The Effectiveness of Implementing a CSR Program with Religious Characteristics: Evidence from Center Halmahera Regency, Indonesia

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Abstract: CSR is currently undergoing significant development in terms of program innovation. However, this progress has not been matched by corresponding effectiveness in CSR performance, as many firms remain concerned about the long-term sustainability of their operations due to insufficient stakeholder legitimacy. This study examines the impact of CSR programs with religious characteristics on community legitimacy in Central Halmahera Regency, with CSR performance as a moderating variable. The study employs Structural Equation Modeling-Partial Least Squares (SEM-PLS), given its suitability for exploratory analysis. Findings indicate that CSR programs with religious characteristics implemented by mining companies enhance community legitimacy in areas surrounding company operations, thereby supporting the first hypothesis of the study. Furthermore, CSR performance significantly moderates the relationship between CSR programs and community legitimacy, confirming the second hypothesis. A key limitation of this study is that the company's CSR program primarily addresses the religious needs of Muslim communities. Future research should therefore include CSR programs that also consider the needs of other religious groups, reflecting the religious diversity of Indonesia.

Keywords: CSR performance, legitimacy theory, mining companies, religious CSR, social accounting.

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La eficacia de implementar un programa de responsabilidad social corporativa con características religiosas: evidencia del centro de la regencia de Halmahera, Indonesia

Resumen: La RSE está experimentando actualmente un importante desarrollo en términos de innovación de programas. Sin embargo, este progreso no ha ido acompañado de la correspondiente eficacia en el desempeño de la RSE, ya que muchas empresas siguen preocupadas por la sostenibilidad a largo plazo de sus operaciones debido a la insuficiente legitimidad de las partes interesadas. Este estudio examina el impacto de los programas de RSE con características religiosas en la legitimidad de la comunidad en la Regencia Central de Halmahera, con el desempeño de la RSE como variable moderadora. El estudio emplea el Modelado de Ecuaciones Estructurales - Mínimos Cuadrados Parciales (SEM-PLS), dada su idoneidad para el análisis exploratorio. Los resultados indican que los programas de RSE con características religiosas implementados por las empresas mineras aumentan la legitimidad de la comunidad en las áreas circundantes a las operaciones de la empresa, lo que respalda la primera hipótesis del estudio. Además, el desempeño de la RSE modera significativamente la relación entre los programas de RSE y la legitimidad de la comunidad, lo que confirma la segunda hipótesis. Una limitación importante de este estudio es que el programa de RSE de la empresa aborda principalmente las necesidades religiosas de las comunidades musulmanas. Por lo tanto, las investigaciones futuras deben incluir programas de RSE que también tengan en cuenta las necesidades de otros grupos religiosos, reflejando la diversidad religiosa de Indonesia.

Palabras clave: desempeño en RSE, teoría de la legitimidad, empresas mineras, RSE religiosa, contabilidad social..

A eficácia da implementação de um programa de responsabilidade social corporativa com características religiosas: evidências da Regência de Halmahera Central, Indonésia

Resumo: A RSE está atualmente passando por um desenvolvimento significativo em termos de inovação de programas. No entanto, esse progresso não foi acompanhado pela correspondente eficácia no desempenho da RSE, uma vez que muitas empresas continuam preocupadas com a sustentabilidade a longo prazo das suas operações devido à insuficiente legitimidade das partes interessadas. Este estudo examina o impacto dos programas de RSE com características religiosas na legitimidade da comunidade na Regência Central de Halmahera, com o desempenho da RSE como variável moderadora. O estudo emprega a Modelagem de Equações Estruturais - Mínimos Quadrados Parciais (SEM-PLS), dada a sua adequação para a análise exploratória. Os resultados indicam que os programas de RSE com características religiosas implementados por empresas de mineração aumentam a legitimidade da comunidade nas áreas circundantes às operações da empresa, apoiando assim a primeira hipótese do estudo. Além disso, o desempenho da RSE modera significativamente a relação entre os programas de RSE e a legitimidade da comunidade, confirmando a segunda hipótese. Uma limitação importante deste estudo é que o programa de RSE da empresa aborda principalmente as necessidades religiosas das comunidades muçulmanas. Pesquisas futuras devem, portanto, incluir programas de RSE que também considerem as necessidades de outros grupos religiosos, refletindo a diversidade religiosa da Indonésia.

Palavras-chave: desempenho em RSE, teoria da legitimidade, empresas mineiras, RSE religiosa, contabilidade social.

Introduction

The implementation of Corporate Social Responsibility (CSR) in Indonesia continues to increase over time. This is reflected in CSR practices in the form of charity, donations, and community development initiatives, which have been implemented by many companies in Indonesia to empower communities, protect ecosystems, and even pay attention to biodiversity (Kurniawan, 2022). This growing enthusiasm is strongly supported by government policies.

The government's attention and support for environmental sustainability are manifested through regulations such as Government Regulation Number 47 of 2012 and environmental policy programs such as PROPER, launched by the Indonesian Ministry of Environment. PROPER is an index measuring corporate compliance in carrying out environmental and social responsibilities. PROPER has proven highly effective in increasing corporate compliance in implementing CSR (Aryanti *et al.*, 2023), as the results of its assessment are used by the government as a reference in determining whether a company is eligible to obtain a business license (Jamaludin *et al.*, 2024).

The current pressing issue is that, although the frequency of CSR implementation by Indonesian companies continues to increase, this rise is not accompanied by an improvement in the quality of CSR programs (Faisal, 2019). Many of these programs tend to lack significant impact and fail to provide sustainable benefits for communities and the environment. This is because there are no mandatory standard guidelines for CSR performance in Indonesia. As a consequence, companies may design CSR programs carelessly, merely to avoid legal obligations (O'Donovan, 2002). There are even companies that delegate their CSR funds to intermediaries and are not involved in the preparation, implementation, or supervision of CSR programs (Jamali & Karam, 2018). This condition deviates from the essence of CSR, which requires companies to be responsible for the environmental impact caused by their operational activities, both on nature and the surrounding communities. Likewise, the amount of social costs incurred must correspond to the losses caused. Therefore, the quality of CSR is largely determined by the design and implementation of programs developed by corporations.

Companies must recognize that the essence of CSR lies in the commitment to delivering sustainable benefits to the environment and society affected by their business activities. In other words, CSR programs must be aligned with the actual needs of the community and the environment. Therefore, involving the community in the design of CSR programs is essential to fulfilling the true essence of CSR.

