RELATED CORPORATE SOCIAL PERFORMANCE (CSP)
AND CORPORATE FINANCIAL PERFORMANCE (CFP)

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Abstract - This study aims to determine the relationship between corporate social performance (SCP) with corporate financial performance (CFP) and whether the relationship between them is the influence of company size or not. Company size is the reference writer is the amount of assets owned by the company. The study uses secondary data from annual reports for companies classified in 2007 are required to conduct social responsibilities as outlined in Law No.40 of 2007 regarding Limited Liability Company. The sample in this research were 45 companies with various types of business such as agriculture, forestry and fishing; mining and mining services; food and beverages; tobacco manufacturers; lumber and wood products; paper and allied products; plastics and glass products; cement; metal and allied products and fabricated metal products. Sampling method used is the method of proportionate stratified random sampling.

CFP in this study were measured using a return on assets (ROA) and return on equity (ROE). Based on the results of data processing using SPSS 15.0 software obtained regression effect (CSP) to the CFP as follows that CSP and CFP relationship is formed not because of support moderating variables (company size).

Key words : corporate social performance, corporate financial performance, return on asset, return on equity

Introduction
Implementation of corporate social responsibility in Indonesia has been governed by law (mandatory), namely the Minister of State Enterprises No.PER-05/MEN/2007 about the Partnership Program and Small Enterprises and Community Development Program and the Law No.40 year 2007 on Limited Liability Company. Regulation of the Minister of State stated in profit after tax allowance for a maximum of 2% for the social and environmental activities, and PT states that the Company Law which conduct their operations in the field and / or related to the natural resources required to implement the social and environmental responsibility.

By Post (2002), the company will run three types of economic responsibility is responsibility, legal responsibility and social responsibility, known as the triple bottom-line. Form of economic responsibility in the management of the company is to produce profit and the profit will be distributed to shareholders. Friedmen, believes that a company's primary responsibility is to stockholders.

Both opinion, the Post and Friedman agreed that shareholders would be concern within the company operations. The realization of corporate responsibility to
shareholders is to allocate the dividends to be distributed. While the dividend itself is an indicator in assessing the success of the company to achieve sales budget and budget realization of profit.

The author feels there are interesting opinions from both above and will connect with the company's financial performance which is basically the financial size is a measurement that has been used to assess the performance good or bad managers. Based on the above, then the main problem in this research are:

1. Is there a relationship between corporate social performance (CSP) and corporate financial performance (CFP)?
2. Does the size of the company into the causes of the relationship of corporate social performance (CSP) and corporate financial performance (CFP).

This study will examine the relationship between CSP and CFP in order: first, it adds the literature on the relationship between CSP and CFP with a model containing moderate variable, and second providing valuable information about these relationships for developing countries, particularly Indonesia.

Research Framework

The following two models are different views of management of the company: first, input-output model and, second, stakeholders model. Input-output model assumes that there are some results from the contribution resulting from the shareholders, investors, suppliers, employees and customers.

The implication of this model is that the other parties that influence or are influenced by the company are not considered in the system or subsystem of the company. Decisions made by the company will only consider those who are part of a system or subsystem.

Thus, under the input-output model, there is potential for companies to deal with conflicts with other groups that are not accommodated in the model through boycotts, lawsuits and protest.

In the view of stakeholders, all parties under the input-output model considered in an enterprise system or subsystem, together with all other groups in society affected by the company. As a result, decisions made by the company must consider all parties or stakeholders.

Based on this view, shareholders are one component of some stakeholders that the management must be met. In addition to investors, suppliers, employees and customers, they also need to consider the people, communities, governments in, and all other stakeholders in corporate decision making. Failure to consider all these stakeholders can lead to conflicts to the corporation.

Based on the literature review, the relationship between CSP and CFP can be positive, neutral and negative. In the 1970s, there were 16 studies with 12 who have a positive relationship. During the period of the 1980s and 1990s, the positive correlation noted 14 of 27 studies and seven of eight studies each year. Negative results are supported by only one study in the 1970s, 17 studies in the year 1980, and three studies in 1990.

In this study Fauzi Hasan, Azhar A Lois & Rahman (2007) an initial sample of 407 companies selected from companies listed on the ISE for the period of 2002 and 2003 that meet the following criteria:

1. They represent the types of industries (manufacturing and non-manufacturing)
2. They have been listed on the ISE for at least two years.

Annual reports of companies (Corporate Annual Report / CAR) to the size of 24 companies, resulting in a final sample...
consisted of 383 manufacturing companies and 137,246 non-manufacturing companies. CAR for these firms was obtained from the official website ISE, the company's web site, and other web sites. Information about CSP is collected from the CAR, corporate social reports, Indonesian CSP, CSP news directory capital markets, the ISE site, other electronic news. Information about all the financial variables, total assets and industry distribution of CAR. Consistent with previous literature, data about the CSP and financial performance has again one year (Waddock & Graves, 1997).

The data sources are financial reports and stock prices of companies that the authors obtained the financial statements of listed companies in Indonesia Stock Exchange. In detail the necessary data sources are as follows:
a. Financial Reports
b. Online Data
c. Indonesian Capital Market Directory (ICMD)

Measure of CSP

Disclosure of social responsibility as a independent variable. Disclosure of social responsibility indices denoted by the broad social disclosures relative expression of each sample of companies doing social disclosure. This variable is composed of four themes (Farid, 2006), namely: environmental theme, the theme of employee welfare, product safety theme and the theme of community. In determining the disclosure index used tabulation techniques for each sample based on list of companies Social and Environmental Disclosure. In this study to calculate the index of disclosure using the same score used by Emilia (2006).

<table>
<thead>
<tr>
<th>No</th>
<th>Score</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0</td>
<td>The company does not disclose the items on the list of Social and Environmental Disclosures.</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
<td>Company disclosed the theme on the list of Social and Environmental Disclosures in the narrative section (descriptive narrative).</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>Company disclosed the theme on the list of Social and Environmental Disclosures in the form of narrative equipped with a value of monetary tables or graphs (qualitative monetary).</td>
</tr>
</tbody>
</table>

Measurement scale used is ordinal, meaning that the data is expressed in the form of categories and position data are not equal because the scale is expressed in the ratings.

Measure of CFP

CFP is measured using ROA and ROE follows a study by Waddock and Roman. ROA and ROE are used separately to measure the financial performance of companies. ROA is defined as the ratio of net income after tax to total assets, ROE is defined as the ratio of net profit after tax for the shares outstanding. Information on ROA and ROE were collected from the CAR.

Measure of Moderating Variable

There are three approaches that can be used to measure the size of the company, namely: 1) the total assets, which are used in research Waddock (1997); Simler (2001), Moore (2001). 2) The number of people employed in research Simler (2001), and 3) the company's annual sales in research Simler (2001). This study uses the total size of company assets to measure size,
because we believe that the asset is as a starting point in generating sales and profits.

Calculation technique and data analysis using Moderating Regression Analysis. Moderating Regression Analysis expressed in the form of multiple regression with polynomial regression equations that describe similar nonlinear effects (Hair et al. 2010; 176) that is expressed in the following equation models.

\[ Y = \alpha + \beta_1 X_1 + \beta_2 Z_4 + \beta_3 X_1 Z_4 + \varepsilon \]

**Explanation:**
- \( Y \) = CFP
- \( X \) = CSP
- \( Z_4 \) = company size
- \( \beta_{1,2,3} \) = Regression coefficient of each independent variable
- \( \alpha \) = Constant
- \( \varepsilon \) = error term

The equation above shows how the change of variable \( Y \) as a change in variable \( X \). To estimate the regression coefficients \( \beta_1, \beta_2, \) and \( \beta_3 \) used least squares method (least square method) and its calculation can be done by way of a matrix. Meaning of \( \beta \) coefficient is positive if the value of \( \beta \) (+), it shows the direction of the relationship between independent variables and dependent variables. This means that the increase / decrease of the independent variables followed by an increase / decrease in the dependent variable. Meanwhile, if the value of \( \beta \) is negative (-), showed the opposite relationship between the independent variables and dependent variables. In other words increasing the independent variable will be followed by a decrease in the dependent variable and vice versa.

**Result and Discussion**

**Table 2: Descriptive Statistics**

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSP</td>
<td>46</td>
<td>11,54</td>
<td>89,77</td>
<td>43,247</td>
<td>17,12001</td>
</tr>
<tr>
<td>ROA</td>
<td>46</td>
<td>-66,02</td>
<td>88,93</td>
<td>3,9064</td>
<td>24,62296</td>
</tr>
<tr>
<td>ROE</td>
<td>46</td>
<td>-220,76</td>
<td>84,60</td>
<td>7,6060</td>
<td>46,54130</td>
</tr>
</tbody>
</table>

On average the proportion of social disclosures made by firms in Indonesia Stock Exchange in 2007 43.25%. This means that in general the company is not up to reveal 50% of the themes which should be disclosed. On average return on assets ratio of companies listed in Indonesia Stock Exchange in 2007 amounted to 8.40%. While the average ratio of return on assets of the companies listed in Indonesia Stock Exchange in 2007 only reached 7.61%.

**Table 3: Influence of Processing Results Regression Social Disclosures On The Return on Assets with Support Firm size.**

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>p-value</th>
<th>R-Square</th>
<th>F-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-7.427</td>
<td></td>
<td>-5.949</td>
<td>0.000</td>
<td>1.106</td>
<td></td>
</tr>
<tr>
<td>CSP</td>
<td>0.210</td>
<td>0.101</td>
<td>2.444</td>
<td>0.020</td>
<td>0.025</td>
<td>1.920</td>
</tr>
<tr>
<td>Z4</td>
<td>0.010</td>
<td>0.011</td>
<td>0.015</td>
<td>0.021</td>
<td>0.001</td>
<td>1.050</td>
</tr>
<tr>
<td>CSP*Z4</td>
<td>-4.608</td>
<td>0.025</td>
<td>-4.508</td>
<td>0.002</td>
<td>0.002</td>
<td></td>
</tr>
</tbody>
</table>

Based on the results obtained by processing data as described in Table 3, above, the regression equation can be formed with the following models:

\[
ROA = -7.427 + 0.285 \text{ CSP} + (8.63E-10) \text{ Size} - (4.50E-12) \text{ CSP*Size}
\]

Based on the regression equation is known that with the support of the moderating variable size, variable social disclosures provide a positive influence on return on assets in companies listed in...
Indonesia Stock Exchange in 2007. This means that the greater social disclosure is supported by firm size causes increased return on assets.

Social disclosure variable coefficient of 0.285 and the interaction coefficient of -4.5 E-12 or 0.000000000045 shows that with the support of company size as a moderating variable, the increase in social disclosures by 1% and a decrease in the size of the company at 1 million will improve return on assets amounted to 0.290 percent.

**Table 4 : Influence of Processing Results Regression social Disclosures On return on equity by company size support.**

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Standardized Coefficient</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>7.708</td>
<td>0.001</td>
<td>0.997</td>
</tr>
<tr>
<td>CS</td>
<td>0.452</td>
<td>1.943</td>
<td>0.052</td>
</tr>
<tr>
<td>Size</td>
<td>1.04E-12</td>
<td>0.07</td>
<td>0.67</td>
</tr>
<tr>
<td>CS*Size</td>
<td>1.02E11</td>
<td>0.07</td>
<td>0.65</td>
</tr>
</tbody>
</table>

Based on the results obtained by processing data as described in Table 4 above, the regression equation can be formed with the following models:

\[
\text{ROA} = -7.708 + 0.452 \text{ CSP} + (1.04E-12) \text{ Size} + (1.63E-11) \text{ CSP*Size}
\]

Based on the regression equation is known that with the support of the moderating variable size, variable social disclosures provide a positive influence on return on equity in companies listed in Indonesia Stock Exchange in 2007. This means that the greater social disclosure is supported by firm size causes a return on equity has increased.

Social disclosure variable coefficient of 0.435 and the interaction coefficient of 1.63 E-11 or 0.0000000000163 shows that with the support of company size as a moderating variable, the increase in social disclosures by 1% and increasing the size of the company at 1 billion will increase the return on equity amounted to 0.451 percent.

**Conclusion, Implication and Limitation**

A previous study between the 1970s until the 1990s, the relationship between CSP and CFP gave different results are positive, negative and neutral. Research in the years 2002-2003 conducted by Hasan Fauzi provide results that found no evidence of the relationship between CSP and CFP and there is no evidence to support the relationship between CSP and CFP. By using several variables as moderator variables: company size and industry type.

Our study concludes that there is a link CSP and CFP and company size (assets) has support for the relationship between them. These findings provide evidence that one of government regulation that created (Limited Liability Company Act and Rule SOL) was one of the causes of these relationships that have been enacted in the last three years is optimal to bring awareness to the business so created the stakeholder theory.

This study has limitations, among others, in assessing CSP subjective judgment based researchers. And regulators in Indonesia is expected to immediately think of to make the size of the CSP. For example in the form of weights in each of the types of social responsibility.
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