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ANALYSIS OF CORPORATE SOCIAL RESPONSIBILITY, FOREIGN OWNERSHIP AND STOCK RETURN

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ABSTRACT

This study aims to analysis the Corporate Social Responsibility in the go public mining companies in the Indonesian Stock Exchange by testing the influence of leverage, profitability, and the board of independentcommissioner toCorporate Social Responsibility (CSR) which is moderated by the foreign ownership structure;and examine the influenceof CSR toreturn. The population in this study werethe go public mining companies in the Indonesian Stock Exchange during the period of 2008-2012 by the number of 28 companies.The sampling technic used was purposive samplingby the following criteria: a). The go public mining companiesin the Indonesian Stock Exchange and had complete financial reports in the period of 2008 to 2012.b). The mining companies which incorporate CSR reporting in the annual report.Through these criteria, it is obtained 12 mining companies for the period of 2008-2012, so that it is obtained 60 observations.The type of data used is secondary data obtained from the company's annual report. The techniqueof analysis uses Moderated Regression Analysis (MRA).After successfully completing the classical assumptions involving heteroscedasticity, multicollinearity and autocorrelation test, the regression results indicatdthat a).Mining companies had implemented CSR well by values above 60, and had 3% increasefrom year to year, b). Leverage and profitability had significant negative influence on Corporate Social Responsibility.It means that CSR wastreated as an expense and not as investment for sustainability, c).Independent board had a significant positive influence on Corporate Social Responsibility.d).Foreign ownership strengthens the influence of leverage on Corporate Social Responsibility; it supports the theory of agency and legitimacy f). Meanwhile, foreign ownership weakens the influence of the proportion of independent board to Corporate Social Responsibility, g).Foreign ownership was not able to either strengthen or weaken the influence of profitability on Corporate Social Responsibility, h).Corporate Social Responsibility had a positive influence onreturns. It means that Investors hadvery interested to companies that implementing CSR as a form of corporate social responsibility towards society and environment.

Keywords: Corporate Social Responsibility, Foreign Ownership, Profitability, Leverage, andBoard of Independent Commissioner.

A. INTRODUCTION

Corporate Social Responsibility is a program that must be carried out by companies as a form of corporate social responsibility towards community and environment. This program is stated in Regulation No. 40 year 2007 regarding Limited Liability in Article 74, Regulation No. 25 year 2007 on Investment in Article 15, Regulation of the Minister of State Owned Enterprises (SOEs) No. PER-05/MBU/2007. The legislation has changed the original CSR practices from voluntary to compulsory *(mandatory)* for all companies in Indonesia. Companies possessing attention to social issues and the environment have the advantages value of *shareholders* (Pflieger, Fischer, Kupfer, and Eyerer, 2005).

In fact, however, there are many companies in Indonesia still not completingthe regulations concerning the obligation of social and environmental responsibility because there are still some businesses actors thinking that CSR is a burden or coststhat can reduce profit.A survey carried out by *theFrontier Consulting Group*to 37 industries and 200 large companies in Indonesia shows that many companies in Indonesia still pay less attention to social responsibility and environmental concern (Indarti, 2011). This finding strengthens the studyby Kompas (2007) on the implementation of CSR in Indonesia which shows that only 30% of companies operating in Indonesia implementing CSR in which the implementation is still in the terms ofa charity and generosity (Azheri, 2011).