Recent academic literature suggests that effective CSR programs require a concentrated focus on community needs rather than a diversified approach. This argument is supported by empirical evidence indicating that most companies with strong CSR performance tend to implement focused CSR programs (Lenssen *et al.*, 2011). For instance, many CSR initiatives currently implemented by companies in Indonesia are centered on religious activities (Haryono & Iskandar, 2015). This trend

is closely linked to the fact that religion remains a highly sensitive issue for a significant portion of the Indonesian population. In this context, CSR practices have evolved into Islamic Corporate Social Responsibility (ICSR) and faith-based CSR, both of which are considered more inclusive and potentially generalizable for wider CSR implementation.
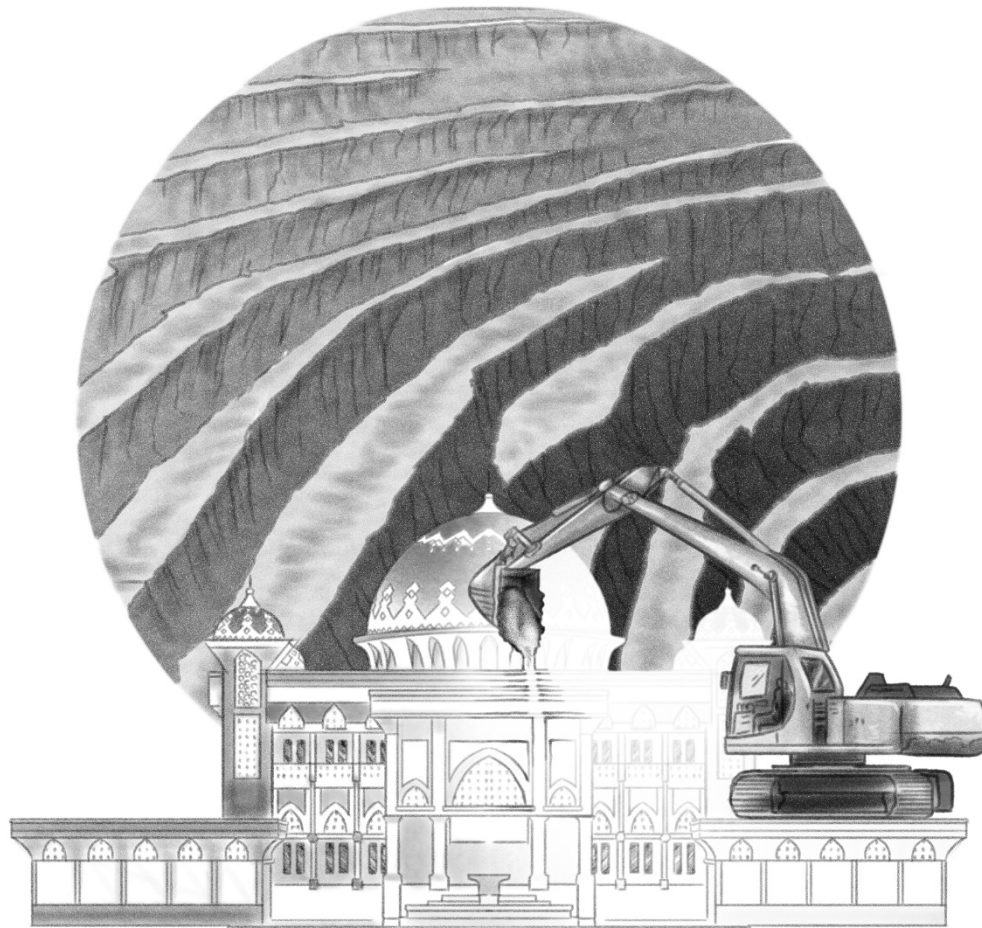
Religion can enrich the variety of CSR programs (Frederick, 1998). Considering that religious CSR programs are still integrated with the Triple Bottom Line (TBL), CSR and religion should not be separated in program design. Other studies have revealed that CSR programs oriented toward Islamic values can enhance the community's positive perception of mining companies operating in their area (Setyawan, 2022). However, it is important to note that companies must also pay attention to the priority targets of CSR program areas, as the priority scale will influence both the form of the program and the amount of social costs incurred.

Mustofa (2012) formulated a priority scale to determine CSR target areas in the form of a recipient ring structure (figure 1). According to Mustofa's proposal, ring 1 represents the area most directly affected by the company's operations. Ring 2 refers to areas designated for the development of supporting infrastructure, such as regions intersected by waterways, which experience a moderate level of impact. Ring 3 comprises areas that are minimally affected. Ring 4 consists of areas not impacted by the company's operations.

Figure 1. Ring classification of CSR program recipients.
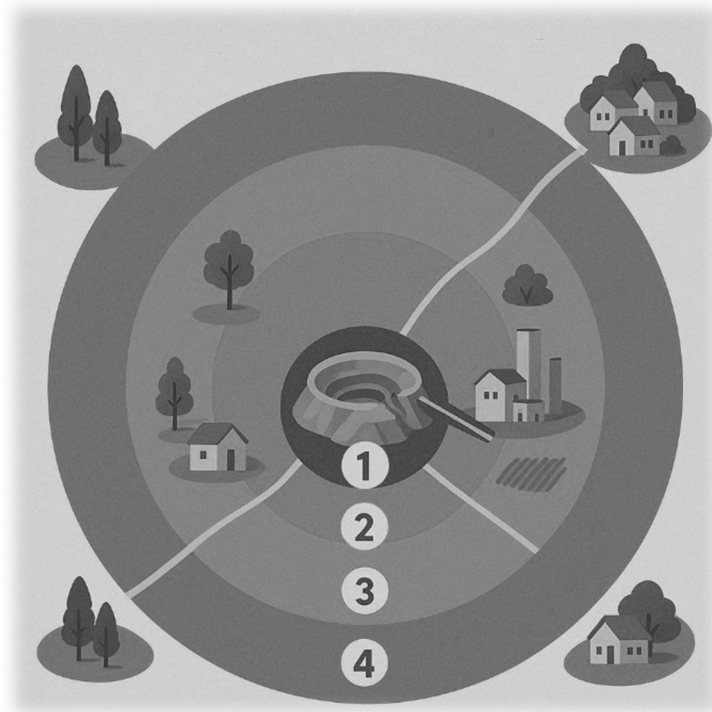
Source: Mustofa (2012).

In North Maluku, issues related to CSR programs that are not properly targeted sometimes occur. For example, the case of CSR assistance for building the pavilion at Central Halmahera Regional Hospital was considered inconsistent with the essence of CSR because it did not provide direct benefits to the community or the environment, along with various other cases (Swaramalut, 2022). In addition, CSR programs launched by companies are expected to be innovative and diverse, considering that the benefits of CSR extend not only to community welfare but also to corporate legitimacy and firm value (Hadi, 2011).

Beyond innovative and well-targeted CSR programs, stakeholders also demand that companies deliver strong CSR performance (Indah, 2014). Although the social costs involved are

considerable, high CSR performance plays a decisive role in shaping the company's reputation in the eyes of shareholders and in determining its social legitimacy (Hadi, 2001).

