study also aims to analyze the influence of company credibility signals on customer loyalty, as well as test the role of country of origin (COO) as a mediating variable in explaining the mechanism of influence of company reputation on customer loyalty.

This research has several benefits that can be reviewed from theoretical, practical, and policy aspects. Theoretically, this research contributes to the development of a company reputation theory based on Signalling Theory, especially in understanding the multidimensional of corporate reputation and its relationship with customer loyalty in the Indonesian banking sector. Practically, the results of this study can be a strategic reference for

marketing managers and commercial bank management in strengthening customer loyalty through comprehensive and targeted reputation management. Meanwhile, from a policy or institutional perspective, this study provides input for regulators and financial services authorities in formulating policies that support strengthening reputation and information transparency to increase public trust in the national banking sector.

METHOD

This study used a quantitative approach with an explanatory, causal design to examine the cause-and-effect relationship between company reputation and customer loyalty, with Country of Origin (COO) as a mediating variable. The design was selected to test hypotheses derived from signalling theory, which explains how reputation functions as a signal of quality and reliability in building customer trust.

The study examined the influence of independent variables—corporate social responsibility (CSR) reputation dimensions, relationship quality, product quality, and company credibility—on the dependent variable, customer loyalty. Data were collected through questionnaires and analyzed using multiple linear regression and mediation analysis with the assistance of AMOS software.

The target population consisted of commercial bank customers at Bank BJB KC Universitas Swadaya Gunung Jati Cirebon. Data collection continued until 61 respondents were obtained. This sample size met the minimum requirements for Structural Equation Modeling (SEM) and path analysis based on the number of indicators in the model, particularly for the relationship marketing variable. Given the study's focus on testing causal relationships and mediation mechanisms rather than population estimation, the sample size was considered adequate.

Primary data were collected directly from respondents through an online questionnaire distributed via Google Forms. The instrument used a five-point Likert scale ranging from strongly disagree (1) to strongly agree (5) to measure respondents' perceptions of company reputation, country of origin, and customer loyalty. The questionnaires were distributed to eligible commercial bank customers who agreed to participate.

Instrument validity was tested using Pearson correlation, while reliability was assessed using Cronbach's Alpha. All indicators met the required criteria, indicating that the instrument was both valid and reliable for further analysis.

Path analysis was used to examine direct and indirect relationships between variables. Model fit was evaluated using several indices, including p-value, RMSEA, GFI, AGFI, NFI, TLI, and CFI, all of which indicated an acceptable model fit. Mediation was assessed based on the significance of direct and indirect effects.

The research was conducted at Bank BJB Cirebon, located at Universitas Swadaya Gunung Jati, Cirebon, West Java, over a five-month period from November 2025 to March 2026. Ethical considerations were maintained by ensuring respondent confidentiality, obtaining informed consent, and adhering to the research ethics guidelines of Universitas Swadaya Gunung Jati.