The study on the factors affecting CSR in Indonesia is very interesting to be studied more deeply because the findings of the study showthe inconsistentresult. The study conducted by Nurkhin (2009), Yintayani (2011), and Sari (2012) reveal a positive correlationbetween profitability and CSR. Yet, Sembiring (2005), Anggraini (2006), Yuliana, Purnomosidhi and Sukoharsono (2008), Barus and Maksun (2011), Marfu'ah and Cahyo (2011), Purwanto (2011), Herusetya and Kamil (2012) and Nadiah (2012) reveal no correlationbetween the profitability and CSR. Furthermore, Nurkhin (2009) reveals that there isan influence onthesizeof the board of independentcommissioner toward CSR.Yet, Yuliana, Purnomosidhi and Sukoharsono (2008), Nadiah (2012), Natalylova (2013) reveal that board size has no influence on CSR. Research on the influence of *leverage* on CSR is conducted by Hackson and Milne (1996), Yintayani (2011), Sari (2012), Nadiah (2012), Herusetya and Kamil (2012) which find no evidence on the influence of*leverage*toward CSR, whilethe study by Sembiring (2005) explains that there is aninfluenceof *leverage*toward CSR. Dasgupta, Laplante and Mamingi (1997), Yuliana, Purnomosidi, and Sukoharsono (2008), Budiman and Supatmi (2009), Barus and Maksun (2011), Cheng and Christiawan (2011) acquire a positive influence of CSR toward the *abnormal return* and the share price; while Brammer, Brook and Pavelin (2005), Anderson - Weir (2010) obtain no evidence on the influence of CSR toward stock prices. Sayekti and Wondabio (2007) get that CSR is appreciated by investors throughthe increase of stock tradingvolume.However, Restuti and Nathaniel (2012) find no influence of CSR towardthe increase of volume in stock trading.

Realizing the inconsistent results of previous studies, researchers want to analyze *corporate social responsibility* in the *go public*mining companies in the Indonesian Stock Exchange by examining the influence of *leverage*, profitability, and the board of independentcommissioner toward*Corporate Social Responsibility* (CSR) in which foreign ownership as a moderating variable, and the influence of CSR toward stock *returns*. This study is different from previous studies because it uses foreign ownership as a *moderating* variable by the reason that one of the principles of*the Good Corporate Governance* (GCG) affecting CSR is the foreign ownership structure because foreignparties are considered to be more concerned about social and environmental responsibility. This is in line with the principle of transparency in corporate governance in which companies with foreign ownership have higher pressure to disclose their activities to the public bymeans to get legitimacy from the people around him in order to maintain the survival of the company (Rustiarini, 2011). The study by Haniffa and Cooke (2005), Rustiarini, NW (2011) reveals that foreign ownership influences CSR.

B. LITERATURE REVIEW AND HYPOTHESIS

Foreign Ownership and *Corporate Social Responsibility*

The definition of CSR according to Regulation No. 40 of 2007 on Limited Liability Article 1 point 3, is the company's commitment to participate in sustainable economic development to improve the quality of life and beneficial environment, whether for the company itself or the local communityandsociety in general. According to Regulation No. 25 year 2007 on Investment Section 15 (b), CSR is the responsibility attached to every investor of the companies to create a harmonious relationship with the environment, values, norms, and cultures of the local community. Many people believe that *Corporate Social Responsibility* (CSR) is a program that is not *profitable* and a burden for the company and not a concrete solution over the complex social problems in Indonesian society. Kotler and Lee (2005) state that the company's participation in various forms of social responsibility can provide many benefits for companies such as increasing sales and *market share*, strengthening*brandpositioning*, increasing the company's *image* and influence, increasing the ability to attract, motivating and retaining employees , lowering operating costs, and increasing the desire for investors to invest.

One of the *Good Corporate Governance* (GCG) factors affecting the *Corporate Social Responsibility* (CSR) is the ownership structure. GCG mechanism is correlated with the level of CSR disclosure in annual reports since CSR is the implementation of the principle of transparency and responsibility. The size of the board comisioner, the audit committee, the external auditor quality and the ownership structure positively correlate to CSR (Haniffa and Cooke, 2005; Sembiring, 2005; Anggraini, 2006). The findingsby Haniffa and Cooke (2005), Suzuki and Tanimoto (2005) conclude thatthere is a correlationbetween foreign ownership and the CSR of companies. Studyby Rustiarini (2011) on the manufacturing companies listed on the Indonesian Stock Exchange prove that there is influenceof foreign ownership toward CSR.

The implementation of CSR is one of the media chosen by multinational companies or companies with foreign ownership to gain legitimacy from their *stakeholders* in order to maintain the existence of the company in the long term (Rustiarini, 2011). According to Barkemeyer (Rustiarini, 2011), if the company has a contract with *foreign stakeholders*,whether *ownership*or*trade*, the company will be supported to implement CSR. It happens because the foreign companies mainly from Europe and America are more familiar with the concept of CSR.

