PROCEEDINGS | JOURNALS | BOOKS

Search

Series: Advances in Economics, Business and Management Research

Proceedings of the 17 th International Symposium on Management (INSYMA 2020)

AUTHORS

216 authors

Ahmar, N.
Earnings Management, Business Strategy, and Business Complexity

Aisjah, S.
Does Muhammadiyah Leadership Style Exist? An Empirical Examination About What and How to Measure It

Alimbudiono, R.S.
Slow Moving and Dead Stock: Some Alternative Solutions

Anandya, D.
Hyperlocal Journalism as a Strategy in Facing Digital Disruption: A Case Study of Jawa Pos Newspaper

Anandya, D.
The Formation of Customer Satisfaction in Social Media, the Role of Frequency, and Duration of Use

Andajani, E.
Memo as Wish Fulfillment for Me and Our Savior: A Case Study on SOEs in Indonesia

Andajani, E.
The Effect of e-WOM on Travel Intention, Travel Decision, City Image, and Attitude to Visit a Tourism City

Andajani, E.
Analyzing the Effect of Electronic Word of Mouth (e-WOM) on Attitudes Toward City, City Image, and Intention to Visit Yogyakarta

Andriani, T.
Factors Affecting the Financial Performance of Companies Based on Agency Theory

Anggraeni
Diversification, Bank Risk, and Efficiency on Sharia Banking in Indonesia

Anh, N. T. P.
Relationship Network and Business Model Innovation of Start-Up Companies in the Context of Industrial Revolution 4.0: An Evidence from Vietnam

Aprilia, A. D.
The Effect of Celebrity Endorsers on Purchase Decisions on the Fait Hijab Online Shop on Instagram

Ariani, M.
Measuring Economic Growth Through National Income Elasticity

Arifah, D.A.
Corporate Governance: A Key Driver of Intellectual Capital Performance

Arilyn, E.J.
The Effect of Financial Ratios and Macroeconomic Variables to Financial Distress of Agriculture Industry Listed in the Indonesia Stock Exchange from 2013 to 2018

Ayunda, N.F.
CSR Reporting: Perspective of Female Audit Committee Having Financial Expertise

Badriyah, N.
Configuration of Employment Training to Improving Work Competencies Toward Competitiveness

Barata, F.A.
High Cost of Logistics and Solutions

Basuki
Diversification, Bank Risk, and Efficiency on Sharia Banking in Indonesia

Bayan, A.Y.M.
Financial Technology Optimization in the Development of MSMEs with Spotlight Phenomenology

Benarkah, N.
The Role of Technology in Developing Local Wisdom Based Tourist Destination in Bejijong Village

Bidayati, U.
Does Muhammadiyah Leadership Style Exist? An Empirical Examination About and How to Measure It

Briliana, V.

The Impact of Customer Trust on Brand Loyalty in Public Transportation

Budiarto, B.
DEA as an Alternative Instrument of Performance Measurement: A Case Study of Five Sidoarjo Small-Sized Enterprises on December 2018

Chariri, A.
Corporate Governance: A Key Driver of Intellectual Capital Performance

Christy, D.A.
Tiered Small Medium Enterprise Training Model: Achieving SME's Competitive Advantage in Industrial Revolution 4.0 Era

Darmasetiawan, N.K.
Tiered Small Medium Enterprise Training Model: Achieving SME's Competitive Advantage in Industrial Revolution 4.0 Era

Dewi, H. P.
Green Concept: Customer Satisfaction in the Service Business

Dimaala, R.F.
Corporate Social Responsibility and Full Disclosure: Relationship to Financial Performance of Commercial Bank

Djumadi, F.R.
DEA as an Alternative Instrument of Performance Measurement: A Case Study of Five Sidoarjo Small-Sized Enterprises on December 2018

Duong, N.D.
A Study of the Reality and Proposing Solutions to Strengthen the Application of Information Technology in Small and Medium Logistics Enterprises in Southern Vietnam

Dwiarta, I.M.B.
Entrepreneurial Intention Among Millennial Generation: Personal Attitude, Educational Support, and Social Media

Elizabeth, J.
Investor Behavioral Bias Based on Demographic Characteristics

Eriandani, R.
The Economic Impact of Corporate Social Responsibility

Ernawati, E.
The Effect of Illiquidity on Stock Return on the Indonesia Stock Exchange

Ernawati, E.
The Effect of Gender Diversity on Company Financial Performance

Ernestin, L.
Analysis of the Effect of Information Asymmetry on Dividends

Fananiar, A.
The Effect of AIRQUAL on Customer Satisfaction and Word of Mouth at Garuda Indonesia Airline