Based on the aforementioned background, it is evident that numerous studies have examined the impact of conventional CSR programs (i.e., diversified CSR initiatives) on community legitimacy. However, there remains limited research on concentrated CSR programs, particularly those incorporating religious elements. Another distinguishing feature of this study is its examination of whether CSR performance strengthens the relationship between religious-based CSR programs and community legitimacy. Therefore, the primary objectives of the present study are: (i) to examine whether religious-based CSR programs significantly influence the legitimacy of communities living around mining areas in Central Halmahera Regency, and (ii) to determine whether CSR performance moderates the relationship between religious-based CSR programs and community legitimacy.

Following this introduction, the literature review section presents legitimacy theory, CSR programs with religious characteristics, CSR performance, and hypothesis development. The methodology section then explains the statistical analysis techniques employed, specifically the variance-based SEM model. The discussion section addresses the relationship between religious-based CSR programs and community legitimacy in Central Halmahera Regency, as well as the moderating effect of CSR performance on this relationship. The final section presents the study's conclusions and limitations

Literature review and hypothesis development

Literature review

Legitimacy theory

Legitimacy theory refers to the process by which an action, ideology, or perception becomes normative and acceptable to the public (Suchman, 1995). To ensure alignment with stakeholders or policymakers—in this case, the community and government—companies must establish harmony between their existence and objectives and the expectations of stakeholders (O'donovan, 2002). This is crucial, as the sustainability of a company depends on its ability to convince stakeholders that no contradiction exists between its activities and the interests of stakeholders. Companies may demonstrate such alignment and consistency with societal values in various ways, including by involving the community in the design of CSR programs (Pera & Ridwansyah, 2020).

In the context of this research, legitimacy theory is used to explain that alignment between community expectations and the CSR programs and performance implemented by companies is

expected to reduce the legitimacy gap between companies and their stakeholders, as proposed by Berthelot and Robert (2011). These authors argue that CSR performance and disclosure are essential to narrowing this gap, as CSR disclosure is considered beneficial for restoring—or at least reducing—the legitimacy deficit that may arise.

Indicators of societal legitimacy are formulated based on three aspects derived from Suchman's (1995) conceptualization of legitimacy theory, as follows:

I. Normative legitimacy: the extent to which an entity conforms to the values, norms, and moral expectations of society.

II. Cognitive legitimacy: involves the understanding and acceptance of an entity's concepts or actions by society or stakeholders.

III. Regulative legitimacy: related to an entity's compliance with applicable regulations, laws, and norms.

CSR program with religious characteristics

The Law of Indonesia Number 40 of 2007 stipulates that companies engaged in activities in the field of natural resources or related to this sector are obliged to carry out social and environmental responsibilities (Sanarta, 2023). Even though there is a clear legal framework, these regulations do not yet comprehensively accommodate the legal needs of communities affected by mining activities. In practice, many companies implement CSR merely to discharge obligations, without ensuring that the programs have a sustainable impact consistent with the essence of CSR. Ideally, CSR should be structured as a program formulated through the involvement of all stakeholders, including communities, government, and Non-Governmental Organizations (NGOs).

CSR requires clear formulation in terms of material aspects, strategies, targets, stakeholder research, and the required budget. Therefore, comprehensive and ongoing research is necessary, particularly in determining content and targets, so that CSR can support sustainable development and enhance community empowerment (Hadi, 2011). Program planning is a crucial element because it serves as a guide for implementation and as a basis for determining more effective strategies (Yusuf, 2007).

Several guidelines can be used to design CSR programs, including the International Organization for Standardization (ISO 26000) and the Global Reporting Initiative (GRI). Companies need only adopt the parts most relevant to societal and environmental needs targeted by their CSR implementation, as well as those that can have the most positive impact on corporate image and value. CSR programs are expected to accommodate all elements of the triple bottom line—people, planet, and profit—so that society, the environment, and companies all benefit.

Currently, religiously oriented CSR programs are increasingly favored by companies. Several large corporations, such as Best Agro International Company, Metaepsi Company, and others, consistently include religious elements in their CSR initiatives. Religious CSR programs have significant implications for public trust and corporate legitimacy and also indirectly increase firm value. Therefore, some companies prioritize implementing religious CSR programs (Serliani, 2022). Other studies also indicate that Islamic religion-oriented CSR programs can improve community perceptions of mining companies operating in their areas (Setyawan, 2022).

The majority of public companies also implement religious CSR programs, such as building religious facilities, providing *zakat*[2], and other initiatives (Paramitha, 2022). Religion can enrich the scope of CSR programs, and thus, religion should not be separated from CSR program design (Frederick, 1998).

The CSR performance indicators used in this research are derived from ISO 26000, GRI, and prior studies, and have been adapted to the research context. The CSR program indicators applied are: (i) community involvement, (ii) community development, and (iii) social Investment.

CSR *Performance*

CSR performance refers to the capacity and efforts undertaken by a company to reduce the negative impacts of its operations on the environment and society. Some interpret this concept not only as efforts to mitigate adverse impacts but also as compensation for the after-effects of company operations. In this view, quantitative measurement makes it possible to determine the extent of compensation owed by the company (Gómez Villegas, 2009).

Although this interpretation appears rational and offers a potential solution, it remains controversial because it is considered to deviate from the substantive values of CSR. Ideally, CSR should provide long-term benefits that contribute to sustainability for both the environment and society. CSR is not limited to calculating material losses from company operations and paying the corresponding amount. Companies must also be involved in all stages of the CSR process, including program design, implementation, and monitoring. Generally, CSR programs take the form of community involvement, community development, education, health, and related activities.

Implementing provides benefits not only for the environment and society but also for companies themselves, in both financial and non-financial terms (Kartini, 2009). CSR can also enable companies to take preventive or mitigating measures against social and environmental impacts before operations begin.

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[2] "Zakat is wealth that Muslims (people who adhere to Islam religion) must give to help others. Muslims give about 2.5% of their extra wealth each year" (own interpretation).

From a social accounting perspective, CSR performance is measured based on the costs and benefits of the CSR programs implemented (Gray, 2013). Costs and benefits are analyzed so that companies can report their CSR performance to stakeholders and shareholders. Such information is then used by policymakers as input for decision-making (Gómez Villegas, 2003).

The main challenge in measuring CSR performance lies in determining the benefits of CSR programs. Because these benefits are difficult to quantify, they are best assessed qualitatively. Social accounting therefore plays a critical role in defining CSR performance indicators, measuring CSR performance, preparing accounts based on qualitative accounting principles, and determining appropriate accounting treatment for CSR activities in CSR reporting (Lako, 2011).

