THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY (CSR) ON FINANCIAL PERFORMANCE

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Abstract *– This study discusses the effect of Corporate Social Responsibility (CSR) on the company's financial performance. There are three studies conducted on pharmaceutical, telecommunications, and coal mining companies. The result of the study show differences in influence of CSR on financial performance. Research on pharmaceutical companies shows that CSR has no significant effect on Return on Assets (ROA) and Return on Equity (ROE). Meanwhile, research on telecommunications companies show that CSR has a positive effect on financial performance. However, research on coal mining companies shows that CSR has no significant effect on ROA. In this study, CSR is explained as a company's effort to account for its business activities ethically to meet the needs of internal and external shareholders and surrounding environment so as not to cause harm to society. Nonetheless, the implementation of CSR can provide benefits for companies, such as improved corporate image, access to financial resources, risk management, innovation, and operational efficiency.*

Keywords: Corporate Social Responsibility, Return on Assets, Return on Equity

I. INTRODUCTION

Background

According to Ronald J. Ebert and Ricky W. Griffin (2006), a company is an organization that aim to achieve economic goals by combining human and material resources, and producing goods and services that are sold in the market. Along with changing business perspectives, where sustainability and corporate social responsibility are increasingly being considered. Companies are faced with pressures to operate responsibly, both socially and environmentally apart from their primary responsibility to maximize profits.

So that the company is not only responsible for financial aspects, such as profits and shareholders only. Rather, they must also be responsible for the factors that surround them, such as consumers, producers, the environment and society through the Corporate Social Responsibility (CSR) program.

Corporate Social Responsibility is the company's effort to account for its business activities ethically to meet the needs of internal and external shareholders as well as the surrounding environment so as not to cause harm to the community. CSR has been regulated in Law no. 40 of 2007, Concerning Limited Liability Companies (UU PT), which was passed on July 20, 2007.

As an example of a mining company, coal excavation can change the topography and soil surface conditions which can eventually disrupt the balance of the surrounding ecological system in a relatively short time (Susmiyati, 2020). Disruption of this balance will lead to problems, such as air pollution due to dust and smoke and water pollution due to disposal of mine waste. This will have a negative impact on public health. Not only will the health impacts be felt by the community, conflicts between the community and mining companies, such as land acquisition issues, noise, and social jealousy between communities and newcomers can also be a factor in the need for CSR implementation.

Corporate social responsibility (CSR) is one of the factors that can affect financial performance. According to Lestari, et al (2019) corporate social responsibility is the company's commitment to sustainable economic development by focusing on improvements in the economic, social and environmental fields. So carrying out CSR will increase company profits, because the more CSR projects that are carried out will make the company's image better in the eyes of consumers, shareholders and the public, so that trust and interest in the products produced by the company will also increase. It can be concluded that there is a link between the implementation of CSR in companies with the financial performance generated by the company.

On this occasion, the author will describe the influence of CSR on the company's financial performance. Company performance can be analyzed in various ways, one of which is by ratio analysis. The company objects that will be discussed from the results of previous research are companies in the telecommunications, pharmaceutical, mining sectors that are listed on the Indonesian Stock Exchange.

Problems

a. Does CSR effect financial performance as measured using ROA?

b. Does CSR effect financial performance as measured using ROE?

II. METHODS

Research methods using qualitative by comparing between previous studies. The results of each of these studies have pros and cons of each other.

III. RESULTS AND DISCUSSION

Company Research in the Field of Telecommunication

This research was conducted by Agatha Christi Cantika and Akhmad Riduwan with the title "Influence Corporate Social Responsibility (CSR), leverage, and Company Size on Financial Performance", where this research uses quantitative methods. The population in this study are telecommunications service companies listed on the Indonesia Stock Exchange (IDX) in 2017 – 2021.

Table 1.

Descriptive Statistics Test Results

Hasil Pengujian Statistik Deskriptif
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CSR	40	,28	,85	,5987	,17613
DER	40	,00	7,04	1,9785	1,68870
SIZE	40	10,67	14,44	13,2102	1,07614
ROA	40	-,14	,16	,0262	,06792
Valid N (listwise)	40				

Sumber: Laporan Keuangan, diolah 2023

The results of this study indicate that Corporate Social Responsibility positive effect on financial performance because Corporate Social Responsibility has high activity so that it contributes to increasing company profitability.