Leverage*and *Corporate Social Responsibility

Leverage is a ratio that measures the amount of debt held by the company. High *leverage* allows the company to break the contract with the creditor's debt as the risk of uncollectible debt which is also growing higher. If it is associated with the theory of legitimacy, the company with high *leverage* needs to do CSR to gain the trust and positive reaction from outsiders toward the ability of the company to refund the loan. This is in line with agency theory that firms with high *leverage* have high agency costs and will also reveal more information to raise the confidence of shareholders. However, management will choose accounting methods that maximize profit and will try to report higher earnings to reduce the possibility of violating the company's debt (Belkaoui and Karpik, 1989). To report high profit, the management company must reduce costs, including the cost of CSR. Based on the description,the hypothesis can be constructed as follows:

H_1: *Leverage* negativelyinfluences*Corporate Social Responsibility.*

H_2: *Leverage* moderated by foreign ownership has a positive influencetoward *Corporate Social Responsibility.*

Profitability and *Corporate Social Responsibility*

A goal to be achieved by the company is the maximum profit. Byobtaining the maximum profit, the company will be able to do much for the welfare of the owners, employees, product quality improvement, business expansion and fulfillment of obligations to society and the environment. A high profitability reflects the company's ability to generate high profits, so the company is able to undertake a broader *Corporate Social Responsibility*(Herusetya and Kamil, 2012). According to Heinze (Hackston and Milne, 1996) profitability is a factor that makes management free and flexible to implement CSR. This is in accordance with the statement by Bowman, Haire and Preston (Hackston and Milne, 1996) that the higher profitability of the company, the greater the CSR will be. Based on these descriptions, the hypothesis can be constructed as follows:

H_3: Profitability positivelyinfluences*Corporate Social Responsibility.*

H_4: Profitability moderated by foreign ownership has a positive influene toward*Corporate Social Responsibility.*

The Board ofIndependent Commissioner and *Corporate Social Responsibility*

Commissioners of the company arethe party carrying out internal functions control within the company. The composition of the board of commissioners will determine the company's policies, including the implementation of CSR. Coller and Gregory (Sembiring, 2005) says that the greater the number of board members, theeasier to control and monitor the management of the company. The existence of independent board within the company will further increase the effectiveness of supervision as set out in terms and conditions of Bapepam and Regulation of The Indonesian Stock Exchange No. 1-A, July 14, 2004 which states that the number of independent board in a company at least 30% (Nurkhin, 2009).

These regulations give positive influence toward the control and supervision of the management of the company's operations, including the implementation of CSR. Based on these descriptions, the hypothesis can be figured out as follows:

H_5: Board of independent comissioner positivelyinfluences*Corporate Social Responsibility*.

H_6: Board of independent comissioner moderated by foreign ownership has a positive influence toward *Corporate Social Responsibility*.

Corporate Social Responsibility*and Stock *Return

Investment objective is to expect for benefit in the future. Investors stake current value to the value of which is not known for certain in the future (Khajar, 2007). The concept of *return* facilitates investors to assess the financial performance of investment and as assessment indicators of whether investmentsgoalachieved or not (Khajar, 2007). *Return* is the result obtained from stock investments. Stock*Return* can be measured by using *abnormalreturns*, stock price at the *closing price*,the increase of trading stock volume and *capital gains* (Jogiyanto, 2003). Study by Yuliana, Purnomosidi and Sukoharsono (2008) conclude that currently, investors have started to respond to the implementation of CSR information presented in the annual report. This is proven by the surge in stock trading and an increase in *abnormal returns* around the publication of the annual report.

The main key to measure the efficiency of capital market is the correlation between *stock* returns and information (Jogiyanto, 2003). Many studies have been conducted to determine the correlationof the information in the annual report of the companies andstock *return*.Study by Maksun and Barus (2011) reveals that CSR significantlyinfluences stock *returns* as measured by the stock price. Similarly, Cheng and Christiawan (2011) state that CSR significantly affects stock *returns*. The behavior of investors who began to consider CSR information in investment decision suggests that CSR has to be used as a reference for assessing the potential sustainability of a company.