Based on the previous explanation, CSR performance cannot be measured solely by the nominal social costs incurred by a company for CSR activities, but rather by the effectiveness of CSR programs and the significance of their impact on intended targets. In the context of this research, CSR performance is measured qualitatively using a social accounting perspective, with indicators formulated from expert references, ISO 26000, and GRI.

The following is a formulation of CSR performance indicators sourced from the elaboration of ISO 26000, GRI, and previous research which is then adapted to the research object: (i) community involvement aspect, (ii) community development aspect, and (iii) social investment aspect.

Hypothesis development

The effect of CSR program with religious characteristics on community legitimacy

CSR programs have experienced various developments, driven by increasing corporate attention to program design. Companies are becoming more actively involved in CSR activities and are engaging key stakeholders—such as communities, government, and environmental organizations—in the design process. Although conflicts of interest may still arise in preparing CSR programs, contributions, input, and aspirations from stakeholders can make companies aware of the considerable potential to strengthen corporate legitimacy and reputation in the eyes of society and stakeholders at large.

One form of CSR program currently attracting significant attention in Indonesia is religious-based CSR. Research indicates that the majority of public companies already implement religious-oriented CSR initiatives, such as building religious facilities and distributing zakat, which have been shown to positively influence community perceptions. Most of these CSR programs have successfully improved the company's public image (Paramitha, 2022).

Frederick (1998) found that religion can enrich the diversity of CSR programs. Considering that religious CSR programs remain integrated with the TBL, CSR and religion should not be treated separately in program design. However, it is also necessary to assess the effectiveness of religious CSR programs to ensure that the intended outcomes for both providers and recipients are achieved. Several studies have examined the effectiveness of CSR programs in Central Halmahera, such as those by Goleo (2019) and Fitrawanti (2022). However, none of these studies have employed legitimacy as a key indicator in assessing the effectiveness of CSR initiatives, particularly those with a religious orientation. In contrast, empirical evidence on the perceived effectiveness of religious-based CSR programs in the region has been widely reported in mainstream media (Ferdiansyah, 2014).

Based on this conceptual framework, the following hypothesis is proposed:

H1: CSR programs with religious characteristics have a positive effect on community legitimacy.

The effect of CSR performance as a moderator variable on the relationship between CSR programs with religious characteristics and community legitimacy

Several recent studies, such as those conducted by Paramitha (2022) and Setyawan (2022), found that reliable CSR programs can enhance society's positive perception of a company's existence. However, other studies have shown that when the public perceives CSR activities as merely fulfilling obligations, without regard to their impact and benefits—or, worse, as opportunistic and manipulative efforts—this can generate negative reactions and damage the company's image (Du *et al.*, 2010), as the public may view such CSR initiatives as mere image-building efforts (Brieger *et al.*, 2020). Therefore, companies must pay close attention to their CSR performance to ensure that the benefits of CSR implementation are optimized. By improving CSR performance, companies can also strengthen their public image (Du *et al.*, 2010).

Previous studies, including those by Zheng *et al.* (2015) and Brieger *et al.* (2020), suggest that companies prioritizing CSR performance—particularly through substantial CSR budget allocations—can generate significant positive impacts on public legitimacy. Further research indicates that authentic and intensive CSR performance, rather than merely formal or symbolic efforts, meaningfully enhances public legitimacy and, in turn, corporate reputation (Rodrigues, 2024). Based on these findings, the present study proposes that well-designed CSR programs, particularly those with a religious orientation, are more likely to foster stronger public legitimacy when companies ensure the quality and performance of their CSR implementation.

The evidence above demonstrates that CSR programs presented through established and reliable initiatives can attract public legitimacy. However, companies also need to minimize potential negative externalities by optimizing CSR performance to further strengthen public

legitimacy (Campos Lucena, 2010). While this effort may increase the social costs incurred by companies, the financial and non-financial benefits gained are likely to be commensurate with—or even exceed—the social costs (Lako, 2011).

By referring to the narrative and empirical facts from the research stated above, the following hypothesis is proposed:

H2: CSR performance moderates the relationship between CSR programs with religious characteristics and community legitimacy.

Research method

Data collection

Data were collected by distributing questionnaires to community members residing in rings 1 and 2, who are directly affected by the company's operations. The respondents in this study were beneficiaries of the CSR programs implemented by the company. Data collection was conducted in accordance with ethical research guidelines, including obtaining informed consent from participants and approval from relevant local administrative authorities. A self-administered questionnaire served as the primary data collection instrument in this study.

Sampling technique

The population in this research comprises individuals residing around mining companies operating in Central Halmahera Regency. Accordingly, the sample consisted of community members living in proximity to these mining operations. A purposive sampling method was employed to select participants. The inclusion criteria specified individuals residing in rings 1 and 2 of the mining zone in Central Halmahera Regency who had benefited from the company's CSR programs. More specifically, respondents were those who had experienced CSR programs characterized by religious elements. The selection of rings 1 and 2 as the primary research locus was based on the certainty that residents in these areas are directly affected by corporate activities, whereas the degree of impact in rings 3 and 4 could not be assured. Based on these criteria, a total of 91 respondents were included in the study, representing communities from the two targeted mining zones.

The sample size was determined using the Roscoe method. This approach was selected because it does not depend on the total population size or its characteristics as benchmarks for

determining an appropriate sample size. Therefore, the Roscoe method is particularly suitable for research involving populations of unidentified size, such as in this study (Roscoe *et al.*, 1975).

Measurement and analysis technique

This research employed a quantitative approach as the primary analytical method. Specifically, it it used variance-based Structural Equation Modeling (SEM) with SmartPLS version 4 as the analytical tool. The questionnaire items were constructed using a five-point Likert scale, where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree.

Research instrument

This study involved three variables: the religious CSR program as the independent variable, community legitimacy as the dependent variable, and religious CSR performance as the moderating variable. The constructs and indicators of each variable were developed based on an extensive literature review and aligned with the focus and contextual characteristics of the research, whose details are presented in table 1.

Table 1. Variables, indicators, and references

Variables	Indicators	Selected references
CSR programs with religious characteristics	Community involvement Community development Social investment	ISO (2010), Yusuf (2017), Litardi *et al.* (2019), Paramitha (2022), Hanic and Smolo (2023)
CSR performance	Community development aspect Social investment aspect Community involvement aspect	ISO (2010), Rimmel (2020), Wang and Sarkis (2017)
Community legitimacy	Normative legitimacy Cognitive legitimacy Regulative legitimacy	Suchman (1995), Díez-de-Castro *et al.* (2018), Koh *et al.* (2023)

Source: author.