Fauzi, H.
The Influence of Management Control System, Encouragement of Environmental Management, and Proactive Environmental Management on Carbon Emission Efficiency

Feliana, Y.K.
Is the Stock Option Effective to Maintain Key Management? Evidence from Indonesia Listed Companies

Firman
Analysis of Factors Influencing the Understanding of International Financial Reporting Standard of Accounting Students in State Universities in Makassar

Firnanti, F.
Motivation, Tax, and Firm's Condition Effect on Earnings Management

Fuad, K.
Fraud Pentagon as a Measurement Tool for Detecting Financial Statements Fraud

Fulongga, F.R.
Spirituality and Business in Harmony: Case Study of Saints Movement Community Church

Gallardo, A.U.
Significance of High Human Skills in the Success of an Organization

Ghi, T. N.
Relationship Network and Business Model Innovation of Start-Up Companies in the

Context of Industrial Revolution 4.0: An Evidence from Vietnam

Ghofur, A.
The Impact of MultiChannel's Single Phase Queue and E-KTP Process Service on Community Satisfaction in Lamongan Regency

Ghozali, I.

The Influence of Management Control System, Encouragement of Environmental Management, and Proactive Environmental Management on Carbon Emission Efficiency

Gosal, J.
The Effect of e-WOM on Travel Intention, Travel Decision, City Image, and Attitude to Visit a Tourism City

Hakim, A.
The Influence of Organizational Citizenship Behavior, Continuance Commitment, Emotional Intelligence, and Spirituality on Performance

Hananto, H.
The Role of Technology in Developing Local Wisdom Based Tourist Destination in Bejijong Village

Handayani, R.T.
Fraud Pentagon as a Measurement Tool for Detecting Financial Statements Fraud

Handjaja, Y.N.
Factors that Affect the Debt Ratio of Internationalized Nonfinancial Firms

Hariadi, S.
How do Exports and Imports Distress Foreign Exchange Reserves in Indonesia? A Vector Auto-Regression Approach

Harjito, D.A.
The Effect of Corporate Governance and Corporate Strategy Toward Family Firm Performance in Indonesia

Harti, H.
Cooperative Management Through Standard Operational Management and Standard Operating Procedures to Improve the Performance

Hastuti, M. E.
Certification Is Not Everything: Quality Standards in Implementing Good Corporate Governance

Hendar
Integrated Financial Technology Model on Financing Decision for Small Mediun Enterprises Development

Hendar
Supply Chain Management Practice in Creative Industries

Herlambang, A.
The Effect of Illiquidity on Stock Return on the Indonesia Stock Exchange

Herlambang, A.
Factors Affecting the Financial Performance of Companies Based on Agency Theory

Hidayati, N.
The Effect of Celebrity Endorsers on Purchase Decisions on the Fait Hijab Online Shop on Instagram

Hieu, N.D.
Developing Artificial Intelligence in Fighting, Preventing and Combating the Digital Business Crimes

Hoang, P.N.
Future of Job Market in the Fourth Industrial Revolution

Honantha, C.R.
Does Religious Orientation Matter? Reassessing the Role of Brand Credibility and Customer Loyalty on the Controversial Brand in Emerging Market

Honantha, C.R.
The Effect of Social Network Marketing, Attitudes Toward Social Network Marketing and Consumer Engagement on Consumer Purchase Intention on Batik

Huan, N. Q.
Relationship Network and Business Model Innovation of Start-Up Companies in the Context of Industrial Revolution 4.0: An Evidence from Vietnam

Huang, L.
Interdependence Relationship of Internationalization—Performance in Manufacturing Firms Listed in Indonesia Stock Exchange and Chinese Stock Exchanges

Idris, Rafiq
Influence of the Upscale Café Servicescape on Satisfaction and Loyalty Intention

Indarini
Young Consumer’s Purchase Intention Toward Environmentally Friendly Products in

Indonesia: Expanding the Theory of Planned Behavior

Indarini
The Formation of Customer Satisfaction in Social Media, the Role of Frequency, and Duration of Use

Indarini

The Effect of Consumer-Based Brand Equity on Customer Satisfaction and Brand Loyalty in the Coffee Bean & Tea Leaf or Maxx Coffee

Indriastuti, M.
Stock Return Movement in Indonesia Mining Companies

Iqbal, M.
Analysis of Factors Influencing the Understanding of International Financial Reporting Standard of Accounting Students in State Universities in Makassar