RESULTS AND DISCUSSION

Cross-Tabulation Between Bank Selection Preferences and Gender

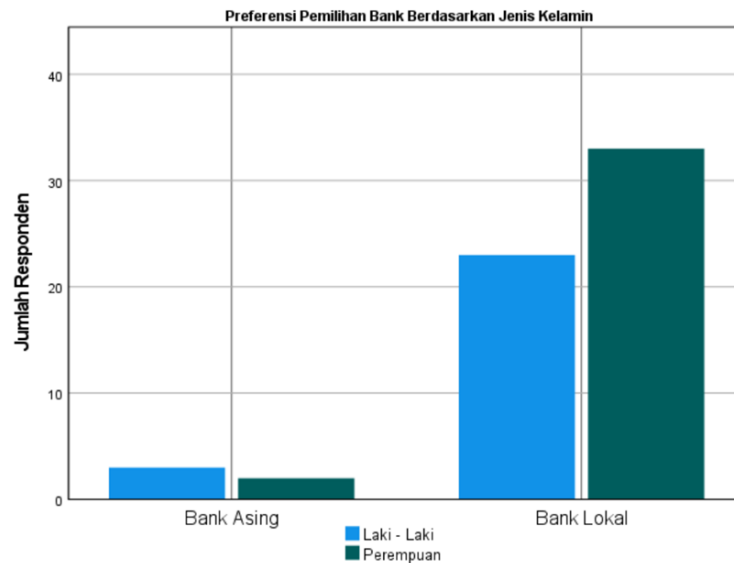


Image 1. Based On Gender

The bar graph depicts respondents' preferences regarding the country of origin of their preferred bank, broken down by gender. A striking imbalance is evident in the data, with the majority of respondents 88.5%, or 54 out of 61 individuals using local banks. In contrast, foreign banks are a marginalized option, chosen by only 11.5% (7 individuals) of the total sample. When examining the demographic distribution, female respondents emerge as the dominant group preferring local banks, comprising approximately 35 individuals, compared to only 2 women using foreign institutions. A similar trend is evident among male respondents; of the 26 men, 21 prefer local banks, while only 5 choose foreign banks. Overall, the visualization highlights the clear dominance of the domestic market, indicating that the preference for local commercial banks remains very strong across both genders.

Validity Test

Tabel 1. Validity Test

Variable	Indicator	R-count	R Table	Remarks
<i>Corporate Social Responsibility (X1)</i>	X1.1	0.701	0,252	Valid
	X1.2	0.408	0,252	Valid
	X1.3	0.546	0,252	Valid
	X1.4	0.415	0,252	Valid
	X1.5	0.538	0,252	Valid
	X1.6	0.598	0,252	Valid
	X1.7	0.533	0,252	Valid
	X1.8	0.648	0,252	Valid
<i>Relationship Marketing (X2)</i>	X2.1	0.332	0,252	Valid
	X2.2	0.421	0,252	Valid
	X2.3	0.691	0,252	Valid
	X2.4	0.355	0,252	Valid
	X2.5	0.594	0,252	Valid

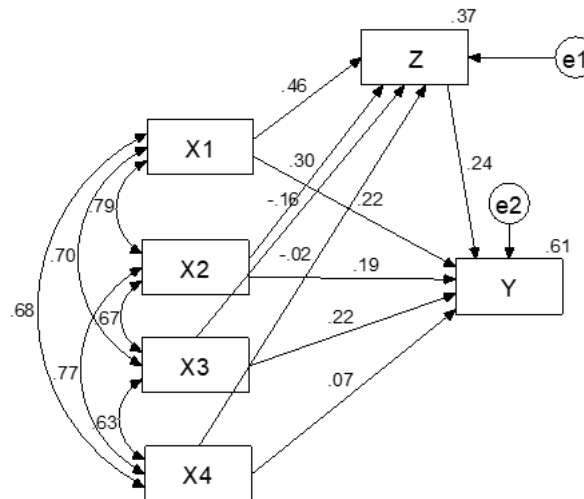
Variable	Indicator	R-count	R Table	Remarks
	X2.6	0.533	0,252	Valid
	X2.7	0.585	0,252	Valid
	X2.8	0.391	0,252	Valid
	X2.9	0.554	0,252	Valid
	X2.10	0.444	0,252	Valid
	X2.11	0.590	0,252	Valid
	X2.12	0.639	0,252	Valid
	X2.13	0.452	0,252	Valid
	X2.14	0.603	0,252	Valid
	X2.15	0.693	0,252	Valid
	X2.16	0.407	0,252	Valid
	X2.17	0.485	0,252	Valid
	X2.18	0.533	0,252	Valid
	Product Attributes (X3)			
	X3.1	0.716	0,252	Valid
	X3.2	0.735	0,252	Valid
	X3.3	0.591	0,252	Valid
	Corporate Credibility (X4)			
	X4.1	0.782	0,252	Valid
	X4.2	0.654	0,252	Valid
	X4.3	0.343	0,252	Valid
	X4.4	0.685	0,252	Valid
	X4.5	0.707	0,252	Valid
Customer Loyalty (Y)	Y.1	0.817	0,252	Valid
	Y.2	0.671	0,252	Valid
	Y.3	0.735	0,252	Valid
	Y.4	0.519	0,252	Valid
	Y.5	0.688	0,252	Valid
	Y.6	0.705	0,252	Valid
	Y.7	0.598	0,252	Valid
Country of Origin (Z)	Z.1	0.668	0,252	Valid
	Z.2	0.674	0,252	Valid
	Z.3	0.476	0,252	Valid
	Z.4	0.489	0,252	Valid
	Z.5	0.803	0,252	Valid

