**THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY TOWARD FINANCIAL PERFORMANCE**

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**Abstrack**

The idea behind corporate social responsibility (CSR) is that companies not only have economic and legal obligation to shareholders but also obligations to stakeholders. One important goal of the establishment of acompany is to increase the welfare of the owners or shareholders or maximize shareholder's value by increasing the value of the companies. Social responsibility (CSR) have a strong foothold in the business world.

This study aims to analyze how the influence of Corporate Social Responsibility toward the company ‘s financial performance. Corporate Social Responsibility in the company’s activities in achieving a balance or integration between the economic, environmental, and social development without compromising the expectations of shareholders. Corporate Social Responsibility consists seven categories environment, energy, health and safety of workers, other labor, products, people, and the public. On this study financial performance is measured using return on asset, return on equity, and economic value added.

The sample used in this study are the companies listed in Jakarta Islamc Index from 2012 until 2014 using purposive sampling method 19 sample companies, so we have 57 data observation. The result show that CSR has an influence on the financial performance.

 **Key words**: Corporate Social Responsibility, return on asset, return on equity, economic value added.

**Introduction**

Corporate Social Responsibilty is a process of comunicating social and environment impact from the countries activity to the stakeholders and society. Corporate Social Responsibility (CSR) can be described as the availability of financial and non-financial report related to the interaction of organization with the physical environment and social environment, which can be made in the company's annual report or social report separately (Guthrie and Mathews, 1985). People assume that corporate responsibility towards the environment is very important. Awareness of the need to maintain an environment governed by the Limited Liability Company Act 40 Section 74 of 2007, in which the company conducts business activities related to the natural resources required to conduct a social and environmental responsibility. But not everyone agrres with this regulation, it seems that bussiness comunity of Indonesia not yet sure that CSR activity can give a positive impact for their main purpose.

There are some motivation and benefit if the countries carry out the Corporate Social Responsibility include : 1) the companies can be avoid from negative reputation which only overtake their profit without care about bad impact 2) this strategi can help the managers and official employes to overcome demand of employment 3) so the countries will give their appreciate to the companies 4) and the companies can work so good, Ambadar (2008). Even though many benefit can we got from the CSR, not all companies in Indonesia carry out this strategi to get investor’attention. Actually investation which given by investor so important to support the progress of company. Besides that sometimes the companies carry out program of CSR just for formalitas.

Muhammad (2007), Rettab et al. (2008), Vergali et al. (2009), find that Corporate Social Responsibility (CSR) and financial performance has a significant correlation. But Sarumpaet (2005) and Wijayanti et al. (2011) can not find that Social Responsibility (CSR) and financial performance has a significant correlation, because the investor more like choose to got information about their responsibility from the third side.

In this era, the investor more like choose the islamic companies or shariah companies to investation, why ? because on shariah companies the process of companies’s operate care the rule of shariah (islamic rule) which fair in profits and clean of the things that harm others.

Based on the above exposure, this study examines the effect of Corporate Social Responsibility (CSR) to financial performance at the companies listed in Jakarta Islamic Index start from 2012 until 2014.

**Literature Review**

*Corporate Social Responsibility*

Corporate Social Responsibility is operation bussiness which have a commitment not only to got profit financially but also to development social-economy (Suharto, 2010). Commonly CSR is manner the companies to realize a equilibrium between purposes of economy, environment, and social, and give the best for the investors and stakeholders (Suharto, 2010).

CSR is a business commitment to contribute to the development sustainable economy, working with

the company's employees, their families the following local communities (local) and society as a whole in order to improve quality life. (The World Business Council For Sustainable Development in Rahman (2009: 10)).

*Financial Performance*

Financial Performance is the result from the many decisions which made by the management continually to reach one goal efectively and efisienly. Financial Performance can give information to management and stakeholders, which can help investor make an investasion decision (Septriani, 2011) . Evaluation of financial performance is the management’s method to fulfill their duty to the owner of companies. This evaluation need eksternal and internal standard. (Wright et al. 1996). This study use 3 indicator to evaluated financial performance, they are Return On Aset, Return On Equity, and Economic Value Added. ROE is main manner which used by investor to evaluate the financial performance. Commonly ROE is output from division of gain with equity for one year period, and ROA is output from division of gain with assets for one year period. Meanwhile economic value added (EVA) evaluate value added the companies by calculate cost of capital. The logic is no free fund.

