

THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE TO CORPORATE FINANCIAL PERFORMANCE (EMPIRICAL STUDY OF THE COMPANIES THAT ALWAYS LISTED ON SRI KEHATI INDEX DURING THE PERIOD 2010-2014)

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Abstract

The purpose of this research is to examine if there exists any systematic relation between corporate social responsibility (CSR) and corporate financial performance (CFP). The research samples are 16 companies that always listed in SRI KEHATI Index during period 2010-2014. The research uses purposive sampling method, regressed and descriptive analysis. CSR is measured by Corporate Social Responsibility Disclosure Index (CSRDI), whereas CFP is measured by return on assets (ROA), Return on Equity (ROE) and Price to Book Value (PBV). The research indicates CSR has positive influence to financial performance measured with financial ratios such as ROA, ROE and PBV. These results are robust across different measures of variables.

Keywords: *Corporate Social Responsibility (CSR), Corporate Financial Performance (CFP), Return on Asset (ROA), Return on Equity (ROE), Price to Book Value (PBV).*

1. Introduction

1.1. Research Background

The increasing public demand for transparency and accountability encourage companies to implement good corporate governance (GCG). One implementation of GCG in the company is the corporate social responsibility (CSR). CSR has grown widely all over the world today. According to ISO 26000, CSR is defined as the responsibility of organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that contributes to sustainable development, including health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior; and is integrated throughout the organization and practiced in its relationship. Therefore, companies tend to focus on sustainability compared to profitability (Urip, 2014).

Investment in CSR programs, such as contributing to national education, providing vocational training, supporting the development of infrastructure or managing waste water or

the environment will not provide a direct and tangible impact for the company. In reverse, all these activities will help mitigate business risk, increase the value a brand, build support, improve efficiency, improve employees' morale and accelerate the micro economic growth to ensure the establishment of a conducive environment for companies to operate and develop (Urip, 2014). In the end, the overall positive impact of CSR strategy will be able to improve financial performance company.

The importance of CSR both for companies and stakeholders driven many study that tries express the relationship between CSR with corporate performance. Jang, Lee and Choi (2013) show that the CSR disclosure has positive influence on the corporate's financial performance as measured by accounting profitability (Return On Assets) and firm value (Tobin's Q). Margarita Tsfrousa and Berkkeley (2004) explain that CSR has also positive influence on ROA and ROS, but has no positive influence on ROE. Meanwhile, study by Yaparto, Frisko and Eriandani (2013) that examines the effect of Corporate Social Responsibility on the financial performance concluded that CSR has no positive influence on ROA, ROE and earnings per share (EPS).

Based on the background of the problem, previous studies and also to the differences in the results of previous study, it is very interesting if the topic is reviewed. The title selected by researcher is **"THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE TO CORPORATE FINANCIAL PERFORMANCE: Empirical Study of the Companies that always Listed on SRI KEHATI Index during the Period 2010-2014."** This study use sample of companies that are published in SRI KEHATI Index during 2010-2014 and the data used comes from the annual reports that have been published with the time span 2010-2014.

1.2. Research Problem

Does CSR affect the financial performance proxied with ROA, ROE, and PBV partially on companies included in SRI KEHATI Index during the period 2010-2014?

1.3. Research Objective

The research objective was to determine the effect of corporate social responsibility disclosure that measured by Corporate Social Responsibility Disclosure Index (CSRDI) and Corporate Financial Performance (CFP) measured by ROA, ROE and PBV on companies published by SRI KEHATI Index during the period 2010-2014.

2. THEORETICAL BACKGROUND AND PREVIOUS RESEARCH

2.1. Good Corporate Governance

Corporate governance is described by Organization for Economic Cooperation and Development (OECD, 2000) as the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of the right and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders.

According to the General Guidance of Good Corporate Governance Indonesia, the board of directors are in charge and responsible for managing the company. The function of management of the company by the board of directors includes five main tasks, such as:

1. **Management.** This function includes the task of formulating the vision and mission as well as the preparation of short-term and long-term programs.
2. **Risk Management.** This function includes the task of formulating and implementing the company's risk management system that covers all aspects of the company's activities.
3. **Internal Control.** This function includes formulation and implementation of the internal control system in order to maintain the company's assets and performance and fulfill regulations.
4. **Communication.** This function includes the task of ensuring good communication between the company and its stakeholders by empowering corporate secretary functions.
5. **Social Responsibility.** This function includes a clear and focused plan to implement corporate social responsibility.

2.2. Corporate Social Responsibility

Globalization has transformed the various situations in the world market. Local industries are encouraged to increase their competitiveness in order to enter into the global market. One of the challenges of this competition is how companies implement GCG, which in the implementation of GCG must also care for and responsible for the social and environmental interests (Untung, 2014). CSR is a form of social responsibility as a company's commitment to ensure sustainable benefits for the company as well as an important basis for businesses to build trust and beliefs for stakeholders.

Hopkins (2003) describes CSR as the activity concerned with treating the stakeholders of the firm ethically or in a responsible manner. 'Ethically or responsible' means treating stakeholders in a manner deemed acceptable in civilized societies. Social includes economic responsibility. Stakeholders exist both within a firm and outside. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for peoples both within and outside the corporation.

The World Business Council for Sustainable Development (2000) has also explained CSR as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

In Indonesia, Undang-undang Perseroan Terbatas No.40 (2007) has a quite similar description of CSR. CSR is the commitment of the company to participate in the sustainable economic development to improve the quality of life and environmental benefits the company itself, the local community and society in general.

Thus, it can be concluded that CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. CSR is also companies obligation in obeying government

regulations and taking actions the legal obligations and business aims. The responsibilities cover wider areas that can be summed up as the tripple bottom line approach: i.e. economic, social and environmental.

2.3. Triple Bottom Line of Corporate Social Responsibility

John Elkington (1997) in Wibisono (2007) through his book “Cannibals with Fork, the Triple Bottom Line of the Twentieth Century Business”. Elkington developed the concept of the triple bottom line in terms of economic prosperity, environmental quality and social justice. Elkington gave the view that companies that want sustainable, must pay attention to “3P”. In addition to the pursuit of profit, the company also must pay attention and be involved in the fulfillment of public welfare (people) and contribute actively to protecting the environment (planet). This relationship is then illustrated in the form of a triangle as follows:

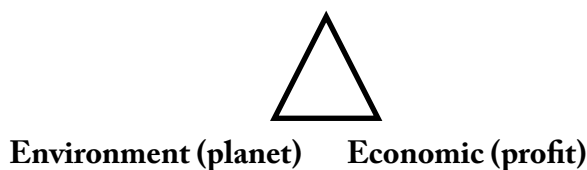


Figure 1
Tripple Bottom Line of Corporate Social Responsibility
Social (People)

Source: John Elkington (1997)

In this idea, the company no longer faced with the responsibility which rests on the single bottom line, namely economic aspects which are reflected in its financial condition, but also must pay attention to social and environmental aspects (Wibisono, 2007).

The ideal relationship between profit, people, and environment is balanced. A company can not be concerned only in one element. 3P concept according to Elkington can ensure the sustainability of the company’s business. This can be justified, because if a company only pursue profits alone, it could be a broken environment and society are neglected become barriers to business continuity. But some companies have even become disrupted its activities being unable to maintain the balance of this 3P. If an interruption of the community then the loss is their own business (Prastowo and Huda, 2011).

1. **Profit.** Profit is the most important element and the main purpose of any business activity. Profit itself is essentially an extra income that can be used to ensure the company’s survival. While the activities that can be taken to boost profits by greatly increasing productivity and perform the efficiency of costs, so the company has a competitive advantage that can provide added value as much as possible (Wibisono, 2007).
2. **People.** A company realize that people are important stakeholders because of their support, especially the surrounding community. Thus, companies need to commit trying to provide maximum benefit to them and touch people’s needs (Wibisono, 2007).

3. **Planet.** The environment is something that is related to all areas of our lives. Our relationship with the environment is the cause and effect relationship. It means if we take care of the environment, the environment will provide benefits to us. By reverse, if we destroy it, then we will accept the consequences. Ironically, most of us are less concerned with the environment. This is due to the lack of immediate profit in it. Thus, we see a lot of industry players are only concerned with how to make money as much as possible without making any attempt to preserve the environment. In fact, by preserving the environment, they will only gain more, chiefly in terms of health, comfort, in addition to the availability of resources is guaranteed continuance (Wibisono 2007).

2.4. Hypothesis Development

2.4.1. The Influence of CSR to ROA

CSR disclosure by the company should pay attention to the welfare of society (people) and preserving the environment (planet), not to pursue profit only, so the company can provide some of its profits voluntarily for social purposes. The company's financial performance reflects the excellent or poor performance of the company managing its resources in a certain period which can be seen from the company's financial statements. Financial performance can be measured using profitability ratios measured which means using Return On Asset (ROA). Research conducted by Jang, Lee and Choi (2013) as well as Margarita Tsfrousa and Berkkeley (2004) said that CSR is positively influence ROA, while research conducted Yparto, Frisko, and Eriandani (2013) said that CSR had negative influence on ROA. ROA measures how much the company has obtained the results of all financial resources invested in the company (Munawir, 2008). CSR as an independent variable means that the disclosure of CSR of the company each year will have a positive impact on sales of products of companies that can have an impact also on improving the performance and the company's ability to generate profits. Based on this, the hypothesis is:

H1: CSR has positive influence on CFP as measured with ROA.