A validity test was conducted on all questionnaire items representing variables X1, X2, X3, X4, Y, and Z, utilizing a sample of 61 respondents. The instrument's validity was evaluated based on the criterion that the calculated Pearson correlation coefficient (r-count) must exceed the critical r-table value of 0.252. The analysis confirmed that all measured constructs met this threshold. Specifically, for Corporate Social Responsibility (X1), all eight statements were valid, with the lowest correlation value recorded at 0.408. Similarly, the 18 items measuring Relationship Marketing (X2) demonstrated validity, exhibiting a minimum value of 0.332. The three indicators for Product Attribute (X3) yielded correlation coefficients ranging from 0.591 to 0.735. For Corporate Credibility (X4), all five items were validated, with scores ranging from 0.343 (X4.3) to 0.782 (X4.1). Furthermore, the seven statements assessing Customer Loyalty (Y) and the five items evaluating Country of Origin (Z) were all declared valid, with

minimum correlation values of 0.519 and 0.476, respectively. Consequently, the entirety of the survey instrument items was deemed valid and eligible for subsequent data analysis.

Path Analysis

Image 2 The Proposed Model



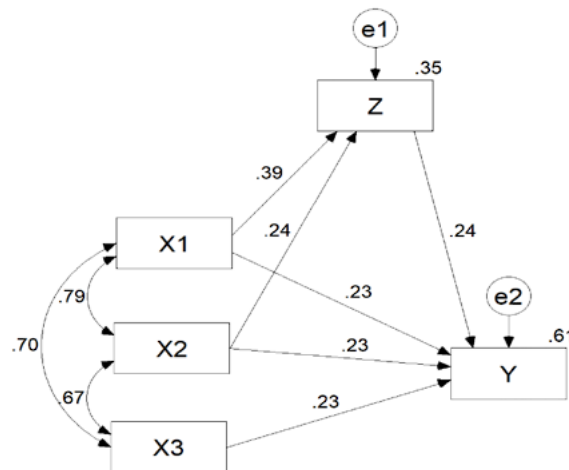
Tabel 2. Path Analysis of the Proposed Model

Path	Estimate	P-Value	Remarks
X1 → Z	0.321	0.010	Significant
X2 → Z	0.099	0.125	Insignificant
X3 → Z	-0.254	0.306	Insignificant
X4 → Z	-0.025	0.884	Insignificant
Z → Y	0.391	0.019	Significant
X1 → Y	0.254	0.137	Insignificant
X2 → Y	0.101	0.231	Insignificant
X3 → Y	0.601	0.064	Insignificant
X4 → Y	0.111	0.612	Insignificant

In the initial stage of the analysis, testing was conducted on the Proposed Model, a complete proposal model involving independent variables X1, X2, X3, and X4, mediator variable Z, and dependent variable Y. Based on the parameter estimation results, it was found that this model has several structural weaknesses. Variable X4 was shown to have no significant contribution to this model, as indicated by the probability value of its effect on Z of 0.884 and on Y of 0.612. Both values are well above the 0.05 significance level, indicating that X4 has no significant direct or indirect influence.

Furthermore, variables X2 and X3 also showed inconsistencies in their effects on the mediation pathways. Variable X3, for example, had no significant effect on mediator Z ($P=0.306$), despite having a fairly strong indication of a direct influence on Y. Due to the large number of insignificant pathways, this model was deemed inefficient (not economical). Therefore, it was decided to modify the model (pruning) by removing variable X4 and the insignificant pathways to obtain a more appropriate structural model that fits the empirical data.

Image 3. Model Trimming



Tabel 3. Path Coefficient

Path	Estimate	P-Value	Remarks
X1 → Z	0.270	0.021	Significant
X2 → Z	0.077	0.158	Insignificant
Z → Y	0.389	0.019	Significant
X1 → Y	0.264	0.115	Insignificant
X2 → Y	0.122	0.102	Insignificant
X3 → Y	0.630	0.046	Significant

In the discussion of the hypothesis, the most prominent finding is the role of the Z variable as a *full mediator* in the relationship between X1 and Y. Statistical results show that X1 has a significant effect on Z with an estimated value of 0.270 ($P=0.021$), and then Z has a significant effect on Y with an estimated value of 0.389 ($P=0.019$). However, when tested for the direct effect, the relationship between X1 and Y turned out to be insignificant ($P=0.115$). This phenomenon means that the variable X1 cannot affect Y directly, but must go through the intermediary of the Z variable.