Results and discussion

Results

Data descriptions

Table 2 presents the demographic profile of the respondents. Based on the information on this table, most respondents were between 29 and 34 years old, had attained a high school education, were employed as company staff, and had received benefits from the CSR program.

Table 2. Demographic profile of respondents

Characteristics	Ring 1		Ring 2	
	Frequency	Percentage	Frequency	Percentage
Age				
17-22	5	8%	4	13%
23-28	17	29%	9	28%
29-34	24	41%	7	22%
> 35	13	22%	12	38%
Education level				
High school	36	61%	21	66%
Undergraduate	20	34%	11	34%
Graduate	3	5%	0	0%
Occupation				
Student	9	15%	6	19%
Civil servant	9	15%	3	9%
Entrepreneur	12	20%	7	22%
Employee	29	49%	16	50%
Benefitiary from the company's CSR program				
Amount	59	100%	32	100%

Source: author.

Descriptive analysis was also conducted to summarize the data in terms of mean, median, standard deviation, and related measures. Table 3 presents the output of the descriptive analysis generated using SmartPLS 4 software.

Table 3. Data descriptions

Name	Mean	Median	Scale min	Scale max	Standard deviation	Excess kurtosis	Skewness	*P* value
X.1	3.324	4	2	5	1.077	-1.364	0.039	0.000
X.2	3.529	4	2	5	0.947	-0.837	-0.197	0.000
X.4	3.265	3	2	5	0.917	-1.104	-0.094	0.000
X.5	3.676	4	2	5	0.962	-0.778	-0.323	0.000
X.6	3.559	4	2	5	0.735	-0.167	0.019	0.000
X.7	3.412	4	2	5	0.809	-0.513	-0.224	0.000
X.8	3.676	4	2	5	0.830	-0.317	-0.274	0.000
X.9	3.441	4	2	5	0.847	-0.556	-0.111	0.000
M.1	3.059	3	2	5	0.937	-1.487	0.102	0.000
M.2	3.235	3	2	5	0.909	-1.049	-0.012	0.000
M.4	3.941	4	2	5	0.802	1.150	-0.962	0.000
M.5	3.265	3	2	5	0.949	-1.022	0.074	0.000
M.6	3.559	4	1	5	0.811	1.955	-1.410	0.000
M.7	3.382	3	2	5	0.805	-0.498	-0.128	0.000
M.8	3.353	3	2	5	0.723	-0.352	-0.188	0.000
M.9	3.382	4	2	5	0.908	-0.999	-0.372	0.000
Y.1	3.412	4	2	5	0.911	-0.863	-0.214	0.000
Y.2	3.176	3	2	5	0.856	-1.111	-0.068	0.000
Y.3	3.441	4	2	5	0.847	-0.556	-0.111	0.000
Y.4	3.618	4	2	5	0.908	-0.715	-0.121	0.000
Y.5	3.529	4	2	5	0.813	-0.348	-0.271	0.000
Y.6	3.294	3	2	5	0.892	-0.973	-0.119	0.000
Y.7	3.353	4	1	5	1.026	-0.633	-0.267	0.001
Y.8	3.206	3	1	5	0.963	-0.369	-0.027	0.001

Source: PLS 4 output analysis.

Measurement model assessment

After conducting descriptive tests on the collected data, the measurement model was evaluated to assess its validity and reliability. In this study, reflective indicators were applied; therefore, the evaluation of the measurement model referred to convergent validity using outer loadings and Average Variance Extracted (AVE), composite reliability supported by Cronbach's Alpha, and discriminant validity assessed through Heterotrait-Monotrait (HTMT) ratios and cross-loadings.

The results of the measurement model evaluation are presented as follows.

Convergent validity

a. Loading factor

Referring to the outer loadings (table 3), it can be concluded that two questionnaire items needed to be removed because they did not meet the minimum threshold value for exploratory research loading factors, which is 0.6. The first item is the third statement under the community involvement indicator of the Religious CSR variable, with a value of 0.471. The second is the third statement under the community involvement indicator of the CSR Performance variable, with a value of 0.532. Table 4 presents the outer loading values after these items were removed.

Table 3. Outer loadings before fixed

	Outer loadings
M.1 <- CSR performance	0.748
M.2 <- CSR performance	0.756
M.3 <- CSR performance	0.532
M.4 <- CSR performance	0.722
M.5 <- CSR performance	0.818
M.6 <- CSR performance	0.757
M.7 <- CSR performance	0.815
M.8 <- CSR performance	0.797
M.9 <- CSR performance	0.703
X.1 <- Religious CSR	0.802
X.2 <- Religious CSR	0.777
X.3 <- Religious CSR	0.471
X.4 <- Religious CSR	0.733

	Outer loadings
X.5 <- Religious CSR	0.708
X.6 <- Religious CSR	0.725
X.7 <- Religious CSR	0.744
X.8 <- Religious CSR	0.830
X.9 <- Religious CSR	0.708
Y.1 <- Legitimacy	0.702
Y.2 <- Legitimacy	0.868
Y.3 <- Legitimacy	0.771
Y.4 <- Legitimacy	0.755
Y.5 <- Legitimacy	0.832
Y.6 <- Legitimacy	0.845
Y.7 <- Legitimacy	0.886
Y.8 <- Legitimacy	0.807
CSR Performance x Religious CSR -> CSR Performance x Religious CSR	1.000

Source: PLS 4 output analysis.

Table 4. Outer loadings after fixed

	Outer loadings
M.1 <- CSR performance	0.762
M.2 <- CSR performance	0.756
M.4 <- CSR performance	0.745
M.5 <- CSR performance	0.796
M.6 <- CSR performance	0.771
M.7 <- CSR performance	0.856
M.8 <- CSR performance	0.838
M.9 <- CSR performance	0.754
X.1 <- Religious CSR	0.733
X.2 <- Religious CSR	0.738
X.4 <- Religious CSR	0.672
X.5 <- Religious CSR	0.839
X.6 <- Religious CSR	0.797

	Outer loadings
X.7 <- Religious CSR	0.814
X.8 <- Religious CSR	0.871
X.9 <- Religious CSR	0.822
Y.1 <- Legitimacy	0.870
Y.2 <- Legitimacy	0.880
Y.3 <- Legitimacy	0.827
Y.4 <- Legitimacy	0.831
Y.5 <- Legitimacy	0.856
Y.6 <- Legitimacy	0.853
Y.7 <- Legitimacy	0.886
Y.8 <- Legitimacy	0.824
CSR Performance x Religious CSR -> CSR Performance x Religious CSR	1.000

Source: PLS 4 output analysis.

Based on the outer loadings presented in table 4, the statement item for the religious CSR variable (X) with the highest loading factor is item number 8, with a value of 0.871. This indicates that the item is the most representative or has the strongest explanatory power for the religious CSR variable. In other words, the extent to which a company's religious CSR program is considered representative is largely determined by this item. The statement reads: "the company assists for religious purposes such as assistance for "Umrah"[3], donations for breaking the fast, assistance in providing mosque facilities, and the like."