Irawati, N.
How do Exports and Imports Distress Foreign Exchange Reserves in Indonesia? A Vector Auto-Regression Approach

Ismiyanti, F.
Software Development for Micro, Small, and Medium Enterprises for People’s Business Credit

Istifadah, N.
Disruptive Innovation in Food Commodities: Efforts to Solve the Problems of Food Price Stabilization in Indonesia

Juniati, N.
The Role of Technology in Developing Local Wisdom Based Tourist Destination in Bejijong Village

Kartika, I.
The Improvement Strategy of Tax Compliance from MSME Sector in Indonesia

Kartikasari, L.
Supply Chain Management Practice in Creative Industries

Krisnanto, A.B.
Social Media Marketing and Marketing Performance on New SME: A Moderating Consumer Innovativeness

Kulachai, W.

A Study of How Political Behaviors Influence Organizational Effectiveness

Kusmaningtyas, A.
The Influence of Transformational Leadership, Organizational Climate, and Job Stress on Competence, Work Motivation, and Performance

Kusumawardhany, P.A.
Entrepreneurial Intention Among Millennial Generation: Personal Attitude,

Educational Support, and Social Media

Kusumohardjo, F.
The Effect of Employee Training Service Quality: The Mediating Role of the Team Organizational Commitment

Lestari, A.B.
Fraud Pentagon as a Measurement Tool for Detecting Financial Statements Fraud

Lianggono, F.
Is the Stock Option Effective to Maintain Key Management? Evidence from Indonesia Listed Companies

Mahadwartha, P.A.
Superstitions and Price Clustering in the Taiwan Stock Exchange

Mahadwartha, P.A.
PT Kalbe Farma and Weakening of Rupiah

Mahadwartha, P.A.
The Effect of Gender Diversity on Company Financial Performance

Mahadwartha, P.A.
Software Development for Micro, Small, and Medium Enterprises for People's Business Credit

Majid, J.
Analysis of Factors Influencing the Understanding of International Financial Reporting Standard of Accounting Students in State Universities in Makassar

Marciano, D.
Factors that Affect the Debt Ratio of Internationalized Nonfinancial Firms

Marciano, D.
Interdependence Relationship of Internationalization—Performance in Manufacturing Firms Listed in Indonesia Stock Exchange and Chinese Stock Exchanges

Margaretha, S.
Young Consumer's Purchase Intention Toward Environmentally Friendly Produc
Indonesia: Expanding the Theory of Planned Behavior

Margaretha, S.
The Effect of Consumer-Based Brand Equity on Customer Satisfaction and Brand Loyalty in the Coffee Bean & Tea Leaf or Maxx Coffee

Marso

Influence of the Upscale Café Servicescape on Satisfaction and Loyalty Intention

Mas'ud, B. F.
Value-Based Social Capital: An Overview of Social Exchange Theory

Megawati, V.
The Role of Technology in Developing Local Wisdom Based Tourist Destination in Bejijong Village

Muhtarom, A.
Configuration of Employment Training to Improving Work Competencies Toward Competitiveness

1 2 3 >

Home Privacy Policy Terms of use

PROCEEDINGS | JOURNALS | BOOKS

Search

Series: Advances in Economics, Business and Management Research

Proceedings of the 17 th International Symposium on Management (INSYMA 2020)

HOME

< >

The International Symposium on Management (Insyma) is a scientific event that has successfully been held for 17 years and this year of 2020 is entering 17 years of its implementation. The Insyma invites numerous papers and participants from academicians and practitioners to discuss various business and management topics.

The 17th Insyma will be held on February 19-21, 2020 at Ba Ria Vung Tau University. The symposium aims to provide a forum for discussion among leading academicians, researchers, students, and practitioners worldwide who are experts in economic and social sciences.

The 17th Insyma theme is Industrial Revolution 4.0 - Opportunities and Challenges in the Digital Business. The Insyma discusses various research results and practical experiences in Marketing, Finance & Accounting, Human Resources, entrepreneurship, Strategic Management, Operation Management, Cross Culture Management, Service Management, and other business topics.

Please click here for the conference website.

Atlantis Press

Atlantis Press is a professional publisher of scientific, technical and medical (STM) proceedings, journals and books. We offer world-class services, fast turnaround times and personalised communication. The proceedings and journals on our platform are Open Access and generate millions of downloads every month.