On the other hand, the variable X3 shows a different pattern of relationships. This variable was proven to have a positive and significant direct influence on Y with an estimated value of 0.630 and a probability value of 0.046. This makes X3 the most dominant direct predictor of Y in this model, without relying on the role of the mediator Z. Meanwhile, the variable X2 in this model has not been shown to have a significant influence on Z or Y, so the hypothesis related to X2 cannot be statistically supported.

Overall, the variables in this model were able to explain the variation that occurred in the Y variable by 60.9% ($R^2 = 0.609$), which shows that the constructed structural model has strong predictive power.

Tabel 4 Hypothesis Testing & Effects (Regression Weights)

Relationship Pathway	Unstandardized Estimate (β)	Standardized Estimate	S.E.	C.R. (t-count)	P-Value	Remarks
X1 → Z	0.270	0.389	0.117	2.308	0.021	Significant
X2 → Z	0.077	0.238	0.055	1.412	0.158	Insignificant

Relationship Pathway	Unstandardized Estimate (β)	Standardized Estimate	S.E.	C.R. (t-count)	P-Value	Remarks
Z $\rightarrow$ Y	0.389	0.236	0.166	2.347	0.019	Significant
X1 $\rightarrow$ Y	0.264	0.230	0.168	1.574	0.115	Insignificant
X2 $\rightarrow$ Y	0.122	0.226	0.074	1.636	0.102	Insignificant
X3 $\rightarrow$ Y	0.630	0.233	0.316	1.991	0.046	Signifikan

In hypothesis testing, the main findings of this study highlight the crucial role of the Z variable as a mediator. The path analysis showed that the X1 variable had a positive and significant influence on Z with an estimated value of 0.270 ($p=0.021$). Furthermore, the Z variable was also proven to have a significant effect on Y with an estimated value of 0.389 ($p=0.019$). Interestingly, when the direct influence of X1 on Y was tested, the results showed insignificant ($p=0.115$). This phenomenon concludes the occurrence of full *mediation*, where the variable X1 cannot increase Y directly, but must be through the intermediary of the variable Z. This means that intervention in X1 will only be effective in increasing Y if it succeeds in increasing Z first.

Another important finding is the role of the X3 variable. In contrast to X1, the X3 variable was shown to have a significant direct influence path on Y with an estimated value of 0.630 ($p=0.046$). With this coefficient value, X3 becomes the independent variable with the greatest direct impact on Y in this model. Meanwhile, the X2 variable did not show a significant influence, either on the mediator Z ($p=0.158$) or directly on Y ($p=0.102$), so the hypothesis related to the role of X2 cannot be supported.

Overall, this model has quite strong clear power. The combination of independent variables and mediators in the model was able to explain 60.9% of the variation that occurred in variable Y ($R^2 = 0.609$), while the remaining 39.1% was explained by other factors outside the model.

After the *trimming* process is carried out by removing insignificant variables and paths, a retest of the feasibility of the model is carried out. Here are the results of the *Goodness of Fit test* for the final model:

Tabel 5. Model Feasibility Test (Model Fit)

Indikator	Syarat (Cut-off Value)	Model Results	Remarks
Probability (P-Value)	$\geq 0,05$	0,287	Good Fit
Chi-Square (X2)	Expected Small	1,133	Good Fit
CMIN/DF	$\leq 2,00$	1,133	Good Fit
RMSEA	$\leq 0,08$	0,047	Good Fit
GFI	$\geq 0,90$	0,993	Good Fit
AGFI	$\geq 0,90$	0,889	Marginal Fit
TLI	$\geq 0,95$	0,992	Good Fit
CFI	$\geq 0,95$	0,999	Good Fit
NFI	$\geq 0,90$	0,994	Good Fit