*Hypothesis development*

In this section, we first dicuss our prediction concerning analyst’s positive impact Corporate Social Responsibility (CSR) toward financial statement. Corporate Social Responsibility Disclosure will expand the disclosure into annual report. Meanwhile annual report is the one of the orientation for investor. So, if the companies revealing if they apply CSR the investor will give them positive respons and will interest to invest their capital to the companies. Many people have opinion that CSR can increas the profit, which be based on their assets and equity from investor and companies. CSR also can give economic value added to the organisazion, because CSR can make people think that the companies or organization not only achieving the profit but also they have environment and society responsibility.

According to explanation above, we can make a hypothesis :

H1 : Corporate Social Responsibility has a positive impact significanly toward return on assets.

H2 : Corporate Social Responsibility has a positive impact significanly toward return on equity.

H3 : Corporate Social Responsibility has a positive impact significanly toward return on economic value added.

Framework :

|  |  |
| --- | --- |
| $H\_{1}$ (+) | *Return On Asset (ROA)* |
| $H\_{2}$ (+) | *Return On Equity (ROE)* |
| $H\_{3}$ (+) | *Economic Value Added (EVA)* |

*Corporate Social Responsibility (CSR)*

**Data and Methodologi**

*Approachment research*

The kind of this research is causality research. Causality research use to prove the influence casuality intervariable (Sanusi, 2011, h.14). the purpose of this study is to prove the CSR influence to financial statement. The object of this study are the companies listed in Jakarta Islamic Index from 2012 until 2014. All the companies listed in Jakarta Islamic Index (JII) from 2012 until 2014 are the sample population. In this study, the sample taken by purposive sampling method. The criteria are :

1. The companies listed in Jakarta Islamic Index (JII).
2. The companies reported Corporate Social Responsibility Disclosure continually from 2012 until 2014.
3. The companies reported financial statement continually from 2012 until 2014.

This study use secondary data. This secondary data as a source from financial statement and CSR disclosure the companies listed in Jakarta Islamic Index from 2012 until 2014. The technique which used in this study are clasic assumption test include heteroskedastisitas test, autocorrelation test, normality test and t-test .

**Findings and Discussion**

1. ***The influence of CSR toward ROA***
2. *The Result of Regression*

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Table 4.6 of the data processing with SPSS, then obtained the final regression model as follows:

      **ROA = -0.363 + 0.758 CSR + e1**

The above equation, it can be explained that a constant value of -0.363 have meaning if CSR is zero, then the value of ROA amounted to -0.363. Regression coefficient value of CSR at 0.758, positive value means that if CSR increases one unit, it will increase the value of ROA amounted to 0.758.

1. *Hypothesis Testing*****

Testing the hypothesis in this regression model can prove statistically that the CSR effect on ROE, this is evidenced by the significant value of 0.003 <0.05. So that, Ha accepted and Ho rejected, the first hypothesis which states CSR positive effect on ROA is proven.

1. *Determination Coefficient*



The coefficient of determination in this study using the R Square value, because the value of the independent variable in this study is only one variable. If more than one independent variable in suggest using Adjusted R Square because the value of Adjusted R Square is not affected by the large number of independent variables. R-square value in this study amounted to 0,145, means that CSR can explain the variable ROA amounted to 14.50%, the smallness of the coefficient of determination in this model, because there are many other factors that affect ROA, such as the ratio of working capital turnover ratio, receivables turnover, the current operating cash and others.

1. ***The influence of CSR toward ROE***
2. *The Result of Regression*

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Table 4.7 of the data processing with SPSS, then obtained the final regression model as follows:

      **ROE = -1,072 + 2,010 CSR + e2**

The above equation, it can be explained that a constant value of -1,072 have meaning if CSR is zero, then the value of ROE amounted to -1,072. Regression coefficient value of CSR at 2,010, positive value means that if CSR increases one unit, it will increase the value of ROE amounted to 2,010.