For more information, please contact us at: contact@atlantis-press.com

- PROCEEDINGS
- JOURNALS
- BOOKS
- PUBLISHING SERVICES
- ABOUT
- NEWS
- CONTACT
- SEARCH

Home Privacy Policy Terms of use

PROCEEDINGS | JOURNALS | BOOKS

Search

Series: Advances in Economics, Business and Management Research

Proceedings of the 17 th International Symposium on Management (INSYMA 2020)

ORGANIZERS

Advisory Board & Reviewers

Charles Preuss, PhD

University of South Florida, USA

Denni Arly, PhD

Griffith University, Australia

Eduardus Tandelilin, Prof PhD

Universitas Gadjah Mada, Indonesia

Herman Woerdenbag , PhD

University of Groningen, The Netherlands

Irwan Adi Ekaputra, PhD

Universitas Indonesia

Joniarto Parung, Prof. PhD

University of Surabaya

Jony Haryanto, Dr.

President University

Jun Kumamoto, PhD

Tokai University, Japan

Kuei-Hsien Niu, PhD

California State University, USA

Bahtiar Mohamad, PhD

Universiti Utara Malaysia

Masmira Kurniati, Dr.

Universitas Airlangga

Moses Laksono Singgih, Prof. PhD

Insitut Teknologi Sepuluh November, Indonesia

Noore Alam Siddiquee, PhD

Flinders University, Australia

Ninok Leksono, Dr.

Universitas Multimedia Nusantara

Ottavia Huang, PhD

National Cheng Kung University, Taiwan

Phan Thi Hong Xuan, PhD

Vietnam National University

Slavomir Rudenko , PhD

Pan-European University, Slovakia

Wim Vanhaverbeke, Prof. PhD

Hasselt University, Belgium

Yanto Chandra, PhD

City University of Hong Kong

Yashwant Vishnupant Pathak, Prof. PhD

University of South Florida, USA

Aluisius Hery Pratono, PhD

University of Surabaya

Anindito Aditomo, PhD

University of Surabaya

Ananda Sabil Hussein, PhD

Universitas Brawijaya

Dedhy Sulistiawan, Dr.

University of Surabaya

Dodi Wirawan Irawanto, PhD

Universitas Brawijaya

Markus Hartono, PhD

University of Surabaya

Noviaty Kresna D., Dr.

University of Surabaya

Putu Anom Mahadwartha, Dr.

University of Surabaya

Sujoko Efferin, Prof. Dr

University of Surabaya

Suyanto, Prof. Dr.

University of Surabaya

Yusti Probowati Rahayu, Prof. Dr.

University of Surabaya

Editor - Chairperson

Werner R. Murhadi, Dr.

University of Surabaya

Editor - Team Member

Dudi Anandya, Dr.

University of Surabaya

Arif Herlambang, MSi

University of Surabaya

Head of Management Departement

Deddy Marciano, Dr.

University of Surabaya

Chairperson

Adi Prasetyo Tedjakusuma, M.Com

University of Surabaya

Vice chairperson

Erna Andajani, Dr.

University of Surabaya

Treasurer

Bertha Silvia Sutejo, MSi.

University of Surabaya

Secretary Coordinator

Fitri Novika Widjaja, MMT

University of Surabaya

Documentary coorfinator

ME Lanny Kusuma W, MM

University of Surabaya

Program Coordinator

Prita Ayu K, MM

University of Surabaya

Equipment Coordinator

Andhy Setyawan, Dr. (Cand.)

University of Surabaya

Tour & Accomodation Coordinator

Veny Megawati, MM

University of Surabaya

Consumption Coordinator

Indarini, MM

University of Surabaya

Sponsorship Coordinator

Liliana Inggrit Wijaya , Dr.

University of Surabaya

Atlantis Press

ATLANTIS PRESS
Advances in Economics, Business and Management Research, volume 115
17th International Symposium on Management (INSYMA 2020)

The Economic Impact of Corporate Social Responsibility

R. Eriandani
University of Surabaya, Surabaya, Indonesia

ABSTRACT: This study aims to examine the relationship between socially responsible investment and future company performance. Socially responsible investment is carried out with various objectives, depending on the actors and their preferences. Good management theory explains that social investment can build trust, which will ultimately benefit the company. Some researchers have previously investigated the impact of CSR investments on companies, but the results are still inconclusive. Evaluating social investment needs to pay attention to the time lag between the investment and the economic benefits generated. The samples of this study were all companies listed on the Indonesia stock exchange in 2016-2017, except companies from the service, finance, and banking industries. CSR investment was measured by the costs incurred for social responsibility activities. The method used to estimate the parameters of the research model is the lag regression approach. The results showed a significant relationship between CSR investment and the company's future financial performance.