The evaluation of the goodness-of-fit indices demonstrates that the final structural model exhibits an excellent fit to the empirical data. The Chi-Square statistic yielded a value of 1.133 with a corresponding probability (p-value) of 0.287. Since this p-value exceeds the 0.05

threshold, the null hypothesis which posits no significant discrepancy between the sample covariance matrix and the model-implied covariance matrix is accepted. Furthermore, the CMIN/DF ratio of 1.133 falls well below the critical upper limit of 2.00, indicating an adequate fit. This is corroborated by a Root Mean Square Error of Approximation (RMSEA) of 0.047, which is comfortably below the 0.08 benchmark, suggesting a very minimal approximation error. The baseline comparison indices further confirm the model's robustness, with the Goodness of Fit Index (GFI) at 0.993, the Normed Fit Index (NFI) at 0.994, the Tucker-Lewis Index (TLI) at 0.992, and the Comparative Fit Index (CFI) reaching 0.999—all substantially exceeding their respective stringent thresholds. Although the Adjusted Goodness of Fit Index (AGFI) is recorded at 0.889, slightly below the conventional 0.90 cutoff, it is still classified as a marginal and highly acceptable fit when evaluated alongside the exceptional performance of the primary feasibility indices.

Tabel 6. Decomposition of Effects Among Variables

Relationship Pathway	Direct Influence	Indirect Influence	Total Impact (Total)
X1 → Z	0.389	0.000	0.389
X2 → Z	0.238	0.000	0.238
Z → Y	0.236	0.000	0.236
X1 → Y	0.230	0.092	0.322
X2 → Y	0.226	0.056	0.282
X3 → Y	0.233	0.000	0.233

Key findings highlight the dominant role of the X1 variable. Mathematically, X1 has the greatest total effect on Y compared to any other variable, with a total value of 0.322. Decomposition shows that this influence is divided into a direct influence of 0.230 and an indirect influence of 0.092. Although the number of direct components seems large, but referring to the hypothesis tests that have been carried out (where the direct path of X1 to Y is not significant), it can be concluded that the total influence force of X1 actually works through the mechanism of indirect influence (mediation). This means that X1 is the main driver of Y's overall performance, but its success relies heavily on the role of the Z variable as a bridge.

On the other hand, the variable X3 shows different influence characteristics. This variable has a total effect of 0.233 which is completely a direct effect, without any indirect influence component. This confirms that X3 is an independent variable that is able to have a real and instant impact on Y without the need for intermediaries.

Meanwhile, the role of the Z mediator variable is also crucial. This variable has a direct (and total) influence on Y of 0.236. This magnitude shows that Z is not just a complement, but has a substantive contribution in determining the variation of Y. Thus, the structure of influence on this final model can be concluded as follows: X1 acts as the main driver indirectly (through Z), while X3 acts as the main driver directly.

DISCUSSION

1. The Dominance of Product Attributes on Customer Loyalty

The findings of this study establish that Product Attribute (X3) exerts the most dominant and significant direct effect on Customer Loyalty (Y). This phenomenon indicates a pivotal paradigm shift in consumer preferences within the commercial banking sector. Functional attributes—such as the reliability of mobile banking applications, the efficiency of

transaction processing, and the versatility of savings products have emerged as the primary determinants securing customer retention. In the context of contemporary consumer behavior, instant utility and digital convenience substantially outweigh traditional banking aspects. These characteristics are profoundly prevalent among the younger demographic (18–26 years old), which constitutes over 75% of the research sample. This cohort evaluates a bank's utility primarily through its technological capability to facilitate daily financial operations seamlessly. Consequently, the superiority of product attributes directly translates transactional satisfaction into enduring customer loyalty.

2. The Mediating Mechanism of CSR through Country of Origin

The structural analysis reveals a significant mediating pathway, demonstrating that Corporate Social Responsibility (X1) does not operate in isolation to generate loyalty; rather, its effect is channeled through the enhancement of Country of Origin (Z) perceptions. Social initiatives executed by local banks are no longer perceived merely as voluntary philanthropic acts. Instead, customers interpret these actions as tangible contributions to national economic development. As customers observe this systemic commitment, their awareness and affinity toward the domestic banking identity intensify. This consumer ethnocentrism, or home-country bias, stimulates profound positive sentiments that ultimately crystallize into loyalty. The overwhelming preference for local banks within the sample (88.5%) substantiates the argument that the proximity of national identity accelerated by strategically aligned CSR programs serves as a highly effective mechanism to fortify domestic market share against the penetration of foreign financial institutions.