2.4.2. The Influence of CSR to ROE

Wider CSR disclosure would indicate a positive signal to the stakeholders as well as the company's shareholders. The more extensive the information presented to the stakeholders and shareholder, the more information will be accepted about the company. The extensive CSR disclosure will improve the trust of stakeholders and shareholder to the company. Trust is characterized by the acceptance of the company's products that will enhance the company's earnings and ROE. Research conducted by Candrayanti and Saputra (2013) said that CSR is significantly influence ROE, while Margarita Tsfrousa and Berkkeley (2004) said that CSR has negative influence on ROE. This shows that companies that implement CSR can be seen from the CSR report will have many advantages such as customer loyalty and confidence of creditors and investors. This will trigger the financial condition of the company to be better so

the company's profit increased and will be followed by an increase in ROE and ROA in the next year. Based on this, the hypothesis is:

H2: CSR has positive influence on CFP as measured with ROE.

2.4.3. The Influence of CSR to PBV

The PBV measures a company's market price in relation to its book value. The PBV indicates whether or not a company's asset value is comparable to the market price of its stock. For this reason, it can be useful for finding value stocks. The higher of PBV will create believe of market that the firm will remain sustain in future. These things also become a desire of the owner of firm because the higher firm values indicate the higher prosperity of shareholder. A research conducted by Jang, Lee, and Choi (2013) resulted on positive correlation between CSR and firm value. Based on this, the hypothesis is:

H3: CSR has positive influence on CFP as measured with PBV.

3. RESEARCH METHODOLOGY

3.1. Population and Sample

The population and sample of this study is companies considered eligible to meet SRI KEHATI Index criteria and always listed in SRI KEHATI Index each publishment during the period 2010-2014.

3.2. The Measurement of Variables

3.2.1. Independent Variable

The independent variable in this study is Corporate Social Responsibility (CSR) as measured by the Index of Corporate Social Responsibility Disclosure (CSRDI) or disclosure index of corporate social responsibility. Measurement then conducted based on each company's disclosure index is calculated by dividing the number of the item with the company disclosed the expected number of items disclosed the company.

Approach to calculate CSRDI basically using dichotomous approach that every item of CSR in the research instrument rated 1 if disclosed, and the value 0 if it is not disclosed (Haniffa et al, 2005) in Sayekti and Wondabio (2007). Furthermore, the scores of each item is summed to obtain the overall score for each company. CSRDI calculation formula is as follows:

$$CSRDI_j = \frac{\sum X_{ij}}{n_j}$$

Where:

$CSRDI_j$: *Corporate Social Responsibility Disclosure Index* company j

n_j : Item number of CSR for company j, $n_j = 78$

X_{ij} : Item number of CSR which is disclosed by each company (1 = if the i item disclosed; 0 = if i item is not disclosed)

3.2.2. Dependent Variable

The dependent variable in this study is the financial performance as measured by Return on Assets (ROA), Return on Equity (ROE) and Price to Book Value (PBV).

- **Return on Asset (ROA)**

This ratio describes the return of the company of all assets used for business activities. ROA can be formulated as follows (Wild, Subramanyam and Halsey, 2005):

$$\text{Return on Asset} = \frac{\text{Earnings Before Interest \& Tax}}{\text{Total Asset}}$$

- **Return on Equity (ROE)**

This ratio illustrates the return on equity of shareholders or the owners of the company. ROE can be formulated as follows (Wild, Subramanyam and Halsey, 2005):

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Total Equity}}$$

- **Price to Book Value (PBV)**

Price to Book Value is used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share. PBV can be formulated as follows (Brigham and Houston, 2006):

$$\text{Price to Book Value} = \frac{\text{Market price per share}}{\text{Book value per share}}$$

3.2.3. Control Variable

To examine the relation between CSR and financial performance, it is necessary to control for other variables that might affect CSR or the firm's financial performance. This research used firm size and debt to equity ratio as control variables

- Firm Size**

This research includes firm size (SIZE) as a control variable because larger firms would enjoy higher earnings-generating power from their economy of scale and learning ability than smaller firms. Furthermore, larger firms are more capable of investing in CSR activities. SIZE was measured by:

$$\text{Firm Size} = \ln \text{Total Assets}$$

- Debt to Equity Ratio**

This ratio, often called financial leverage (LEV), provides the information on the firm's ability to pay its debt and reflects the firm's risk. LEV indicates how much debt a company is using to finance its assets relative to the amount of value represented in shareholders' equity. LEV is related to CSR as well as financial performance. It is used

to control the risk of the firm on the link between CSR and financial performance. LEV was measured by:

$$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Shareholder's Equity}}$$

3.3. Research Framework

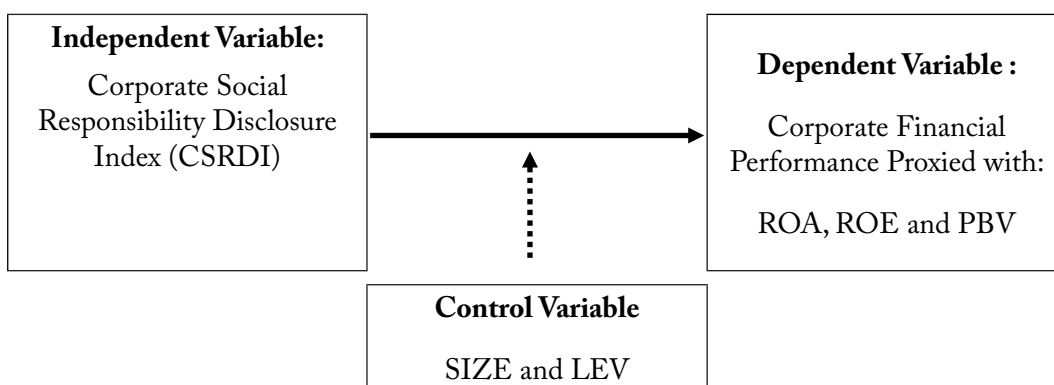


Figure 2
Research Framework

Based on the research framework, the model will be analyzed in this study was the effect of CSR on financial performance proxied with ROA, ROE and Price to Book Value (PBV) partially. This is done considering attractiveness of the business is an important indicator of business competition. Indicators attractiveness of the business can be measured from profitability, Return on Assets (ROA), Return on Equity (ROE), and the Price to Book Value (PBV). This study will also use Firm Size (SIZE) and Debt to Equity Ratio (LEV) as control variables so the effect of independent variables on the dependent variables will not influenced by external factors.

3.4. Data Analysis Technique

The statistical tool used to test the hypothesis of this study is multiple regression test by pooling the data because in the regression analysis, besides measuring the strength of the relationship between two or more variables, also shows the direction of the relationship between the dependent variable and independent variables (Ghozali, 2006). The influence of the independent variable on the dependent variable was tested at a significance level of 5% and a confidence level of 95%. Multiple regression model used in this study:

$$\begin{aligned} \text{ROA} &= \beta_0 + \beta_1 \text{CSRDI} + \beta_2 \text{SIZE} + \beta_3 \text{LEV} + e \text{ (Model I)} \\ \text{ROE} &= \beta_0 + \beta_1 \text{CSRDI} + \beta_2 \text{SIZE} + \beta_3 \text{LEV} + e \text{ (Model II)} \\ \text{PBV} &= \beta_0 + \beta_1 \text{CSRDI} + \beta_2 \text{SIZE} + \beta_3 \text{LEV} + e \text{ (Model III)} \end{aligned}$$

Where:

ROA : Return on Asset

ROE : Return on Equity

PBV : Price to Book Value

CSRDI : Corporate Social Responsibility Disclosure Index

SIZE : Firm Size

LEV : Leverage

$\beta_0 - \beta_3$: Estimated Coefficients

e : error

4. Data Analysis

This research will involve companies listed in Indonesia Stock Exchange (IDX) and meet SRI KEHATI Index as well as always listed in SRI KEHATI Index each publishment over 5 years during the period of 2010-2014 respectively. There are 16 companies considered eligible to meet SRI KEHATI Index criteria and always listed in SRI KEHATI Index each publishment during the period 2010-2014.

4.1. Descriptive Analysis

Descriptive statistics were used to describe the conception of research data. The variables used in this study include ROA, ROE and PBV as the dependent variable, CSRDI as independent variables as well as SIZE and LEV as control variables. The number of samples processed in this study was 80. Here are the results of descriptive data analysis:

Table 1
Statistics Descriptive

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	80	-.00814	.54474	.1539981	.13350106
ROE	80	-.06500	1.25810	.2740412	.24076039
PBV	80	.56000	46.63000	5.4535000	9.24776348
CSRDI	80	.80769	.94872	.8876603	.02978825
SIZE	80	29.40277	34.38217	31.7504636	1.55043394
LEV	80	.18000	10.02403	2.6401860	2.98838177
Valid N (listwise)	80				

Source: Data Processing with SPSS

4.2. Classical Assumption Test

4.2.1. Normality Test

The first step in the regression analysis is testing the normality of residual data. The detection of residual data can be examined with a statistical test of Kolmogorov-Smirnov (K-

S) (Ghozali, 2011). In statistical test of Kolmogorov-Smirnov (K-S), the variables that have Asymp. Sig (2-tailed) below the significant level of 0.05 (probability <0.05) means that these variables have abnormal distribution and vice versa.

