IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL PERFORMANCE OF MANUFACTURING COMPANIES IN INDONESIA

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Abstract

This study is aimed to analyze the influence of Corporate Social Responsibility of financial performance at manufacturing companies listed on the Indonesia Stock Exchange. The sampling period studied was 2014 to 2018. The independent variable in this study was Corporate Social Responsibility which was assessed based on GRI indicators, namely Environmental Disclosure. The dependent variable of this study is financial performance measured by ROA, ROE, Revenues, and Tobin's Q, and the control variables used are Size and Age. The data used in this study were obtained from the company's 2014-2018 financial statements. Determination of the sample using purposive sampling technique in order to obtain a sample of 97 companies. Data analysis methods used are regression and partial t test. The results of this study are that Corporate Social Responsibility effected on financial performance measured by Revenues because The results of statistical tests show that CSR with an assessment of environmental disclosure has an influence on financial performance. This can be shown from the test results with a significance level of 0.004 less than 0.05. and Tobin's Q which shows how management performance in managing company assets where the resulting value can describe investment opportunities and company growth. The results of this study found that a significance value of 0.040 was smaller than 0.05 which revealed that CSR had an effect on Tobin's Q. Corporate Social Responsibility does not affected on financial performance measured by ROA because Based on the results of statistical tests presented that CSR assessed from the aspect of environmental disclosure is at a significance level with a value of 0.940 which is greater than 0.05 and it can be concluded that CSR assessed from disclosureon the environmental disclosure aspect has no effect on financial performance using the ROA ratio and ROE Based on the results of the statistical tests conducted, it showed that the significance level was 0.953, greater than 0.05, which means that CSR had no effect on financial performance calculated by ROE.

1 Introduction

Every company has a vision and mission which is the main foundation for the establishment of a company. Every time they carry out their business processes, the company always tries to build and realize the vision and mission. This is in the interest of human resources and their implementation is also managed by humans. That is because humans are strategic factors in efforts to achieve the goals set by the company. The company is demanded to start competing to keep its business processes survived by the rapid development of technology and science as it is today.

Ardimas (2012) revealed that companies must obtain maximum profits because this is the main goal of every company. The development of the world is now entering the era of globalization which requires companies to stay afloat and anticipate everything that will happen in the future so that they can again achieve the main goals of the company. Company activities and decision-making must be done properly and wisely because in the current era, things that were previously unthinkable will occur instead become a threat to a company. (Needles, Powers, & Crosson, 2010) revealed that the proper measurement of financial performance is one important factor for a company to do. The purpose of measuring the right financial performance can provide us with information on the extent of liquidity, solvency, profitability, and stability of the company. This can help the company in the decision making process obtained from this information.

Corporate social responsibility (CSR) or corporate social responsibility is an interesting discussion at this time. (Daniri, 2008) is an idea that makes the company currently has a view on aspects of financial, social, and environmental problems or is called triple bottom lines, whereas previously the company was only responsible to the company's value (corporate value) which can be reflected in just financial condition. Freeman's Stakeholder Theory (1984) suggests that corporate social responsibility pays close attention to the interests of all appropriate stakeholders. The relationship of CSR to the company's financial performance can then be built when investors and key stakeholders give awards to the company about sensitive matters and take into account stakeholder concerns.

Lin, Pi, De, & Lai (2018) in a previous study stated that the results in this study had three implications. First, from a Stock Return perspective, this study looks at two opposite effects under the positive Community Development and Philanthropy (COMM) category while the negative product subcategory for Stock Returns. However, this effect disappears when all sub-categories are considered together. Thus, there is no CSR sub-category that has a significant relationship with Stock Return. Second, from the perspective of Book-to-Market ratios (BM), two sub-categories: Products, and Resource Management, tend to be valued by high BM companies, the value of the company, while growing companies tend to respect Diversity and Labor Rights. Lastly from Tobin's perspective q, two sub-categories under Employee show a consistent and positive effect on Tobin's q, while the opposite effect is seen in two sub-categories under Environment. Companies that allocate resources for diversity, workers' rights, union treatment, compensation, benefits, training, health, and worker safety experience benefit from the creation of company value.

There are previous studies that have inconsistent results because there are still differences about the influence of CSR on the company's financial performance. According to (Gantino, 2014) in his research revealed that there was a significant influence between CSR on financial performance, while according to (Ermawati, 2014) in his research results revealed that there was no influence of CSR on financial performance.