Keywords: CSR, firm performance, CSR Investment.

1 INTRODUCTION

Corporate social responsibility (CSR) has social and economic consequences. Companies that carry out CSR with seriousness and are supported with an appropriate implementation strategy will have benefits such as getting appreciation from the community or helping to solve problems faced by the community. In addition, CSR also has economic benefits, such as market legitimacy and financial performance. So, it can be said that CSR activities are not only seen as costs to be incurred by the company, but also an investment for the company (Hadi, 2014). Many research on CSR and financial performance have been conducted. Although initially stated that stakeholder theory and shareholder theory are contradictory, there is evidence to say that the benefits of CSR to stakeholders and shareholders are not contradictory because CSR can enhance reputation, brand, trust, and attract customers, which in turn will increase profitability and firm value. (Jones, 1995; Porter & Kramer, 2006).

There are three hypotheses to explain CSR expenditure (Lys, Naughton, & Wang, 2015). First, companies carry out CSR activities not because they intend to increase the company value but because they intend to provide social and environmental benefits - referred to as the charity hypothesis. Second, the company carries out CSR activities because it assumes these expenditures as investments that generate positive economic returns - referred to as the investment hypothesis. Third, CSR costs are incurred because management predicts the company's strong future performance - referred to as the signaling hypothesis. This study uses the investment hypothesis to explain social responsibility expenditure with the company's future financial performance.

Another view sees that there is an ulterior motive behind CSR. It is often called a shareholder fee view, meaning that managers carry out social responsibility activities at the expense of shareholders, perhaps for their own benefit (Jha & Cox, 2015). The results of previous studies on the consequences of CSR on the company's financial performance still showed mixed results. Several studies documented a positive relationship between CSR and corporate financial performance (Deng, Kang, & Low, 2013; Lys et al., 2015), Other studies did not show a relationship (Lys et al., 2015; McWilliams, Siegel, & Wright, 2006), and other studies have found a negative relationship between social responsibility and corporate performance (Eriandani, Nars, & Irwanto, 2019; Jang, Lee, & Choi, 2013).

The difference in the results of previous studies may be due to they did not consider the time lag between CSR expenditure and the benefits generated. King & Lenox (2001) investigated the effect of environmental performance on period t on economic performance in period t +1. One of the CSR activities is the environment. Pollution reduction provides cost savings in the future by increasing efficiency, reducing compliance costs, and minimizing future obligations (Reinhardt, 1999). Another example is shown by Stawiski and Deal (2010), the more the employees affected by CSR actions, the higher the commitment of their organizations will be, and consequently will increase their productivity. If employees are committed to the organization and performing at a higher level, it will undoubtedly have a positive effect on organizational performance in the future.

The research contribution is to add to the literature on CSR investment and the company's future financial performance, especially in developing countries. Many previous studies only used social responsibility disclosure to measure CSR activities, while this study used the amount of costs incurred for these activities.

1.1 Corporate Social Responsibility

The exploitative behavior shown in the utilization of natural resources and the lack of environmental responsibility (physical and social) has threatened the sustainability of the availability of raw materials and energy, as well as triggering social disharmony with the people in their environment and increasing labor conflicts. This condition drives social responsibility (CSR) activities.

Jackson & Parsa (2007) classifying CSR into five dimensions that must be considered for evaluating corporate CSR initiatives. These dimensions are community development, justice, and welfare of its employees, environmental protection or conservation, good corporate governance, and economic practices.

According to Dhaliwal, Li, Tsang, & Yang (2011) and McWilliams et al. (2006), CSR can change a company's reputation to a better level. Besides, it can increase the confidence of investors, customers, shareholders, and overall stakeholders, and the ability of employees to work and spend more effort and dedication. So it can be said that the company carries out CSR will strengthen its relationship with various stakeholders, including customers, investors, government, suppliers, and employees. This relationship ensures the company's minimum conflict with stakeholders and maximum loyalty from all stakeholders.

Social responsibility has two forms of potential financial returns for companies, namely positive additional benefits as an appreciation for positive behavior and mitigation of the consequences of negative corporate behavior. The ability of CSR to reduce the adverse effects of negative corporate behavior is expected to protect the company's financial performance if it is demonstrated before negative corporate events (Peloza, 2005). In accordance with good management theory (Orlitzky, Schmidt, