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The Effect of CSR Disclosure on Financial Performance Listed on the Kompas 100 Index 2018-2020

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ABSTRACT

The goal of this study is to see how Corporate Social Responsibility affects financial performance. Sales and marketing charges are used as the intervening variable. The companies in this study are those that are listed on the Kompas 100 Index for the 2018-2020 period. The sample data was collected using purposeful sampling. Regression analysis and path analysis were used to do the data analysis. According to the findings of the study, CSR has no impact on sales. CSR has an impact on marketing costs. Marketing expenses can act as a buffer between CSR and sales. CSR has an impact on ROA. Sales can act as a bridge between CSR and ROA. Tobin's Q is unaffected by the CSR. Sales can act as a go-between for the CSR and Tobin's Q.

Keywords: *Corporate Social Responsibility, ROA, Tobin's Q, Financial Performance, Marketing Cost.*

1. INTRODUCTION

Corporate Social Responsibility (CSR) has turned into a subject highlighted during the emergence of many incidents of environmental damage caused by the company's operational activities. CSR is explained as a sustainability obligation carried out by companies by behaving ethically and contributing to economic development in collaboration with workers and their relatives, local communities, local communities, and society to improve the quality of life [1].

Companies who conduct business in the sphere of or related to natural resources are obligated to comply with the rule's social and environmental obligations. CSR disclosure in Indonesia is described in Law no. 40 of 2007 concerning Limited Liability Companies, chapter V Article 74. In addition, Law no. 25 of 2007 concerning investment states that there are risks in administrative sanctions for companies that do not implement CSR.

The effort to implement CSR is worth it because it can encourage a good response from investors. When companies discuss CSR in a management approach, the company's performance will lead to ethical actions, which are then published in a sustainability report. This reporting can help build an image, ensure legitimacy, and develop better relationships with stakeholders [2]. Investors are anticipated to respond positively to CSR reporting, thus increasing the company's value [3].

CSR activities contribute not only to the company but also to various parties. CSR is believed to be able to encourage business sustainability in the long term. This research aimed to discover if there was any correlation between CSR and financial companies' performance listed on the Kompas 100 Index in 2018-2020. The data used in this study are financial reports and annual reports.

The following is a breakdown of how this article is structured. The relevant literature is summarized in Section 2. The data and methodology utilized in the study are both introduced in Section 3. Section 4 summarizes the findings and provides key conclusions, while Section 5 concludes the study.

2. LITERATURE REVIEW

2.1. CSR and Image Building

Corporate Social Responsibility (CSR) is a component of business strategy in which corporations operate responsibly in their operations and interactions with stakeholders regarding social and environmental issues. As a result of CSR, the corporation aspires to strike a balance between economic, environmental, and social imperatives and shareholder and stakeholder needs.

Furthermore, CSR is an image-building technique that can lead to corporations participating in CSR activities, thereby establishing them as a source of success and popularity among the general public. Apart from the financial motivation of every business, corporations must feel and follow a sense of social responsibility.

The application of CSR affects the company's image. CSR implementation that is done well is supposed to benefit both the community and the enterprise. Benefits to the firm in the form of a favorable public perception. CSR, or corporate social responsibility, has become a must for firms to stay in business and develop. The corporation must consider three critical variables in this scenario: corporate, social, and environmental [4].

2.2. CSR as Moderating Variable and Mediation Variable

They looked at the impact of liquidity, activity, leverage, and profitability on company value, as well as the role of CSR disclosure as a moderator and firm size as a control variable [5]. Between 2014 and 2019, the sample included 22 LQ45 index companies that were publicly traded on the Indonesia Stock Exchange. The findings imply that corporate social responsibility (CSR) can help a company's value by reducing the influence of liquidity, activity, leverage, and profitability.