However, the study by Sayekti and Wondabio (2007) shows that profit income has no significant influencetoward stock *returns* and prove that CSR influences investor decisions as indicated by the increase in the volume of stock trading. Currently, CSR has been implemented by investors to complete the information of profits in the decision of investment. Based on these descriptions, the hypothesis can be constructed as follow:

H $_7$: *Corporate Social Responsibility* positivelyinfluences stock *returns*

Based on the descriptions, the model of the research framework can bepresented in Figure 1.

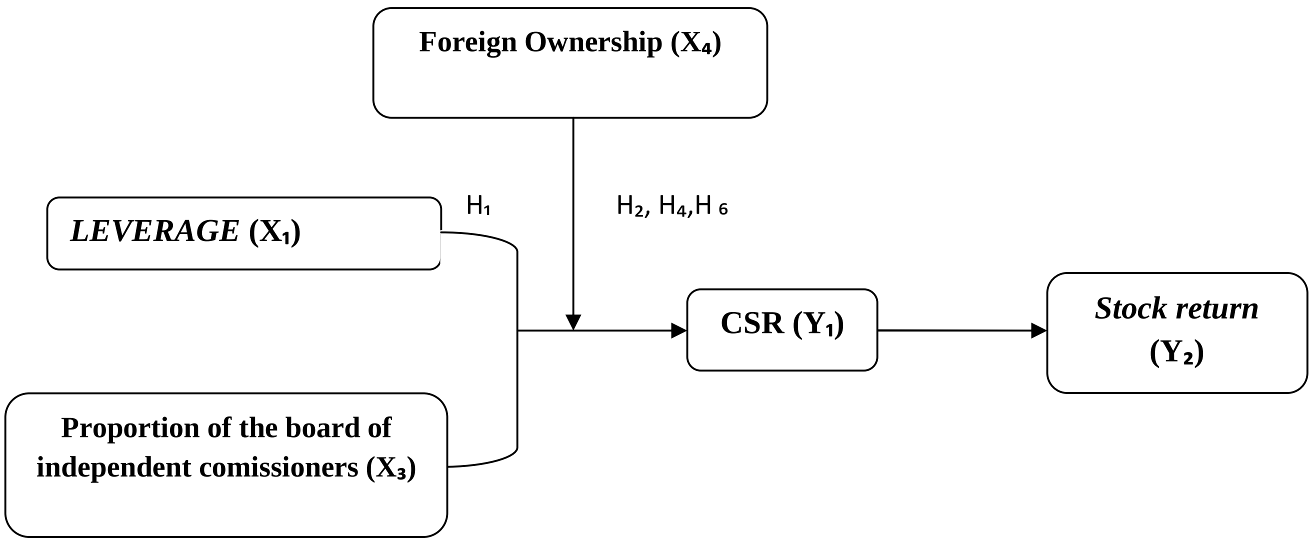

Figure 1: Conceptual Framework of Research

C. RESEARCH METHODS

The research type used in this study is an *explanatory research*whereby this study seeks to determine how *leverage,* profitability, and the independent board moderated by foreign ownership influence*Corporate Social Responsibility.*The population of this study is all *the go public* mining companies in the Indonesian Stock Exchange. Sampling technique used is*purposive sampling* by several criteriasuch as: a). The *Go Public*Mining companies in the Indonesian Stock Exchange from 2008-2012 b). Mining companies that incorporate in its CSR report in the company's annual report. Sources of data in this study are from the publication of the company's financial statements obtained from the Indonesia Stock Exchange website (www.idx.co.id), *Indonesian Capital Market Directory* (ICMD) and related corporate sites.

a. Dependent Variables

Stock *returns* used in this study is the stock *returns* that have occurred *(Realize return)*,that is the stock at closing price on every December 31 from 2008 to 2012. Then *the closing price* is transformed into the natural logarithm in order to fulfill the data normality test in the classical assumptions.

CSR variables is measured by the information of the implementation of CSR in annual reports or CSR *Disclosure Index* (CSRI) using scores from *the Global Reporting Intiative* (GRI) *Guidelines* Four (G4) in 2013 which includes three aspects: economic, environmental, and social (indicators of measurement can be seen in appendix 1). The social aspect is divided on 3 sub-aspects involvingemployee, human rights, and community (GRI G4, 2013). The formula to calculate the following CSRI is (Sayekti and Wondabio, 2007):

$$CSRIij = \frac{\Sigma Xij}{N}$$

In which;

CSRIij : Corporate *Social Responsibility Disclosure Index* company i in year j.

ΣXij : Total CSR disclosure items made by firm i in year j.

N : Number of items of disclosure, N = 50.

b. Independent Variables

Leverage ratio used in the study is the *Debt to Equity Ratio* (DER) which shows the total amount of debt possessed by a company compared to the amount of its total equity. The formula of DER is as follows (Ashari and Darsono, 2005):

$$DER = \frac{Total\ Debts}{Total\ Equity}$$

Profitability is the ability of a company to generate profit. To measure the profitability in this study the authors use the *Return on Assets* (ROA). The profitability formula can be seen as follows:

$$ROA = \frac{Net\ Profit}{Total\ Assets\ of\ the\ company}$$

The board of Independent Comissioner is the number of board members from outside the company who does not have a good business relationship with the owner or management of the company. The formula of Independent board is (Nurkhin, 2009):

$$\mathit{The\ board\ of\ Independent\ Comissioner} = \frac{\mathit{Total\ of\ The\ board\ of\ Independent\ Comissioner}}{\mathit{Total\ of\ the\ board\ of\ comissioner}}$$

Foreign ownership is the stock ownership by foreigners whether individuals or institutions of the shares of companies operating in Indonesia. Measurement of foreign ownership in this study using the formula (Rustiarini, 2011):

$$\mathit{Foreign\ ownership} = \frac{\mathit{total\ number\ of\ stock\ possessed\ by\ foreignners}}{\mathit{total\ numbers\ of\ availabe\ stock}}$$

Data Analysis Techniques

Hypothesis testing in this study uses*Moderated Regression Analysis* (MRA) by significant level (α) of 5%. The Model of regression equation is as the following:

1. Multiple linear regression model:

$$Y_1 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_1 X_4 + \beta_5 X_2 X_4 + \beta_6 X_3 X_4 + e$$

2. Simple linear regression model:

$$Y_2 = \beta_0 + \beta_1 Y_1 + e$$

In Which;

$Y_1 = CSR$
$Y_2 = \mathit{Stock\ Return} \quad X_1 = \mathit{Leverage}$

$X_2 = \mathit{Profitability} X_3 = \mathit{proportin\ of\ The\ board\ of\ Independent\ comissio}$

$X_4 = \mathit{Foreign\ Ownership} \beta_0 = \mathit{intercept}$

$\beta_1 \ldots\ldots \beta_6 = \mathit{Regression\ coeffisient}$

Approach to regression test is conducted by *Ordinary Least Square* (OLS) by the terms of the nature of *Linear Unbiased Estimation Best* (BLUE) of the regression model formed. To meet the requirements, the classical assumption test is used prior to the regression model, (Ghozali, 2011) that is: Multicollinearity, Heteroskedatisity, normality and autocorrelation test. After that, statistical t and Ftest is performed.

D. RESULT AND DISCUSSION

Descriptive Analysis

The description of CSR implementation of mining company in 2008-2012 is as follow:

Table 1

The Description of CSR Implementation of Mining Company
In 2008 – 2012.

No	Company Name	2008	2009	2010	2011	2012
1	PT. Adaro Energy Tbk	0.68	0.70	0.78	0.80	0.80
2	PT. Aneka Tambang (Persero) Tbk	0.78	0.96	0.98	0.98	0.98
3	PT. Bayan Resources Tbk	0.56	0.66	0.66	0.66	0.66
4	PT. Cita Mineral Investindo Tbk	0.62	0.64	0.66	0.66	0.66
5	PT. Citatah Industri Marmer Tbk	0.34	0.34	0.34	0.34	0.34
6	PT. International Nickel Indonesia	0.62	0.62	0.68	0.68	0.68
7	Tbk	0.64	0.64	0.76	0.76	0.80
8	PT. Indika Energy Tbk	0.64	0.64	0.68	0.72	0.82
9	PT. Indo Tambangraya Megah Tbk	0.68	0.68	0.78	0.86	0.86
10	PT. Medco Energi International Tbk	0.40	0.40	0.42	0.46	0.46
11	PT. Perusahaan Gas Negara Tbk	0.88	0.88	0.90	0.90	0.90
12	PT. Bukit Asam Tbk	0.84	0.94	0.98	0.98	0.98
	PT. Timah Tbk					
Average		0.64	0.68	0.72	0.73	0.75

Source: Result of Calculated Data, 2014

Table 1 shows that the average of CSR implementation of mining company in Indonesia during 2008-2012 is more than 50%, which means that the mining company generally has implemented CSR well, and it has improved on the average of 3% per year.

Result of Regression Analysis and Hypothesis Test

The result of multiple linear regression count using moderated Regression Analysis (MRA) after passing the test of classical assumption which involves : heteroskedastisity, multikolinierity, and normality test, is as follow:

Table 2

The Result of Multiple Linear Regression

Independent Variable	Regression Coefficient	t-count	Significant
Constanta	0.788	7.073	0.000

Leverage (X_1)	-0.338	-5.955	0.000
Profitability (X_2)	-0.008	-2.074	0.043
Independent Commissioner Board (X_3)	0.929	3.019	0.004
Leverage * Foreign Ownership (X_1X_4)	0.387	3.487	0.001
Profitabilitas * Foreign Ownership(X_2X_4)	0.009	1.148	0.256
DKI * Foreign Ownership(X_3X_4)	-1.360	-3.174	0.003
R Square : 0.504 Adjusted R Square : 0.447			
F-table : 8.960 Significant : 0.000			

Source : Result of Calculated Data, 2014

Based on the table 2, it can be arranged the result of multiple regression equality as follow, $Y_1 = 0.788 – 0.338X_1 - 0.008X_2 + 0.929X_3 + 0.387X_1X_4 + 0.009X_2X_4 - 1.360X_3X_4$

The analysis result of multiple linear regressions as seen on table 2acquires significant score of F-count of 0.000 with adjusted R square score of 0.447. It means that CSR can be recognized through leverage variable, profitability, board of independent commissioner, *leverage* moderated by foreign ownership, profitability moderated by foreign ownership and board of independent commissioner moderated by foreign ownership of 44.7%, while the rest 55.3% is explained by other variables beyond what is researched.

Here is the table of counting result by simple linear regression with independent variable of stock return (Y_2):

Table 3

Result of Simple Linear Regression

Independent Variable	Regression Coefficient	t-count	Significant
Contanta	5.151	6.842	0.000
CSR (Y_1)	3.667	3.535	0.001
R Square : 0.177 Adjusted R Square : 0.163			
F-table : 12.497 Significant : 0.001			

Source : The result of Calculated Data, 2014

Based on the table 4, it can be arranged a similarity of simple linear regression as follow:

$Y_2 = 5,151 + 3,667\ Y_1$

The analysis result of simple linear regression data as seen on the table 4 has resulted significant score of F-table 0.001 with the score of Adjusted R Square 0.163. It means that stock return can be explained through CSR variable of 16.3%, while the rest, 83.7%, is explained by othernon-observed variables.

The Influence of *Leverage*to *Corporate Social Responsibility*

CSR variable (Y_1) has a regression coefficient of 3.667 with a significant level of 0.001, meaning that CSR variable (Y_1) has positive influencetoward stock return variable (Y_2). If CSR increases, stock returns will also increase. Conversely, if the CSR decreases the stock returns will also decrease. The result of the analyzed data shows that the leverage has negative influencetoward CSR, it means that the higher the debt the company has, the more CSR will decrease. Yet, the lower the company's debt, the more CSR will increase. This happensbecause the high debt have bad impact on the liquidity of the companies, so that the management will try to reduce budgets but it does not break the law, one of which is to reduce the cost of CSR in order to report higher profits for the company to minimize the risk of violating debt covenants. This is contrast to the theory of legitimacy and agency that companies with high debt will disclose more CSR information including information to gain the public's trust that the company has the ability to do its obligations.

After being moderated by foreign ownership, *leverage* has a positive influence on CSR.It means that companies with high debt and supported by high foreign ownership will also improve CSR. Foreign ownership is a moderating variable that strengthens the correlation of*leverage* and CSR. This study reveals that CSR is influenced by the size of the leverage and the presence of foreign ownership in the company. Moreover, It supports the theory of legitimacy that companies with high debt needs to implement CSR to gain the trust and positive reaction from outsiders that the company has ability to refund the loan. This fact is also consistent with agency theory that companies with high debt have higher agency costs for foreign companies to reveal more information including information on CSR to improve public trust.

The findings of this study are in line with the study conducted by Sembiring (2005) which proves the existence of the influence of leverage toward CSR. Yet, These findings are contrast to the study conducted by Hackson and Milne (1996), Yintayani

(2011), Herusetya and Kamil (2012), Sari (2012), and Nadiah (2012) which find no influence of leverage on CSR.

The influence of *Profitability* on *Corporate Social Responsibility*

Profitability variable (X_2) has a regression coefficient of -0.008 with a significant level of 0.043. It means that profitability variable (X_2) has negative influence on the CSR variable (Y_1). If profitability increases, the CSR will decrease. In contrast, if profitability decreases, the CSR will increase. The results of the data analysis show that the negative influence on the profitability of CSR means that if the company's profit increases, CSR will decrease. Conversely, if the company's profit decline then CSR will increase. This fact proves that high profits will not make the company improve its CSR. This is because the implementation of CSR in Indonesia still depends on the awareness of the manager of the company rather than the company's ability to generate profits. It is also supported by Act No. 40 of 2007 on Limited Liability Article 74 paragraph 2 which states that the implementation of the CSR budget is calculated as the cost, not based on the profitability of the company so that the implementation of CSR is based on the desire of the management company to build a positive image in the eyes of the public for the survival in the long term. It is proved that CSR in the mining company in Indonesia is still voluntary in nature (voluntary). Companies with high profitability, but lack of implementation of its CSR are caused by the persistence of the perception of CSR management that will increase costs, thereby it reduces profit without considering that CSR can support the survival of the company in the long term.After being moderated by the foreign ownership, the profitability company does not affect the company’s CSR. It shows that foreign ownership in the company is not able to either strengthen or weaken the correlation of profitability and CSR. Foreign ownership cannot make the profitability influence CSR. This fact is contrary to the legitimacy theory proposed by Bowman, Haire, and Preston (Hackston and Milne, 2006) which states that the higher the income, the greater the company's CSR will be.

The results of this study are in line with the research that has been done by Sembiring (2005), Anggraini (2006), Yuliana, Purnomoshidi, and Sukoharsono (2008), Barus and Maksun (2011), Marfu'ah and Cahyo (2011), Purwanto (2011), Herusetya and Kamil (2012) and Nadiah (2012) which are not able to prove the influence of profitability on CSR. These results contradict the results of research conducted by Nurkhin (2009), Yintayani (2011) and Sari (2012) who found an influence on the profitability of CSR.

The Influence of the Board of Independent Comissionertoward Corporate Social Responsibility

Variable independent board (X_3) has a regression coefficient of 0.929 with a significant level of 0.004. It means that independent board variables (X_3) haspositive influence on CSR variable (Y_1). Briefly, Ifthe independent board increases, CSR will also increase. Meanwhile, if the independent board decreases, the CSR will also decrease. The result of analyzed data shows that the independent board has positive influence on CSR. It means that the more the number of independent board members of the company, the higher the CSR will be. This is in line with the theory that the existence of independent board will further increase the effectiveness of monitoring and controlling the management to operate the company, including in implementing CSR (Sembiring, 2005).

After being moderated by the foreign ownership, the independent board has negative influence on CSR. It means that the company that has many independent board members and supported by high foreign ownership will reduce CSR. Foreign ownership is moderating variables that weaken the relationship between independent board and CSR. This study revealed that CSR is influenced by a number of independent board members of the company as well as the presence of foreign ownership. Foreign ownership in the company has reduced the influenceiveness of the management control of the company by the independent board in the implementation of CSR. This is contrary to agency theory proposed by Coller and Gregory (Sembiring, 2005) that the number of independent board members is large, and then the commissioners will be easier to control and control the company's management, including the implementation of CSR.This study is in line with the findings by Nurkhin (2009) which reveal that there is an influenceof independent board toward CSR. This study contradicts the results of study conducted by Nadiah (2012) and Natalylova (2013) which finds no influence of board size on CSR.

The Influence*of Corporate Social Responsibility towardStock Return*

The analyzed data proved that CSR has a positive influence on stock returns. Corporate Social Responsibility has a positive influence on stock returns for the investors to invest in companies that implement CSR properly marked with increasing the company's share price. Investors have used CSR information in their decisions to invest. This proves that CSR information has been used to assess the potential sustainability of a company as investors prefer to buy shares of companies that implement CSR properly.

The positive influence of CSR on stock returns in line with the theory put forward by Jogiyanto (2003) that the information is useful and assessed in accordance with the objectives of the investor, characterized by positive market reaction (increase in stock prices) to that information. CSR information in a company is useful because it has become a reference for investors to buy stocks of the company.

The results of this study are in line with the studydone by Dasgupta, Laplante and Mamingi (1997), Yuliana, Purnomosidi, and Sukoharsono (2008) , Budiman and Supatmi (2009), Barus and Maksun (2011), Cheng and Christiawan (2011) that find a positive influence of CSR on abnormal return and stock price. This study contradicts the results of research conducted Brammer, Brook and Pavelin (2005), Anderson - Weir (2010) that finds no evidence of CSR influencetoward stock prices .

E. CONCLUSION, LIMITATION AND RECOMMENDATIONS

Conclusion

Based on the results of hypothesis and general discussion, it can be concluded that: after having passed the classical assumption, which includes: heteroskedastisity, multikololinierity and autocorrelation test, the results ofthis descriptive and regression analysis show:

a). In general, mining companies has already implemented CSR properly and increased 3 % from year to year.Leverage and profitability have a significant negative influence on Corporate Social Responsibility. This means that mining companies generally still consider CSR as an expense and not an investment cost.

b).Independent board has a significant positive influence on Corporate Social Responsibility. .Foreign companies strengthen the influence of *leverage* toward Corporate Social Responsibility; it is in line with agency theory and legitimacy theory which states that firms with high leverage will reveal much more information including information on CSR to gain the trust of investors and shareholders about the company's ability to fulfill its obligations.Meanwhile, foreign companies weaken the influence of the proportion of independent board toward*Corporate Social Responsibility*; this indicates that foreign ownership lowers the effectivenss of independent board in over sighting and controlling over the management in implementing CSR. Foreign companies are not able to strengthen or weaken the influence of profitability on *Corporate Social Responsibility*. This is reasonable, because the implementation of CSR in Indonesia, both foreign and domestic companies are still voluntary as a result of unclear and firm law enforcement for companies that do not implement CSR. Implementation of CSR is still depending on the awareness of the company's management, not depending on the government rules.*Corporate Social Responsibility* has a positive influence on stock returns. Investors have used CSR information in their decisions to invest.

Limitations and Recommendations

1. Object of the study is limited because it only uses a sample of mining companies. If the study is conducted in another company, it may have different result. Therefore, further research needs to be done to expand the research object, for example a manufacturing company or other manufactures.
2. The variables used in this study can only explain 44.7 % of CSR. Therefore, the remainder is another variable that could be developed for further research e.g. company size, ownership structure, and so on.
3. To solve the problem of inconsistency on the influence of profitability toward CSR, the researchers suggest further research in order to use variable leverage as a moderating variable between profitability and CSR.
4. The main problem of the implementation of CSR is the absence of legal repercussions that can make CSR as an obligation that must be implemented by the company and the rules in the legislation merely requires and no supervision or sanction. Therefore, future research could be developed by analyzing the CSR management including planning, organizing, implementing, and controlling its impact on firm performance.

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