For the CSR performance variable (M), the highest loading factor is owned by statement item number 7, with a value of 0.856. The statement reads: "The CSR program that has been implemented by the company is still felt by the community to benefit even over a long period." This indicates that CSR programs providing long-term benefits to society strongly determine the level of a company's CSR performance.

For the community legitimacy variable (Y), the highest loading factor figure is item number 7, with a value of 0.886. This indicates that the item is the most representative or has the strongest explanatory power for the community legitimacy variable. In other words, the content of this questionnaire item largely determines the measurement of community legitimacy regarding the

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[3] "Umrah is a Muslim pilgrimage that is similar to the Hajj, but Umrah is not mandatory. Hajj can only be performed in the month of Dzulhijjah (a month of the year in the Hijri calendar), while Umrah can be performed at any time by visiting the city of Mecca in Saudi Arabia" (own interpretation).

presence of mining companies in Central Halmahera. The statement item in question is: "the community believes that the company has a CSR program that can have a positive impact, and on this basis, the community recognizes or accepts the company's existence." This item highlights the perspective that, to optimize community legitimacy, mining companies must pay attention to the tangible impacts of their CSR activities on the community.

b. Average variance extracted (AVE)

The AVE values for the religious CSR, CSR performance, and community legitimacy variables (table 5) are 0.621, 0.617, and 0.729, respectively. Since all constructs in the model show values above 0.5, it can be concluded that the convergent validity of all constructs is adequate. This indicates that each latent variable explains, on average, more than half of the variance of its indicators (Ghozali & Latan, 2015).

Table 5. Average variance extracted (AVE)

	Average variance extracted (AVE)
Religious CSR	0.621
CSR performance	0.617
Legitimacy	0.729

Source: PLS 4 output analysis.

Composite reliability

For the measurement of composite reliability, this study used ρ_a as a benchmark, considering that the exact reliability estimate of a construct lies between Cronbach's alpha and composite reliability values. The Cronbach's alpha values for the religious CSR, CSR performance, and community legitimacy variables were 0.912, 0.911, and 0.947, respectively, while the composite reliability (ρ_a) values were 0.914, 0.917, and 0.949 (table 6). Both reliability measures indicate high values, allowing the conclusion that the latent constructs in the model are reliable.

Table 6. Cronbach's alpha and Composite reliability

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)
Religious CSR	0.912	0.914	0.929
CSR Performance	0.911	0.917	0.928
Legitimacy	0.947	0.949	0.955

Source: PLS 4 output analysis.

Discriminant validity

a. Heterotrait-Monotrait (HTMT)

Referring to the HTMT values (table 7), the HTMT ratio for CSR performance relative to religious CSR is 0.785. The HTMT ratio for community legitimacy relative to the CSR Program variable is 0.866, and the HTMT ratio for Community Legitimacy relative to CSR Performance is 0.891. Since the recommended threshold for the HTMT measure is less than 0.90, the items in each construct indicator can be considered discriminantly valid.

Table 7. Heterotrait-Monotrait (HTMT)

	X	M	Y	M x X
X				
M	0.785			
Y	0.866	0.892		
M x X	0.308	0.274	0.109	
M <-> X		0.785		
Y <-> X		0.866		
Y <-> M		0.891		

Source: PLS 4 output analysis.

b. Cross loading

The discriminant validity test at the item level can be assessed using the cross-loading instrument shown in table 8. All questionnaire items representing the religious CSR variable show higher correlation values with the variable they are intended to measure compared to other variables. This indicates that the items for the religious CSR variable focus exclusively on explaining that latent construct. Similarly, the items for the CSR performance and community legitimacy variables display higher correlations with their respective constructs than with others. This demonstrates that all items for each latent variable focus solely on explaining their intended construct. Therefore, it can be concluded that the items of each variable are discriminantly valid.

Table 8. Cross loadings

	Religious CSR	CSR Performance	Legitimacy	CSR Performance x Religious CSR
M.1	0.534	0.762	0.644	-0.170
M.2	0.512	0.756	0.645	-0.021
M.4	0.595	0.745	0.614	-0.287
M.5	0.593	0.796	0.666	-0.183
M.6	0.559	0.771	0.568	-0.445
M.7	0.706	0.856	0.781	-0.214
M.8	0.571	0.838	0.733	-0.188
M.9	0.416	0.754	0.574	-0.132
X.1	0.733	0.471	0.602	-0.121
X.2	0.738	0.523	0.617	-0.204
X.4	0.672	0.610	0.578	-0.295
X.5	0.839	0.488	0.626	-0.286
X.6	0.797	0.655	0.660	-0.251
X.7	0.814	0.623	0.631	-0.189
X.8	0.871	0.605	0.715	-0.197
X.9	0.822	0.549	0.645	-0.303
Y.1	0.681	0.880	0.870	-0.183
Y.2	0.774	0.706	0.880	-0.143
Y.3	0.657	0.694	0.827	-0.065
Y.4	0.541	0.671	0.831	-0.002
Y.5	0.658	0.716	0.856	-0.003
Y.6	0.717	0.646	0.853	-0.116
Y.7	0.744	0.743	0.886	-0.165
Y.8	0.721	0.636	0.824	0.046
CSR Performance x Religious CSR	-0.292	-0.256	-0.098	1.000

Source: PLS 4 output analysis.

Structural models assessment

Before carrying out a structural model evaluation, we must first ensure that all statistical tests used to evaluate the measurement model have been conducted and that the specified assumptions are met. It is important to remember that the validity of the structural model evaluation largely depends on the prior evaluation of the measurement model.

The structural model evaluation involves several stages. First, a multicollinearity test is performed using the Inner VIF test instrument. Next, a hypothesis test is conducted based on the bootstrapping results. To determine the significance level of the relationships between variables and their predictive power, we refer to the path coefficient output. Additionally, it is necessary to assess the predictive potential through the confidence interval and the F-square, which measures the magnitude of influence between variables by considering the effect size (Chin, 1998).

The following is a description of the series of structural model evaluations that will be carried out:

Inner variance inflation factor (VIF)

Before testing the hypothesis with the path coefficient, it is necessary to first conduct a VIF test to determine whether multicollinearity exists at the structural level. The criterion for identifying multicollinearity in a model is based on the VIF value: if the VIF is below 10, the model can be considered free of multicollinearity; however, if the VIF exceeds 10, the model is considered to have multicollinearity, indicating a strong correlation between the independent variables. In this study, a moderation model is used, where the moderating variable is treated as a second independent variable, making a multicollinearity test necessary.