The study investigates the role of mediation in the relationship between corporate governance and a company's value [6]. This research looked at companies that participate in the CGPI program and publish sustainability reports. Data was collected from 2011 through 2015. According to the data, CSR has no impact on the NPM-determined link between corporate governance and business value. Furthermore, corporate social responsibility has little impact on the relationship between corporate governance and commercial value as measured by return on investment (ROI). Improved corporate governance will boost CSR and company value, measured by the return on investment (ROI). When it comes to corporate governance and ethical behaviour, it might be claimed that the corporation stresses long-term sustainability in order to expand the company's assets from its operating performance, as measured by ROE. By implementing CSR, a company's value can be enhanced by adhering to corporate governance principles and prioritizing stakeholders' interests.

2.3. Previous research on the relationship of CSR with financial performance

In accordance with stakeholder theory, when a company pays attention to its stakeholders' needs, its image and reputation improve, increasing the value of its financial performance. Several researchers have studied the relationship between corporate social responsibility (CSR) and financial success throughout the years [7]. In both the current period and one period later, CSR has a positive impact on financial presentation [10]. CSR implementation had a positive and significant effect on financial performance among the top 200 Indonesian listed companies in 2014, according to [8], as measured by ROE and ROA. On the other hand, CSR had no discernible impact on non-financial performance. [9], that CSR positively relates to CFP [10]. Show CSR and financial performance measures (ROA, ROE, and ROS) [9].

2.4. The effect of CSR on marketing costs

One of the benefits of doing business with a company that practices Corporate Social Responsibility (CSR) is lowers operating costs. Reducing packing materials or arranging ideal delivery routes, for example, minimizes both the environmental impact and the cost of a company's operations. As a result of embracing CSR principles, executives are compelled to re-examine their business operations and seek more productive ways of working [11].

2.5. Framework

The framework of thought in this research can be seen in Figure 1 below:

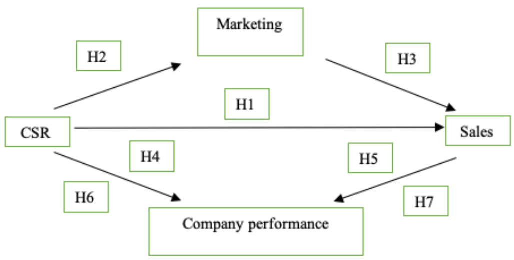

Figure 1. Theoritical Thinking Framework

2.6. Hypothesis

According to the picture above, the research hypothesis can be formulated as follows:

H1: CSR implementation has an effect on company sales.
H2: CSR implementation affects the company's marketing costs.
H3: Marketing expenditures can mediate the relationship between CSR implementation and business sales.
H4: The implementation of CSR has an effect on company performance as measured by ROA.
H5: The relationship between CSR implementation and firm performance as evaluated by ROA can be mediated by sales.
H6: CSR implementation has an effect on company performance as measured by Tobin's Q.
H7: Sales can mediate the relationship between CSR adoption and the company's success as measured by Tobin's Q.

3. RESEARCH METHODS

3.1. Research Variables and Operational Definitions

The dependent variable, independent variable, and intervening variable were the variables used in this investigation.

3.2. Independent Variables

Independent variables are those that explain or influence the behavior of other variables. The study's independent variables, namely: Corporate Social Responsibility. Information on Corporate Social Responsibility based on GRI (Global Reporting Initiative) standards.

3.3 Dependent Variables

The dependent variable is the one that is explained or influenced by the independent variable. Financial and company success are the dependent variables in this study. The ROA formula is used to assess financial performance:

$$\text{ROA} = \frac{Net\ Income}{Total\ Asset} \quad (1)$$

Tobin's Q formula is used to measured market

performance.

$$\text{Tobin Q} = (\text{Price per share x Number of shares outstanding}) + \frac{Total\ Debt}{Total\ Asset} \quad (2)$$

Control variables

The size and age of the company were employed as control variables in this study.

3.3. Intervening Variables

Intervening factors are variables that strengthen or weaken the direct relationship between the independent and dependent variables. In this study, marketing and sales expenditures are intervening variables.

3.4. Population and Sample

In this research, the population is companies listed on the Kompas 100 Index between 2010 and 2013. The sample selection method employed in this study was purposive sampling, a non-random sort of sample selection in which data is gathered based on particular criteria.

3.5. Data Types and Sources

Quantitative data, which can be measured on a numerical scale, is the sort of data used in this study. The information used in this study is secondary. Secondary data is information received or gathered from existing sources by those undertaking study. The financial report data and the 2018–2020 Annual Report from the website www.IDX.co.id is the secondary data required for this study.

3.6. Analysis Method

Regression analysis was employed as the analytical method. The purpose of regression analysis is to see how the independent variable (independent) affects the dependent variable (dependent). In this study, path analysis was employed to perform a regression analysis, with direct regression analysis being the first (to determine the effect of Corporate Social Responsibility on company performance). The next step is a regression analysis with intervening factors (to see if Corporate Social Responsibility has an impact on corporate performance) (to determine the effect of Corporate Social Responsibility on company performance by intervening in marketing and sales costs).

This study's regression analysis mathematical model is as follows:

Model I:
$ROAi_{,t} = \alpha_0 + \alpha_1 CSR_{i,t} + \alpha_2 Size_{i,t} + \alpha_3 Age_{i,t} + e_{i,t}$ (3)

Model II:
$Tobin'sQi_{,t} = \alpha_0 + \alpha_1 CSR_{i,t} + \alpha_2 Size_{i,t} + \alpha_3 Age_{i,t} + e_{I,t}$ (4)

Model III

$$\text{Marketing Cost}_{i,t} = \alpha_0 + \alpha_1 CSR_{i,t} + \alpha_2 Size_{i,t} + \alpha_3 Age_i + e_{i,t} \quad (5)$$

4. RESULT AND DISCUSSION

4.1. Regression Analysis

The extent to which the link between the independent factors and the dependent variable can be demonstrated in the following table using simple and multiple regression analysis:

Table 1. Regression Results

Model	Unstandardized Coefficients		
	ROA	Tobin's Q	Marketing Cost
Constant	38.217	23.381	12.862
CSR	-0.023	0.004	0.003
Size	-1.161	-0.744	0.01
Age	0.059	0.032	0.53
R^2	0.041	0.149	0.457
Adjusted R^2	0.034	0.142	0.453
F-statistic	5.529	22.505	108.174
Prob. (F-Statistic)	0.001	0.000	0.000

Based on the table above, multiple linear regression equations can be arranged as follows:

$$ROA_{i,t} = 38.217 – 0.023CSR_{i,t} – 1.161Size_{i,t} + 0.059Age_{i,t} + e_{i,t} \quad (3)$$

$$\text{Tobin's } Q_{i,t} = 23.381 + 0.004CSR_{i,t} – 0.744Size_{i,t} + 0.032Age_{i,t} + e_{i,t} \quad (4)$$

$$\text{Marketing Cost}_{i,t} = 12.862 + 0.003CSR_{i,t} + 0.01Size_{i,t} + 0.53Age_{i,t} + e_{i,t} \quad (5)$$

Table 2. Result of t test recapitulation

Variable	Standard Coefficient (Beta)	t-test	Sig.	Information
CSR → Sales	0.002	0.212	0.832	Rejected
CSR → Marketing cost	0.283	5.807	0.000	Accepted
Marketing cost → Sales	0.984	106.433	0.000	Accepted
CSR → ROA	-0.137	-2.644	-0.009	Accepted
Sales → ROA	0.201	3.888	0.000	Accepted
CSR → Tobin’s Q	-0.042	-0.799	0.425	Rejected
Sales → Tobin’s Q	-0.090	-1.707	0.089	Rejected

4.2. Intervening Analysis

The study of intermediary factors affecting the link between the independent and dependent variables is known as intervening analysis. Path analysis is used to analyze the effect of the intervening variable. Prior to applying theory, path analysis is a type of regression analysis used to evaluate causality correlations between variables that have been presented (causal models).

