

ABSTRACT

The banking sector in Indonesia plays a crucial role in fostering sustainable economic development. Banks now see corporate social responsibility (CSR) management as a critical factor in enhancing efficiency and improving social and environmental performance. This study aims to analyze the impact of CSR activities on banking efficiency in Indonesia during the period 2019-2023, considering control variables such as bank size, the proportion of loans to deposits, and various macroeconomic indicators. CSR is viewed as an essential factor in enhancing operational efficiency as well as improving the social and environmental performance of banks.

The research method used is Data Envelopment Analysis (DEA), a non-parametric method for measuring the relative efficiency of decision-making units. The data used is sourced from the annual reports of banks listed on the Indonesia Stock Exchange. DEA is utilized to evaluate the influence of CSR on efficiency, considering control variables such as bank size, loan-to-deposit ratio, and GDP. This analysis allows the identification of which banks are most efficient in utilizing available resources.

The findings of the study indicate that CSR has a significant impact on the efficiency of the banking sector in Indonesia. The variables of bank size and loan-to-deposit ratio were found to have a significantly positive impact on operational efficiency, while GDP and inflation variables did not show a significant influence. These findings suggest that banks adopting good CSR practices tend to be more efficient in their operations compared to those that do not.

This study makes a significant contribution to the literature on CSR and banking efficiency. Moreover, the findings provide practical recommendations for banks to integrate CSR into their business strategies to enhance operational efficiency. These findings are also expected to serve as a basis for policymakers in formulating regulations that support CSR practices in the banking sector, thereby supporting operational sustainability and overall economic stability.

As a suggestion, further research is recommended to extend the observation period and expand the research sample for more generalizable results. Additionally, banks should increase transparency in reporting their CSR activities and their impact on operational performance, serving as a model for other banks in achieving efficiency and sustainability.

Keywords: *Banking efficiency, Corporate Social Responsibility, Data Envelopment Analysis, Environmental Social Governance.*