Table 9 shows a VIF value of 2.140 for the correlation between the religious CSR variable and the community legitimacy variable, while the correlation between the CSR performance variable and community legitimacy shows a VIF value of 1.803. Since both values are below 10, this indicates that there is no multicollinearity among the constructs in the design of this research model.

Table 9. Inner variance inflation factor (VIF)

	X	M	Y	M x X
X			2.140	
M			1.803	
Y				
M x X			1.352	

Source: PLS 4 output analysis.

Hypotesis Testing

a. Path coefficient

Once the multicollinearity assumption has been satisfied, the hypothesis testing stage can proceed. The results of hypothesis testing using SmartPLS are presented in table 10, which is derived

from bootstrapping calculations. This table provides the original sample value, which indicates the predictive power of an exogenous variable on endogenous variables. It also reports the t-statistics and p-values used to assess the significance of the influence of exogenous variables on endogenous variables. In addition, table 10 includes information on the sample mean and standard deviation as descriptive measures of the research data.

Table 10. Path coefficient

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O∕STDEV|)	*P* values
X -> Y	0.464	0.477	0.154	3.009	0.003
M -> Y	0.550	0.536	0.150	3.659	0.000
M x X -> Y	0.156	0.143	0.076	2.035	0.042

Source: PLS 4 output analysis.

Based on the information in table 10, the relationship between the CSR program variable and community legitimacy is significant, with a *p*-value of 0.003 < 0.05. This indicates that the first hypothesis, "CSR programs with religious characteristics have a positive effect on community legitimacy," is supported.

The path coefficient shows a positive value of 0.464, meaning that the relationship between the CSR program variable and community legitimacy is positive. In other words, if the CSR program variable increases by one unit, the community legitimacy variable will also increase by 46.4%.

Similarly, the CSR performance variable and community legitimacy are significantly related, with a *p*-value of 0.000 < 0.05 and a path coefficient of 0.550. This suggests that, in addition to its theoretical basis, the CSR performance variable also meets the statistical criteria to act as a moderating variable, as evidenced by its significant correlation with community legitimacy as the dependent variable.

Furthermore, the CSR performance variable significantly moderates the relationship between the CSR program variable and community legitimacy, as shown by a *p*-value of 0.000 < 0.05 and a path coefficient of 0.156. Thus, CSR Performance as a moderating variable contributes positively to the relationship between religious CSR programs and community legitimacy, increasing the effect by 15.6% when company performance improves by one unit. Based on these statistical results, the second hypothesis, "CSR performance moderates the relationship between CSR programs with religious characteristics and community legitimacy," is also supported.

b.   Confidence interval

As for confidence interval, table 11 shows information on the potential level of prediction, indicated by the lower and upper limits of the predictive power of exogenous variables on

endogenous variables in the model. This table also includes the original sample and sample mean, which serve as benchmarks for comparing the actual mean with the predictive power.

Table 11. Confidence Interval

	Original sample (O)	Sample mean (M)	Lower	Upper
X -> Y	0.464	0.477	0.187	0.797
M -> Y	0.550	0.536	0.209	0.796
M x X -> Y	0.156	0.143	-0.013	0.298

Source: PLS 4 output analysis.

As shown in the table 10, at the 95% confidence interval, the effect of the religious CSR variable on community legitimacy ranges from 0.187 to 0.797. This indicates that if the religious CSR program is strengthened, it can statistically increase community legitimacy by up to 79.7%. Conversely, if the religious CSR program is weakened or reduced, community legitimacy may decrease to 18.7%.

For the CSR performance variable as a moderator of the relationship between religious CSR and community legitimacy, the confidence interval ranges from −0.013 to 0.298. This suggests that if CSR performance is strengthened, it can contribute to enhancing the positive effect of religious CSR programs on community legitimacy by up to 29.8%. On the other hand, if CSR performance declines, it may reduce the influence of religious CSR programs on community legitimacy by as much as 1.3%.

c.   F-Square

Table 12 presents the F-square values in order to determine the strength of the relationship between exogenous and endogenous variables by referring to effect size, indicating whether the influence is small, medium, or large.

Table 12. F-Square

	X	Y
X		0.556
M		0.798
Y		
M x X		0.160

Source: PLS 4 output analysis.

The relationship between the religious CSR program variable and community legitimacy has an F-square value of 0.556, which indicates a strong level of influence (Hair *et al.*, 2019).

Meanwhile, the CSR performance variable, as a moderator of the relationship between the religious CSR program and community legitimacy, has an F-square value of 0.160, which indicates a moderate level of influence (Sarstedt *et al.*, 2021).

As conclusions, based on the results of Measurement Model Assessment test above, the loading results of both the inner and outer models, as well as the R-square, are presented. The loading factors in the outer model show that the questionnaire items significantly explain their respective variables, confirming that the outer model is a good fit. For the inner model, the direct effect of the religious CSR program variable on community legitimacy is significant and positive. Similarly, the moderating effect of the CSR Performance variable is also significant.

Model Fit Measures

R-Square

In this research, the R-square value is 0.818 (table 13), indicating that the explanatory power of the exogenous variables for the endogenous variable is at a high level (Dijkstra & Henseler, 2015). This means that 81.8% of the variance in the endogenous variable can be explained by the exogenous variables in the model, while the remaining 18.2% is accounted for by other factors.

Table 13. R-Square

	R-square
Y	0.818

Source: PLS 4 output analysis.

Standard root mean square residual (SRMR)

A model can be considered an ideal fit if the SRMR value is below 0.08, or still acceptable if it is below 0.10. In this study, the SRMR value is 0.091 (table 14). Since this value is below 0.10 but above 0.08, the model can be considered to have an acceptable, though not ideal, fit (Hair *et al.*, 2013).

Table 14. Standard root mean square residual (SRMR)

	Saturated model	Estimated model
SRMR	0.090	0.091

Source: PLS 4 output analysis.

Goodness of fit index (GoF)

In this study, the GoF value obtained was 0.712. Therefore, the GoF measure of the research model can be categorized as high (Hair *et al.*, 2019).

Table 15. Goodness of fit index (GoF)

Variables	Indicators	Outer loading	Communality	Endogen	R Square	GoF
CSR Performance	M.1	0.762	0.581			
	M.2	0.756	0.572			
	M.4	0.745	0.555			
	M.5	0.796	0.634			
	M.6	0.771	0.594			
	M.7	0.856	0.733			
	M.8	0.838	0.702			
	M.9	0.754	0.569			
Religious CSR	X.1	0.733	0.537	Legitimacy	0.818	0.712
	X.2	0.738	0.545			
	X.4	0.672	0.452			
	X.5	0.839	0.704			
	X.6	0.797	0.635			
	X.7	0.814	0.663			
	X.8	0.871	0.759			
	X.9	0.822	0.676			
Mean			0.619			

Source: PLS 4 output analysis.