Bayoud, et all (2012) and Evans (2015) which serve as references in this study examine whether there is an influence of Corporate Social Responsibility Disclosure (CSRD) on the company's financial performance. The study revealed that the level of CSRD in the annual report has a positive relationship with organizational performance in terms of financial performance and company reputation, while there is no significant relationship between the level of CSRD and employee commitment. The difference between this

research and the previous one is (a) the sample used in this study is manufacturing companies registered in Indonesia, (b) the period used in 2014-2018.

2. Methods

2.1 Population and Sample

In this study the data used are secondary data taken from the annual financial statements of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2014-2018 period. In this study, researchers used a purposive sampling technique and the samples to be used in this study must have the following criteria which is manufacturing sector companies listed on the Indonesia Stock Exchange in the 2014-2018 period, companies that issue annual financial statements, companies that include social responsibility (CSR) reports in the annual report. Companies that have complete data related to the variables used in research and the financial statements are in rupiah.

Sampling for CSR variables is given a gap of 1 year from financial performance variables to anticipate the long-term impact of CSR.

In this study samples that met the criteria and could be used were 97 manufacturing companies listed on the Indonesia Stock Exchange in the 2014-2018 period.

3. Result & Discussion

3.1 Observation Results

Based on the analysis of data collected, manufacturing companies listed on the Indonesia Stock Exchange in the 2014-2018 period were 135 companies, because this study used a purposive sampling technique that had been determined by the criteria beforehand, there were 27 companies that were eliminated due to using foreign currencies other than Rupiah, The next 10 companies were eliminated because financial statements were incomplete in that period, and 1 company was eliminated because of the appearance of financial statements that were unclear or blurry. So it can be concluded that in this study samples that met the criteria and could be used were 97 manufacturing companies listed on the Indonesia Stock Exchange in the 2014-2018 period.

Table 1. Deskriptive Table

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	485	-54.85	92.10	4.5081	11.87124
ROE	485	-78434.16	224.46	-198.7345	3982.53710
REV	485	2871	239205000	9189638.78	25607791.252
TQ	485	-.45	35.34	1.6455	3.92909
Valid N (listwise)	**485**				

From the descriptive statistical analysis it can be seen that the average value of ROA is 4.51, which means the magnitude of the company's return to investors is 451%. The lowest value of -54.85 was obtained by Intikamik Alamasari Industri Tbk which occurred in 2016 and the highest ROA value was owned by the company Merck Indonesia Tbk in 2018 at 92.10 and the standard deviation was at 11.87. For ROE the average value obtained was -198.73, for the highest value obtained by the company Merck Indonesia Tbk amounted to 224.46 in the same year with the highest ROA acquisition of 2018 and for the lowest value of -78434.16 by Intikamik Alamasari Industri Tbk in 2016. For the value the standard deviation is at 3982.53.

Value for revenues has an average of Rp 9,189,638,000,000; The lowest income is owned by the company Paper Basuki Rachmat Indonesia Tbk, which only received Rp 2,871,000,000 in 2018 and the highest value of Rp 239,205,000,000,000 by PT Astra International Tbk with a standard deviation value for revenues totaling 25,607,791,252. The maximum values for Tobin's Q ratio of 35.34 and a minimum of -0.45 are respectively owned by Inti Agri Resource Tbk in 2017 for the maximum and Betonjaya Manunggal Tbk companies and for an average value of 1.7602. The standard deviation value is 3.93.

Table 2. Data analysis

Hipotesis	Signifikansi	Kesimpulan
H1a: CSR berpengaruh positif terhadap ROA	0.940	**Tidak Terdukung**
H1b: CSR berpengaruh positif terhadap ROE	0.953	**Tidak Terdukung**
H1c: CSR berpengaruh positif terhadap *Revenues*	0.004	**Terdukung**
H1d: CSR berpengaruh positif terhadap Tobin's Q	0.040	**Terdukung**

The effect of CSR on ROA.

Based on data that has been collected that each company has a diverse ROA value with the highest value of 92.10 in 2018 by the company Merck Indonesia Tbk and the lowest value of -54.85

by the Intikamic company Alamasari Industri Tbk. The statistical results presented which are assessed from the aspect of environmental disclosure are at a significance level with a value of 0.002 which is smaller than 0.05 and it can be concluded that CSR assessed from the analysis of environmental disclosure aspects has an effect on financial performance using the ROA ratio. Research conducted by (Bayoud Kavanagh, & Slaughter, 2012) also found a positive effect of CSR with the same use, specifically on the aspect of environmental disclosure on financial performance calculated by ROA. The results of this study are also consistent with research conducted by (Evans, 2015) which states that CSR which is assessed with various aspects, especially on the environment has a positive influence on financial performance with ROA, so it can be concluded that CSR has a positive effect on ROA and (H1a) is supported.