Table 2
Normality Test Results

Regression Model	Samples	Asymp. Sig. (2-tailed)	Description
Model I (ROA)	80	0.038	Abnormal
	75	0.298	Normal
Model II (ROE)	80	0.072	Normal
	80	0.003	Abnormal
Model III (PBV)	72	0.994	Normal

Source: Data Processing with SPSS

Before trimming, it can be seen that the significant values is under 0.05. It can be said that the sample is not normally distributed. This can affect the results to be biased. Therefore, it needs trimming or eliminating outlier data. The outlier data need to be eliminated so the data can be distributed normally and provide unbiased result. After trimming, it appears the significant value is greater than 0.05 so it can be concluded that the residual value is normally distributed.

4.2.2. Multicollinearity Test

The existence of multicollinearity in the regression model can be seen from VIF (variance inflation factor). If the VIF value is between 1-10, it can be concluded there is no multicollinearity. A good research model should not have multicollinearity.

Table 3
Multicollinearity Test Results

Regression Model	Independent Variable	T	VIF	Conclusion
Model I (ROA)	CSRDI	0.868	1.038	There is no multicollinearity
	SIZE	0.756	3.061	There is no multicollinearity
	LEV	0.727	3.044	There is no multicollinearity
Model II (ROE)	CSRDI	0.877	1.022	There is no multicollinearity
	SIZE	0.732	2.864	There is no multicollinearity
	LEV	0.708	2.897	There is no multicollinearity
Model III (PBV)	CSRDI	0.851	1.091	There is no multicollinearity
	SIZE	0.735	3.194	There is no multicollinearity
	LEV	0.728	3.076	There is no multicollinearity

Source: Data Processing with SPSS

In Table 3, it can be seen that the VIF value of the independent variable of research, such as CSRDI, SIZE and LEV is in the range of 1-10. Tolerance value for all of the variables are also worth more 0.1. Thus, it can be concluded that there is no multicollinearity.

4.2.3. Heterocedastisity Test

Heterocedastisity test aims to test whether in the regression model there is inequality variance from residual in one observation to another observation. Heterocedastisity test is done by looking at the graph plots between the predicted value bound (dependent) which is the company's financial performance (ZFRED) with residual (SRESID). The graph plots results can be seen in the following figure:

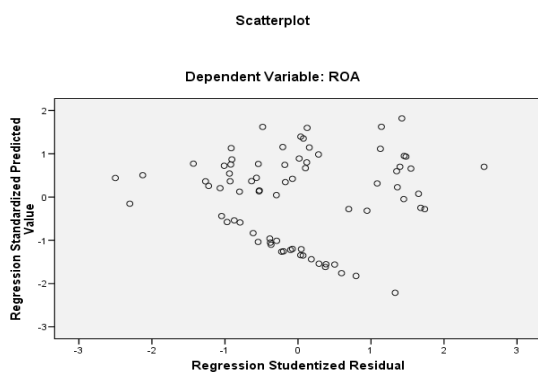


Figure 3
ROA

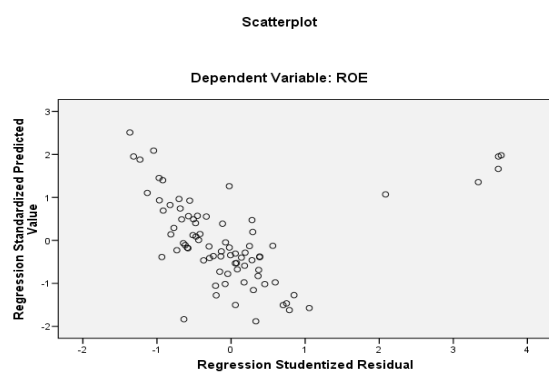


Figure 4
ROE

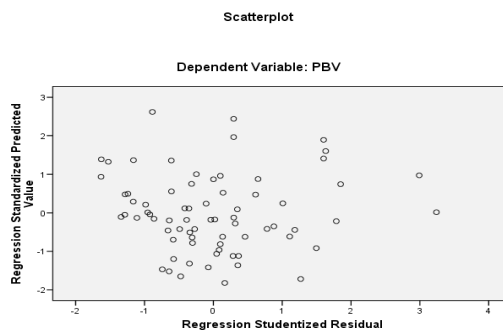


Figure 5
PBV

Therefore, it can be concluded based on all the heterocedastisity test result that the regression is not meet heterocedastisity because the dots spread randomly as well as spread both above and below 0 on the Y axis.

4.2.4. Autocorrelation Test

Autocorrelation test aims to test whether in the linear regression model there is correlation between errors in period t with errors in period t-1. The autocorrelation test will use Durbin-Watson for the first order autorrelation. Decision-making on the presence or absence of autocorrelation is based on $du < dw < 4-du$.