3. Counter-Argument on the Insignificance of Relationship Marketing

Unexpectedly, the structural path linking Relationship Marketing (X2) to Customer Loyalty (Y) yielded a statistically insignificant result. This finding diverges from a substantial body of traditional marketing literature that positions interpersonal relationships and front-liner service quality as foundational to customer retention. Two logical perspectives can elucidate this anomaly. First, from a behavioral standpoint, the younger customer segment exhibits a strong preference for a 'low-touch, high-tech' interaction paradigm. These customers actively minimize physical or personal engagements with bank personnel, provided the digital ecosystem functions flawlessly. Within this context, aggressive interpersonal marketing approaches may be perceived as irrelevant or even disruptive to transaction efficiency. Second, from a methodological perspective, the insignificance of this variable may indicate an underlying complexity in the measurement model. Utilizing a highly dense set of indicators for this specific construct within a constrained sample size may have reduced the model's statistical power, thereby limiting its capacity to detect the variable's true empirical effect.

Managerial Implications

Drawing upon the empirical findings of this study, several strategic imperatives emerge for banking management. Given that product quality exerts the most substantial direct impact on customer loyalty, management must prioritize product innovation and reliability. Strategic investments should be directed toward enhancing mobile banking services, facilitating seamless transactions, and diversifying competitive savings and loan portfolios, as advancements in technology and user experience yield a more immediate and definitive impact on loyalty than alternative approaches. Furthermore, because Corporate Social Responsibility (CSR) initiatives effectively influence loyalty through the mediating variable of Country of

Origin, banks should elevate their CSR strategies beyond conventional philanthropy. These programs must be strategically packaged to underscore the bank's role as a pillar of the national economy or a source of regional pride, weaving a communication narrative that aligns social contributions with customers' affinity for domestic financial institutions. Conversely, the statistical insignificance of relationship marketing serves as a critical signal for management to reevaluate current customer relationship paradigms. This finding suggests that for the demographic under study—predominantly younger cohorts such as students—traditional personal interactions and front-liner services may be superseded by the reliability of digital product ecosystems, necessitating a pivot toward more relevant, digitally-driven engagement strategies.

CONCLUSION

This study found that customer loyalty was primarily driven by product quality and indirectly influenced by CSR through full mediation by Country of Origin (COO). CSR had a positive but indirect effect, indicating that customers interpreted CSR activities as reinforcing the bank's national or local identity before developing loyalty. In contrast, product quality emerged as the most dominant factor, with a strong and significant direct effect, suggesting that customers based their loyalty mainly on functional benefits and service performance. Relationship marketing and company credibility showed no significant influence, implying that interpersonal efforts and perceived credibility were insufficient to shape loyalty in this context. A strong preference for local banks further supported the importance of COO as a mediating factor, while the overall model demonstrated good fit and explained a substantial portion of loyalty variance (60.9%). Future research is recommended to expand the sample size and context, explore additional variables such as digital service quality or customer experience, and compare different regions or types of banks to better understand the consistency of these findings.

REFERENCES

- Ahn, J., Shamim, A., & Park, J. (2021). *International Journal of Hospitality Management Impacts of cruise industry corporate social responsibility reputation on customers' loyalty: Mediating role of trust and identification*. 92(September 2020).
- Arhinful, R., Gyamfi, B. A., Mensah, L., & Obeng, H. A. (2025). Non-performing loans and their impact on investor confidence: A Signaling Theory perspective—Evidence from US Banks. *Journal of Risk and Financial Management*, 18(7), 383.
- Asnawi, N., Sukoco, B. M., & Fanani, M. A. (2020). The role of service quality within Indonesian customers satisfaction and loyalty and its impact on Islamic banks. *Journal of Islamic Marketing*, 11(1), 192–212.
- Azizan, S., & Shailer, G. (2021). Does Corporate Citizenship Influence Auditors' Perceptions of the Credibility of Management in Relation to Financial Reports? Auditors' Perceptions of the Credibility of Management in Relation to Financial Reports? *European Accounting Review*, 0(0), 1–22. <https://doi.org/10.1080/09638180.2021.1950022>
- Boateng, S. L. (2013). *Online relationship marketing and customer loyalty: a signaling theory perspective*. <https://doi.org/10.1108/IJBM-01-2018-0009>
- Chang, W., Tanford, S., Chang, W., & Tanford, S. (2018). The Impact of Job Advertising on Hospitality Graduates' Job Pursuit Intention The Impact of Job Advertising on