Based on the results of statistical tests presented that CSR assessed from the aspect of environmental disclosure is at a significance level with a value of 0.940 which is greater than 0.05 and it can be concluded that CSR assessed from disclosure on the environmental disclosure aspect has no effect on financial performance using the ROA ratio. This revealed that the higher the CSR disclosure index conducted by the company, it would not have a significant effect on the return on assets for the company's financial performance activities, namely the ROA obtained by the company.

The results of this study are supported by research conducted by and (Priyanka, 2013) which in the results revealed that CSR disclosure did not have a significant positive effect on company ROE. This happens because an increase in assets if not offset by an increase in profits will result in a low ROA ratio, coupled with carrying out CSR activities will automatically incur costs for the company, thereby reducing the company's net profit significantly. Based on the resulting coefficient values it can be concluded that there was a decrease in ROA of -0.017 percent.

The effect of CSR on ROE

ROE is one ratio that can be used as a reference in making decisions by investors who want to invest their capital in a company. According

to (Hanafi, 2013) ROE is a ratio used to measure a company's ability to generate net income based on certain capital. ROE can be used as an indicator for investors to determine the company's ability to earn profits related to dividends by looking at an increase in this ratio and will affect the company's net profit which will impact on the company's stock price.

Based on the results of the statistical tests conducted, it showed that the significance level was 0.953, greater than 0.05, which means that CSR had no effect on financial performance calculated by ROE. This revealed that the higher the CSR disclosure index carried out by the company, it would not have a significant effect on the return on equity or capital for the company's performance activities, namely the ROE obtained by the company.

This study has different results from the research conducted by (Bayoud, Kavanagh, & Slaughter, 2012) which found that there was a significant positive effect of CSR with an assessment of environmental disclosure on corporate financial performance with ROE. But the results of this study are supported by (Fauzi, Mahoney, & Rahman, 2007) stating that CSR does not show a significant relationship to ROE. These results indicate that the company's financial performance which is proxied by ROE is not determined by CSR activities alone, but is also related to other variables. This shows that the higher the disclosure index of a company's CSR, will not significantly influence the rate of return on capital or company equity, it is also supported by the assumption that the existence of CSR activities carried out by the company will cause costs that can reduce or not increase profits net company significantly.

The effect of CSR on Revenues

Revenue can be used as one indicator in the process of market acceptance of products and services sold by companies. Consistent and sustainable revenue and profit growth has a large impact on the value of public companies that will attract investors. The results of statistical tests show that CSR with an assessment of environmental disclosure has an influence on financial performance. This can be shown from

the test results with a significance level of 0.004 less than 0.05.

The same results were also found in research (Bayoud, Kavanagh, & Slaughter, 2012) which showed that there was a positive effect of CSR with various disclosures, especially in the aspects of environmental disclosure disclosure on financial performance conducted using revenue calculations. The results of the study (Evans, 2015) can also support this study which found that there is a positive influence of CSR, especially on aspects of environmental disclosure of revenues.

The effect of CSR on Tobin's Q

Sudiyatno & Puspitasari (2010) argues that one indicator that can be used to determine the company's financial performance is Tobin's Q which shows how management performance in managing company assets where the resulting value can describe investment opportunities and company growth. The results of this study found that a significance value of 0.040 was smaller than 0.05 which revealed that CSR had an effect on Tobin's Q.

Research conducted by (Bayoud, Kavanagh, & Slaughter, 2012) also uses Tobin's Q as a ratio to measure a company's financial performance with results aimed at seeing the competitive influence of the value of a company that successfully shows that CSR has an influence and a positive effect on value and performance companies and also in research conducted by (Evans, 2015) revealed in the results that CSR, especially in the disclosure of environmental disclosure has an influence and a positive effect on company performance with Tobin'Q ratio.

4. Conclusions

This study aims to provide empirical evidence to determine the effect of CSR on the company's financial performance calculated by ROA, ROE, Revenues, and Tobin's Q. The sample used is manufacturing companies listed on the Stock Exchange for the 2014-2018 period. After conducting research, the conclusions can be taken as follows:

1. The results of the study indicate that there is a positive influence between CSR assessed from the aspect of Environmental Disclosure on financial performance calculated by Revenues and Tobin's Q.
2. The results of this study also show that CSR has no influence on financial performance by calculating using the ROA and ROE ratios, the results of the test show that the level of significance is smaller than the other variables.
3. Companies show greater attention to CSR in the aspects of environmental disclosure with the results of nearly as many companies as samples that disclose CSR in the environmental field

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