Table 4
Durbin-Watson Test Result for Model I (ROA)

Model Summary ^(b)					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.796(a)	.634	.618	.05774353	1.667

a Predictors: (Constant), LEV, CSRDI, SIZE

b Dependent Variable: ROA

Source: Data Processing with SPSS

In Table 4, it can be seen that the the value of d (Durbin-Watson) amounted to 1.667. Value du in this test 1.7092 (k = 3, n = 75). Rated 4-du amounted to 2.2908. The composition ratio of $du < d < 4-du$ is $1.7092 > 1.667 < 2.2908$ so it can be concluded that there is autocorrelation. Therefore, researcher must solve the autocorrelation problem in order to have unbiased analysis results.

Table 5
Durbin-Watson Test Result for Model II (ROE)

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.506(a)	.256	.227	.21168370	2.156

a Predictors: (Constant), LEV, CSRDI, SIZE

b Dependent Variable: ROE

Source: Data Processing with SPSS

In Table 5, it can be seen that the the value of d (Durbin-Watson) amounted to 2.156. Value du in this test was 1.7153 (k = 3, n = 80). Rated 4-du amounted to 2.2847. The composition ratio of $du < d < 4-du$ is $1.7153 < 2.156 < 2.2847$ so it can be concluded that there is no autocorrelation.

Table 6
Durbin-Watson Test Result for Model III (PBV)

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.516(a)	.267	.234	1.61507080	1.737

a Predictors: (Constant), LEV, CSRDI, SIZE

b Dependent Variable: PBV

Source: Data Processing with SPSS

In Table 6, it can be seen that the the value of d (Durbin-Watson) amounted to 1.737. Value du in this test was 1.7054 ($k = 3, n = 72$). Rated $4 - du$ amounted to 2.2946. The composition ratio of $du < d < 4 - du$ is $1.7054 < 1.737 < 2.2946$ so it can be concluded that there is no autocorrelation.

4.3. Hypothesis Testing

4.3.1. Simultaneous Hypothesis Testing (F Test)

Table 7
F Test Result

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.409	3	.136	40.914	.000(a)
	Residual	.237	71	.003		
	Total	.646	74			

a Predictors: (Constant), LEV, CSRDI, SIZE

b Dependent Variable: ROA

Source: Data Processing with SPSS

From the F test results that can be seen in Table 7, it can be known that the level of significance in Model I is $0.000 < 0.05$ which means there is significant influence simultaneously on the independent variable in the form CSRDI as well SIZE and LEV as control variables on the dependent variable is ROA.

Tabel 8
F Test Result
ANOVA(c)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.174	3	.391	8.731	.000(a)
	Residual	3.406	76	.045		
	Total	4.579	79			
2	Regression	1.034	2	.517	11.228	.000(b)
	Residual	3.545	77	.046		
	Total	4.579	79			

a Predictors: (Constant), LEV, CSRDI, SIZE

b Predictors: (Constant), CSRDI, SIZE

c Dependent Variable: ROE

Source: Data Processing with SPSS

The result of significance level in the Model II is $0.000 < 0.05$ which means there is significant influence simultaneously from independent variables such as CSRDI and SIZE as control variables on the dependent variable of ROE.

Table 9
F Test Result
ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	64.478	3	21.493	8.240	.000(a)
	Residual	177.375	68	2.608		
	Total	241.853	71			
2	Regression	57.696	2	28.848	10.809	.000(b)
	Residual	184.157	69	2.669		
	Total	241.853	71			

a Predictors: (Constant), LEV, CSRDI, SIZE

b Predictors: (Constant), CSRDI, SIZE

c Dependent Variable: PBV

Source: Data Processing with SPSS

The result of significance level of the Model III is $0.000 < 0.05$ which means there is significant influence simultaneously from independent variables such as CSRDI and SIZE as control variables on the dependent variable of PBV.

4.3.2. Coefficient of Determination (Adjusted R²)

Coefficient of determination measures the percentage of the total variation in the dependent variable Y that is explained by the independent variables in the regression model (Ghozali, 2011). The coefficient of determination lies between 0 and 1 ($0 \leq \text{Adj. R}^2 \leq 1$). Adjusted R² will be better if it is getting closer to 1 in the regression model because independent variables provide almost all the information needed to predict the variation of the dependent variable.

Table 10
Coefficient of Determination Test Result

Regression Model	Adjusted R ²
Model I ROA	0.618
Model II ROE	0.206
Model III PBV	0.216

Source: Data Processing with SPSS

From Table 10, it can be seen that the value of Adjusted R² in Model I is 0.618 or 61.8%, which means that the independent variable in the form CSRDI, SIZE and LEV can explain 61.8% of the ROA while the remaining 38.2% is explained by other variables outside the model.