1) **The effect of CSR on sales by mediating the company's marketing costs**

Mediation testing in this research is described as follows:

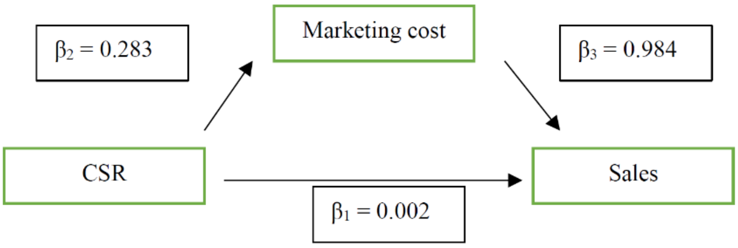

Figure 2. Path Analysis of CSR Variables on Sales by Mediation of Company Marketing Costs

Based on the data in Figure 2, the direct and indirect effects of CSR on sales can be calculated. The direct effect of CSR on sales is 0.002, and the indirect effect of CSR on marketing costs to sales is 0.283 x 0.984 = 0.2785. The above calculation shows a beta value of indirect effect (β2 x β3 = 0.2785), which is greater than the beta value of direct influence (β1 = 0.002). This means that marketing costs can mediate the effect of CSR on sales of companies listed on the Kompas 100 Index for 2018-2020.

2) **The effect of CSR on financial performance as measured by ROA by mediating company sales**

Mediation testing in this study is described as follows:

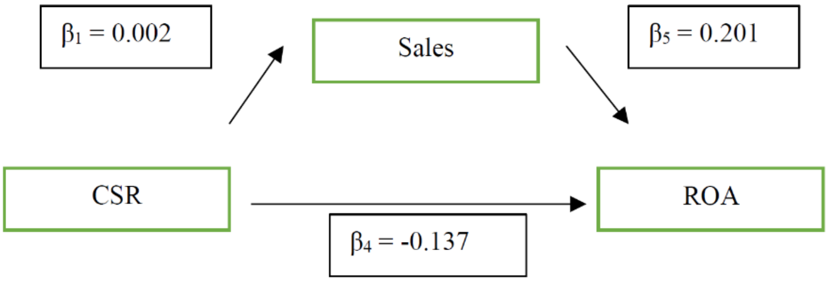

Figure 3. Path Analysis of CSR Variables on financial performance as measured by ROA with company sales mediation

Based on the data in Figure 3, the direct and indirect effects of CSR on ROA can be calculated. The direct effect of CSR on ROA is (-0.137), and the indirect effect of CSR on sales to ROA is 0.002 x 0.201 = 0.0004. The above calculation shows an indirect effect beta value (β1 x β5 = 0.0004) more significant than the direct effect beta value (β4 = -0.137). This suggests that in companies featured on the Kompas 100 Index for 2018-2020, sales can mitigate the influence of CSR on ROA.

3) **The effect of CSR on market performance as measured by Tobin's Q by mediating company sales**

Mediation testing in this study is described as follows:

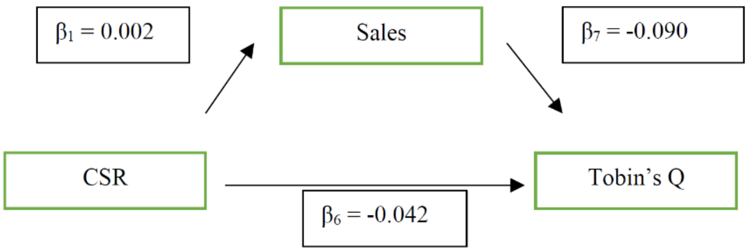

Figure 4. Path Analysis of CSR Variables on financial performance as measured by Tobin's Q with company sales mediation

Based on the data in Figure 4, the direct and indirect effect of CSR on Tobin's Q can be calculated. The direct effect of CSR on Tobin's Q is (-0.042), and the indirect effect of CSR on sales to ROA is 0.002 x (-0.090) = (-0.0002). From the above calculation, there is an indirect effect beta value (β1 x β7 = -0.0002) greater than the direct effect beta value (β6 = -0.042). This suggests that, for companies featured on the Kompas 100 Index for 2018-2020, sales can moderate the influence of CSR on Tobin's Q.