ActivityCorporate Social Responsibilitycan create good valuations for companies that are also influential in the capital and commodity markets, because valuations are more attractive to investors. Investors can see that a company with a good image and rating indicates highmconsumer loyalty the company, where the company's sales continue to increase so that the company's profitability also continues to increase.

Pharmaceutical Company Research

This research was conducted by Ivan S. and Lorina Siregar Sudjiman, with the title "Influence Corporate Social Responsibilityon the Financial Performance of Pharmaceutical Companies Listed on the IDX for the 2016-2020 Period", where the method used is quantitative. The data in this study were processed with the help of the SPSS program, which carried out several stages of analysis, namely descriptive statistical tests, normality tests, heteroscedasticity tests, autocorrelation tests, simple linear regression tests, analysis of the coefficient of determination (R2) and significant **test** t.

Tabel 2.

Significant Test Results t (ROA)

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.058	.029		2.013	0.52
	CSR	.097	.064	.257	.1530	.136

The results of this study indicate that variable Corporate Social Responsibility (CSR) has no significant effect on ROA, this is due to costs incurred in implementing CSR activities so that company profits will decrease.

Tabel 3.

Significant Test Results t (ROE)

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficient		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.088	.033		2.684	.011
	CSR	.121	.072	.280	1.676	.103

From the results of the tests carried out, it can be concluded that CSR no significant effect on ROE. Because deep implementation of CSR will reduce the company's net profit, thereby affecting shareholder profits and company wealth.

Mining Company Research

This research was conducted by Nurul Hidayah and Suparna Wijaya, with the title "InfluenceCorporate Social Responsibilityon Financial Performance in Coal Mining Companies, where the method used ispurposive sampling.The object was carried out by mining companies listed on the Indonesian Stock Exchange in 2017 -2019. The analytical method used is a simple linear regression test.

Table 4.

ROA Determination Coefficient

Model Summary^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.047^a	.002	-.021	12.04272

a. Predictors: (Constant), CSRI
b. Dependent Variable: ROA (Y1

The results of this study show that the determination of ROA is 0.002. this figure implies that CSR disclosure contributes to ROA of 0.2%. That the CSR variable has no significant effect on ROA.

Table 5.

ROE Determination Coefficient

Model Summary^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.086^a	.007	-.017	.52543

a. Predictors: (Constant), CSRI
b. Dependent Variable: ROE (Y2)

The results of this study show that the determination of ROE is 0.007. this figure implies that CSR disclosure contributes to ROA of 0.7%. That the CSR variable has no significant effect on ROE.

From the three studies above, there are differences between research 1 and research 2 and research 3. Based on research one CSR has a positive effect on financial performance, whereas in research 2 and research 3 it shows that CSR has no significant effect on financial performance (ROA and ROE values). This difference occurs because the research objects used are in different fields and different research methods .

However, when comparing between research 2 and research 3, the research methods used are almost the same, resulting in the same conclusions, namely CSR does not significantly affect financial performance (ROA and ROE values).

Research 2 and research 3 still have some limitations, so for further research they can use a longer research year so that they can better understand the long-term impact of CSR activities on financial performance. Further research should be added to the number of independent variables so that research is even better.

IV. CONCLUSION

From research conducted on companies in various sectors, there are different results regarding the effect of Corporate Social Responsibility (CSR) on financial performance. Research on pharmaceutical companies shows that CSR has no significant effect on Return on Assets (ROA) and Return on Equity (ROE). Likewise in the research of coal mining companies, CSR also has no significant effect on ROA.

However, there are other studies which show that CSR can provide benefits to companies, such as improved reputation and corporate image, competitive advantage, improved relations with stakeholders, and operational efficiency. Although the effect of CSR on financial performance is not consistent in all sectors, good CSR implementation can have a positive impact on companies in other aspects.

In conclusion, it can be said that the influence of CSR on the company's financial performance can vary depending on the sector and research methods used.

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