For Model II, the value of Adjusted R² is 0.206 or 20.6%. It means that the independent variable in the form CSRDI and SIZE as significant variable which affect dependent variable can explain 20.6% of the ROE while the remaining 79.4% is explained by other variables outside the model.

For Model III, the value of Adjusted R² is 0.216 or 21.6%. It means that the independent variable in the form CSRDI and SIZE as significant variable which affect dependent variable can explain 21.6% of the PBV while the remaining 78.4% is explained by other variables outside the model.

4.3.3. Partial Hypothesis Testing (t Test)

T tests were performed to test the significance level effect of independent variables CSRDI and control variables SIZE and LEV and the dependent variables ROA, ROE and PBV partially. Conclusions can be seen from whether significant or not the independent variables on the dependent variable. If the probability value >0.05 then it can be concluded to be insignificant and vice versa.

Table 11
t Test Result

Regression Model	Variable	B	Significance Level	Conclusion
Model I ROA	CSRDI	.821	.001	Significant
	SIZE	-.024	.003	Significant
	LEV	-.014	.001	Significant
Model II ROE	CSRDI	3.222	.000	Significant
	SIZE	-.047	.004	Significant
	LEV	.014	.081	Not Significant
Model III PBV	CSRDI	27.020	.000	Significant
	SIZE	-.497	.000	Significant
	LEV	.174	.111	Not significant

Source: Data Processing with SPSS

Backward method is part of a regression that includes all predictors then eliminated one by one until the remaining significant predictor alone. Elimination is based on a predictor that has a sig F above 0.05. In Table 25, it appears that there is no elimination so it can be concluded that the variable CSRDI, SIZE and LEV significantly influence ROA.

From the results of the t test on the Model I, it is obtained beta coefficient of 0.821 with significant value 0.001. t test results showed that CSRDI has positive influence on the financial performance proxied by the ROA. Thus H1 stating that CSR has positive influence on ROA is accepted.

In this model, SIZE as control variable has negative significant influence on ROA with beta coefficient of -0.024 and significant value of 0.003. It means that the higher the SIZE will contribute negative influence of ROA or the lower the ROA. LEV as control variable has also negative significant influence on ROA with beta coefficient of -0.014 and significant value 0.001. It means that the higher the LEV will contribute negative influence of ROA or the lower the ROA.

From the results of the t test on the Model II, it is obtained beta coefficient of 3.222 with significant value 0.000. t test results showed that CSRDI has positive influence on the financial performance proxied by the ROE. Thus H2 stating that CSR has positive influence on ROE is accepted.

In this model, SIZE as control variable has negative significant influence on ROE with beta coefficient of -0.047 and significant value of 0.004. It means that the higher the SIZE will contribute negative influence of ROE or the lower the ROE.

From the results of the t test on the Model III, it is obtained beta coefficient of 27.020 with significant value 0.000. t test results showed that CSRDI has positive influence on the financial performance proxied by PBV. Thus H3 stating that CSR has positive influence on PBV is accepted.

In this model, SIZE as control variable has negative significant influence on PBV with beta coefficient of -0.497 and significant value of 0.000. It means that the higher the SIZE will contribute negative influence of PBV or the lower the PBV.

5. DISCUSSION

Based on the results of multiple regression test, it can be seen that CSR has significant influence on corporate financial performance proxied by the ROA, ROE and PBV.

5.1. The Test Result of Hypothesis 1: The Influence of Corporate Social Responsibility on Return on Asset

Return on Assets (ROA) is the company's financial ratios related to the profitability of the company ability to generate profit or the profit on the level of income, assets and certain share capital. By knowing the ROA, it can be assessed whether the company has been efficient in using its assets in operating activities to generate profits.

Basically, the higher the ratio, the better the productivity of assets in net profit. This will enhance the company's attractiveness to investors because the dividend will be even greater. It will also have an impact on stock prices of these companies in the capital market. The test results showed that CSR has positive influence on ROA of companies that always listed in SRI KEHATI Index during 2010-2014. This means that by disclosing the CSR, the company's financial performance which is measured by ROA will increase. In other words, the disclosure or implementation of CSR activities conducted by the company received a positive response from both stakeholders and shareholders. CSR help company to mitigate business risk, increase the valuea brand, build support, improve efficiency, improve employees' morale and accelerate the micro economic growth to ensurae the establishment of a conducive environment for companiesto operate and develop.

The results of this study support the research conducted by Jang, Lee and Choi (2013) and Margarita Tsfrousa and Berkkeley (2004) who found similar results that CSR has positive influence on ROA. In reverse, these results do not correspond to the research conducted by Yaparto, Frisko, and Eriandani (2013) stating that CSR has no positive influence on ROA.