4.3. Hypothesis test

The hypothesis testing of this research is as follows:

1) Hypothesis 1
According to the first hypothesis, implementing CSR has no impact on sales. Based on the regression analysis' findings presented in table 1 on the sales variable, it is known that CSR has a regression coefficient of 0.002, t-count (0.212) < t-table (1.966), and p-value of 0.832 > 0.05. These results indicate that CSR does not affect sales. H1 is rejected.
2) Hypothesis 2
The second hypothesis asserts that implementing CSR has an impact on marketing expenditures. Based on the regression analysis' findings presented in table 1 on the marketing cost variable, it is known that CSR has a regression coefficient of 0.283, T-count (5.807) > t-table (1.966), and p-value of 0.000 <0.05. These results indicate that CSR affects marketing costs. H2 is accepted.
3) Hypothesis 3
Based on the data in Figure 2, the direct and indirect effects of CSR on sales can be calculated. The direct effect of CSR on sales is 0.002, and the indirect effect of CSR on marketing costs to sales is 0.283 x 0.984 = 0.2785. The above calculation shows a beta value of indirect effect (β2 x β3 = 0.2785), which is greater than the beta value of direct influence (β1 = 0.002). This means that marketing costs can mediate the effect of CSR on sales of companies listed on the Kompas 100 Index for 2018-2020. H3 is accepted.
4) Hypothesis 4
The fourth hypothesis states that CSR implementation affects ROA. Based on the regression analysis' findings presented in table 1 on the ROA variable, it is known that CSR has a regression coefficient of (0.137), t-count (-2.644) > t-table (-1.966), and p-value of -0.009 <0.05. These findings suggest that CSR has an impact on ROA. H4 is accepted.
5) Hypothesis 5
Based on the data in Figure 3, the direct and indirect effects of CSR on ROA can be calculated. The direct effect of CSR on ROA is (-0.137), and the indirect effect of CSR on sales to ROA is 0.002 x 0.201 = 0.0004. The above calculation shows an indirect effect beta value (β1 x β5 = 0.0004) more significant than the direct effect beta value (β4 = -0.137). This suggests that in companies featured on the Kompas 100 Index for 2018-2020, sales can mitigate the influence of CSR on ROA. H5 is accepted.
6) Hypothesis 6
According to the sixth hypothesis, CSR does not affect firm performance as assessed by Tobin's Q. Based on the results of the regression analysis presented in table 1 on the Tobin's Q variable. It is known that CSR has a regression coefficient of (-0.042), t-count (-0.799) < t-table (-1.966) and p-value of 0.425 > 0.05. These results indicate that CSR does not affect Tobin's Q. H6 is rejected.
7) Hypothesis 7
Based on the data in Figure 4, the direct and indirect effect of CSR on Tobin's Q can be calculated. The direct effect of CSR on Tobin's Q is (-0.042), and the indirect effect of CSR on sales to ROA is 0.002 x (-0.090) = (-0.0002). From the above calculation, there is an indirect effect beta value (β1 x β7 = -0.0002) greater than the direct effect beta value (β6 = -0.042). This suggests that, for companies featured on the Kompas 100 Index for 2018-2020, sales can moderate the influence of CSR on Tobin's Q. H7 is accepted.

5. CONCLUSION

Based on the analysis that has been done in this study concluded that:

1) CSR does not affect sales.
2) CSR affects marketing costs.
3) Marketing costs can mediate between CSR and sales.
4) CSR affects ROA.
5) Sales can mediate between CSR with ROA.
6) The CSR does not affect Tobin's Q.
7) Sales can mediate between the CSR with Tobin's Q.

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