- Hospitality Graduates ' Job Pursuit Intention. *Journal of Hospitality & Tourism Education*, 00(00), 1–14. <https://doi.org/10.1080/10963758.2018.1480380>
- Cowan, K., & Guzman, F. (2018). How CSR reputation , sustainability signals , and country-of-origin sustainability reputation contribute to corporate brand performance : An exploratory study ☆. *Journal of Business Research*, November, 1–11. <https://doi.org/10.1016/j.jbusres.2018.11.017>
- Farhan, A., Omar, N. A., Jannat, T., & Nazri, M. A. (2020). The impact of political brand relationship quality and brand engagement on voters' citizenship behaviour: Evidence from Indonesia. *The South East Asian Journal of Management*, 14(1), 7.
- Fombrun, C. J., Gardberg, N. A., & Sever, J. M. (1999). *The Reputation Quotient : A multi-stakeholder measure of corporate reputation*. 7(4).
- Gli, D. D., Tweneboah-koduah, E. Y., Odoom, R., & Kodua, P. (2023). *The effect of corporate reputation on customer loyalty in the Ghanaian banking industry : the role of country-of-origin*. August 2024. <https://doi.org/10.1108/AJEMS-12-2022-0492>
- Hanna, W. H., & Jeong, K. (2013). *How CSR Leads to Corporate Brand Equity : Mediating Mechanisms of Corporate Brand Credibility and Reputation*. <https://doi.org/10.1007/s10551-013-1910-0>
- Khan, R. U., Salamzadeh, Y., Iqbal, Q., & Yang, S. (2020). The Impact of Customer Relationship Management and Company Reputation on Customer Loyalty : The Mediating Role of Customer Satisfaction The Impact of Customer Relationship Management and Company Reputation on Customer Loyalty : The Mediating Role of Custo. *Journal of Relationship Marketing*, 0(0), 1–27. <https://doi.org/10.1080/15332667.2020.1840904>
- Kim, L., Jindabot, T., & Yeo, S. F. (2024). Understanding customer loyalty in banking industry: A systematic review and meta analysis. *Heliyon*, 10(17).
- Lee, J., Lee, Y., & Lee, J. (2018). *Effects of multi-brand company ' s CSR activities on purchase intention through a mediating role of corporate image and brand image*. <https://doi.org/10.1108/JFMM-08-2017-0087>
- Mariutti, F. G., Moura, J. De, & Giraldi, E. (2019). How does a Brand Reputation-Driven Construct Impact on Country Brand Equity ? A Cross-National Study of Brazil and China How does a Brand Reputation-Driven Construct Impact on Country Brand. *Journal of International Consumer Marketing*, 0(0), 1–20. <https://doi.org/10.1080/08961530.2019.1590280>
- Money, K., Saraeva, A., Garnelo-Gomez, I., Pain, S., & Hillenbrand, C. (2017). Corporate reputation past and future: A review and integration of existing literature and a framework for future research. *Corporate Reputation Review*, 20(3), 193–211.
- Narteh, B., & Braimah, M. (2020). *Corporate reputation and retail bank selection : the moderating role of brand image*. 48(2), 109–127. <https://doi.org/10.1108/IJRDM-08-2017-0164>
- Newell, S. J., & Goldsmith, R. E. (2001). *The development of a scale to measure perceived corporate credibility*. 52.
- Nworie, G. O., Oduche, I. J., & Cyril-Nwuche, O. F. (2024). Signaling theory in action: How dividends affect shareholder investment decisions in Nigerian deposit money banks. *Asian Journal of Economics, Business and Accounting*, 24(7), 506–515.
- Shahid, Z. A., Tariq, M. I., Paul, J., Naqvi, S. A. N., & Hallo, L. (2024). Signaling theory and its relevance in international marketing: a systematic review and future research agenda. *International Marketing Review*, 41(2), 514–561.
- Zhang, Q., Cao, M., Zhang, F., Liu, J., & Li, X. (2020). Effects of corporate social responsibility on customer satisfaction and organizational attractiveness: A signaling perspective. *Business Ethics: A European Review*, 29(1), 20–34.