Robustess Check

a. Linearity test

From the results of the linearity test conducted on this research model, the p-value of the quadratic effect for the relationship between the religious CSR variable and community legitimacy was 0.148 > 0.05 (table 16), indicating non-significance. Similarly, the relationship between the CSR performance variable and community legitimacy yielded a p-value of 0.625 > 0.05, which is

also not significant. Therefore, it can be concluded that all variable correlations in the model are linear and robust (Hair *et al.*, 2019).

Table 16. Linearity

	P-Value	Path Coefficient
X -> Y	0.148	0.155
M -> Y	0.625	-0.051

Source: PLS 4 output analysis.

b.   Endogeneity test

The endogeneity test aims to ensure the stability of the endogenous variables in the research model, specifically to confirm that they function as influenced or response variables, rather than the other way around. Endogeneity testing is particularly recommended for studies with an exploratory orientation. The assumption is that if the p-value of a correlation variable is significant at the 0.05 level, an endogeneity problem exists. Conversely, if the p-value is not significant, no endogeneity problem is present (Hair *et al.*, 2019).

In the SmartPLS 4, the endogeneity test is performed using the Gaussian Copula method. If the p-value of the Gaussian Copula is insignificant, it can be concluded that there is no endogeneity problem, indicating that the research model is robust. Conversely, a significant p-value would suggest the presence of an endogeneity problem (Sarstedt *et al.*, 2021).

Table 17. Endogeneity

GC	P-Value	Path Coefficient
X -> Y	0.051	-0.173
M -> Y	0.756	0.118

Source: PLS 4 output analysis.

Discussion

This research aims to quantitatively examine how CSR programs that specifically address religious issues influence community legitimacy in Central Halmahera Regency, as well as the moderating effect of CSR performance on this relationship.

The first hypothesis proposed in this study is that religious CSR Programs positively influence community legitimacy. The statistical analysis supports this hypothesis. The directional relationship between religious CSR programs and community legitimacy was found to be positive, indicating

that greater implementation of religious CSR programs corresponds to higher perceived legitimacy by the community. This finding aligns with the study by Paramitha (2022), which showed that Islamic philanthropy—characterized by elements similar to religious CSR—can positively affect public legitimacy. Likewise, Jamaludin and Sulistiyono (2020) observed that Indonesian communities in certain regions demonstrate high sensitivity to religious issues, and organizations that respond to these concerns are more likely to gain legitimacy (Fox & Breslawski, 2023). These results further support the argument that religiously oriented CSR initiatives—particularly those involving social investment, such as funding religious education, supporting philanthropic activities (e.g., Umrah assistance, iftar[4] donations, mosque facility development)—significantly enhance community legitimacy. Community involvement also plays a critical role, as this study found that most community members were actively engaged in the planning, implementation, and monitoring of CSR programs.

Although many companies engage in CSR, their initiatives often have limited impact on strengthening community legitimacy. Shuili Du *et al.* (2010) found that CSR programs perceived as opportunistic or manipulative may harm corporate reputation rather than improve it. This occurs when the public views CSR efforts as lacking genuine concern for societal and environmental well-being (Brieger *et al.*, 2020). In many cases, these initiatives are seen as compliance-driven rather than authentic social investments (Daniswari & Sumriyah, 2023). Further evidence from Peng *et al.* (2024) and Mazutis (2010) suggests that CSR programs focused on addressing a single, tangible societal issue tend to be more effective than those adopting a dispersed approach. In light of this, companies must carefully identify salient community concerns and integrate stakeholder input during program planning. Such involvement enhances accuracy, relevance, and ultimately contributes to greater community legitimacy.

The second hypothesis tested in this study posits that CSR performance moderates the relationship between religious CSR programs and community legitimacy. The statistical analysis confirms this hypothesis, indicating that CSR performance strengthens the relationship—meaning that improvements in performance enhance the positive impact of religious CSR programs on perceived community legitimacy.

Kim and Ha (2020) emphasized that CSR efforts alone are insufficient to build community legitimacy; rather, they must be accompanied by performative actions—consistent and active implementation of CSR initiatives—to generate meaningful legitimacy. Similarly, Shirasu and Kawakita (2021) found that companies whose CSR performance yields long-term, sustained benefits for society are more effective in gaining legitimacy. These findings are consistent with the present study, which shows that CSR programs delivering long-term and sustainable impacts are perceived by communities in Central Halmahera's mining areas as the most effective and highest-performing

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[4] "Iftar is the fast-breaking by Muslims after the sun has gone down in the afternoon (time of the Maghrib prayer) during Ramadan" (own interpretation).

initiatives. Based on these results, companies seeking to strengthen community legitimacy must remain consistent in maintaining and improving CSR performance, particularly in programs that generate long-term benefits and sustainability impacts.

Conclusions

As previously stated, the framework for developing research models and variable indicators in this study is based on an elaboration of the GRI structure, ISO 26000, and relevant prior research. Therefore, the findings of this research are expected to have implications for the development of the GRI framework and to serve as a consideration in refining the ISO 26000 concept by incorporating religious issues into the core subject of community development and involvement. In addition, the results demonstrate that the company's innovation in designing religious CSR programs has had a significant impact on achieving community legitimacy, although their effectiveness still needs to be tested in comparison with conventional CSR programs.

Another key insight is that CSR performance makes a positive contribution to strengthening the relationship between Religious CSR programs and community legitimacy. To maximize community legitimacy, it is therefore necessary for a company to optimize CSR performance with the support of substantial social investments. This finding is relevant because implementing religious CSR programs that deliver sustainable and long-term benefits inevitably requires significant costs.

In conclusion, it is essential for companies to give careful attention to CSR program governance and performance, as the benefits obtained are commensurate with the effort and resources invested. All aspects of societal legitimacy—including normative, regulatory, and cognitive legitimacy—can be achieved optimally by the company. Indirectly, this community legitimacy generates both economic and non-economic benefits, such as facilitating operational licensing, attracting investors, and enhancing corporate reputation.

One limitation of this study lies in its focus on CSR programs that specifically address the religious needs of Muslim communities. It should be noted, however, that the majority of residents in the Halmahera mining area identify as Muslims. Nevertheless, future research should examine religious CSR programs that encompass the needs of diverse religious groups, reflecting Indonesia's pluralistic context. Such an approach is expected to contribute to the development of a more inclusive, robust, and reliable concept of religious CSR. Furthermore, comparative studies evaluating the effectiveness of conventional versus religiously oriented CSR in fostering societal legitimacy are recommended, in order to provide companies with a stronger basis for designing impactful CSR initiatives.

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