5.2. The Test Result of Hypothesis 2: The Influence of Corporate Social Responsibility on Return on Equity

Return on equity (ROE) is a measure of a company's ability to generate profits with total own capital utilized. The test results showed that CSR has positive influence on ROE of companies that always listed in SRI KEHATI Index during 2010-2014. This means that by disclosing the CSR, the company's financial performance which is measured by ROE will increase. The results of this study indicate that the ethical behavior of companies in the form of social responsibility towards the environment contribute positive influence which in the long term will be reflected in corporate profits and improved financial performance.

Investors also began to have a good perception of CSR disclosure. Investors are more interested to invest their capital to companies with good CSR that leading to a significant increase to the company's ROE. CSR programs should utilized seriously as an integral part of business strategy and management policy of the company. The expenditure for used for CSR programs should not be considered as a burdening cost, but a promising long-term investment.

The results of this study support the research conducted by Candrayanthi and Saputra (2013) who found similar results that CSR has positive influence on ROE. In reverse, these results do not correspond with research conducted by Margarita Tsfrousa and Berkkeley (2004) and Yaparto, Frisko, and Eriandani (2013) stating that CSR has no positive influence on ROE.

5.3. The Test Result of Hypothesis 3: The Influence of Corporate Social Responsibility on Price to Book Value

This global trend toward emphasizing on CSR has also affected the business environment for the firms in Indonesia. This importance of CSR is expected to increase because of the changes in business environment. At least, there are two regulations that regulate CSR, such as Law No. 25 of 2007 on Investment and Law No. 40 of 2007 on Limited Liability Companies.

CSR can be part of companys' campaign to maintain or improve its reputation in the perspective of stakeholders. CSR programs that provide broad benefits to the environment and society will increase the company value for the stakeholders. In this context, PBV is an important indicator in an investment. PBV is a ratio that has been widely used in a variety of world security analysis. Companies which has various forms of consideration in its efforts to concern for the environment, good corporate governance, community involvement, human resources, human rights and conduct business with acceptable business ethics at the international level, has attract the investors to have an investment for its sustainable development.

The test results showed that CSR has positive influence on PBV of companies that always listed in SRI KEHATI Index during 2010-2014. This means that by disclosing the CSR, the company's financial performance which is measured by PBV will increase. The results of this study support the research conducted by Jang, Lee and Choi (2013) who found similar results that CSR has positive influence on Firm Value. In this study, the researcher use PBV.

6. Conclusion

Based on the data collected and the results of hypothesis testing using multiple regression, then it can be concluded as follows:

1. CSR has positive influence on ROA with significant value 0.001. CSR has positive beta coefficient of 0.821. This means that CSR have positive influence on the financial performance of companies proxied by the ROA.
2. CSR has positive influence on ROE with significant value 0.000. CSR has positive beta coefficient of 3.222. This means that CSR have positive influence on the financial performance of companies proxied by the ROE.

3. CSR has positive influence on PBV with significant value 0.000. CSR has positive beta coefficient of 27.020. This means that CSR have positive influence on the financial performance of companies proxied by the PBV.
4. SIZE as control variable has negative significant influence on ROA, ROE and PBV. It means that the higher the SIZE will contribute negative influence of ROA, ROE and PBV or the lower the ROA, ROE and PBV.
5. LEV as control variable has negative significant influence on ROA. It means that the higher the LEV will contribute negative influence of ROA or the lower the ROA.

7. Managerial Implication

This study's finding give new insights about CSR to the firm's CEO and encourage them to engage in various CSR activities as a business strategy. Firms which are actively involved in CSR activities are also able to create customer loyalty in the longterm. This may also improve earnings and market value of companies which are represented by a strong financial performance.

This study's finding also give new insights about CSR to the investors about selected companies listed in SRI KEHATI Index. Companies that meet the criteria of SRI KEHATI Index is a profitable company but remains concerned to the biodiversity and sustainable development.

7.1. Research Limitation

A sample of this study is limited to 16 companies that always listed in SRI KEHATI Index during the period 2010-2014. There are other independent variables outside Return on Asset (ROA), Return on Equity (ROE) and Price to Book Value (PBV) that can be used to test the influence of corporate social responsibility (CSR) to corporate financial performance (CFP).

7.2. Suggestion for Further Research

The researcher suggest to add the number of sample and take longer time period to gain better observation result. It is necessary to conduct more research on the development of a comprehensive corporate social responsibility (CSR) measure in the relation with corporate financial performance (CFP). Further research is expected to use other financial performance proxy in predicting the effects of CSR on the corporate financial performance to gain more comprehensive study. Other financial performance includes Return on Sales (ROS), Economic Value Added (EVA), Market Value (Tobin's Q Ratio) and so on.

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