1. *Hypothesis Testing*

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Testing the hypothesis in this regression model can prove statistically that the CSR effect on ROE, this is evidenced by the significant value of 0.006 <0.05. So that, Ha accepted and Ho rejected, so the second hypothesis which states CSR positive effect on ROE is proven.

1. *Determination Coefficient*

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The coefficient of determination in this study using the R Square value, because the value of the independent variable in this study is only one variable. If more than one independent variable in suggest using Adjusted R Square because the value of Adjusted R Square is not affected by the large number of independent variables. R-square value of 0.128 in this study can be interpreted that the CSR variables can explain ROE of 12.80%, the smallness of the coefficient of determination in this model, because there are many other factors that affect ROE, such as accounts receivable, cash, inventory and others*.*

1. ***The Influence of CSR toward EVA***
2. *The Result of Regression*

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Table 4.7 of the data processing with SPSS, then obtained the final regression model as follows:

       **EVA = -25683352,265 + 43164976,813 CSR + e2**

The above equation, it can be explained that a constant value of -25683352,265 have meaning if CSR is zero, then the value of EVA amounted to -25683352,265. Regression coefficient value of CSR at 43164976,813, positive value means that if CSR increases one unit, it will increase the value of EVA amounted to 43164976,813.

1. *Hypothesis Testing*

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Testing the hypothesis in this regression model can prove statistically that the CSR effect on EVA, this is evidenced by the significant value of 0.000 <0.05. So that, Ha accepted and Ho rejected, so the third hypothesis which states CSR positive effect on EVA is proven.

1. *Determination Coefficient*

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The coefficient of determination in this study using the R Square value, because the value of the independent variable in this study is only one variable. If more than one independent variable in suggest using Adjusted R Square because the value of Adjusted R Square is not affected by the large number of independent variables. R-square value of 0.267 in this study can be interpreted that the CSR variables can explain EVA amounted to 26.70%, the smallness of the coefficient of determination in this model, because there are many other factors that affect EVA, such as free cash flow, earnings, managerial ownership, and other -Other.

**Conclusion and Recommendations**

*Conclusion*

The conclusion that can be drawn from the results penelitaian discussed in the previous chapter are:

* 1. The first hypothesis testing in the regression model can be proved statistically that CSR has positive influence on ROA. This condition occurs because the express purpose company CCSR is a way that companies use to manage relationships with stakeholders. CCSR with the disclosure by the company is expected to provide clear evidence that the production process of the company is also concerned with issues of social and environmental criteria, so as to increase the trust of stakeholders that will have an impact on increasing corporate value through increased investment which increased corporate profits.
	2. Testing the hypothesis in regression models can prove statistically that CSR positive effect on ROE. This condition occurs because the disclosure of the increasingly widespread, it will give confidence to the public and other parties who require financial statements, so companies will be more trustworthy products and will result in better performance.
	3. Testing of the third hypothesis in the regression model can be proved statistically that CSR has a significant effect on EVA. This condition indicates that CSR is a company's business operations are not only to increase the company financially, but also for socio-economic development of the region overall, institutionalized and sustainable. EVA positive condition reflects the level of compensation that is higher than the cost of capital. This means that management is able to create shareholder value enhancement.

*Recommendations*

Based on the research that has been done, the results obtained CSR variables affect the ROA, ROE and EVA, for the advice given is:

1. Investors should pay more attention to CSR of each company on the Stock Exchange, namely with regard CSR that profitable investment. Investors may also be able to analyze a given company's CSR as a form of corporate concern for the environment. If the company concerned about the environment and society, the company will create a good image for the company and will be a positive response by investors, making it profitable for investors to increase ROA, ROE and EVA because in this study CSR greater influence on ROA, ROE and EVA.
2. For companies should pay more attention to CSR by the company, because CSR is a company's long-term asset that will be used by the enterprise to maintain the sustainability of the company with a positive response from the public.

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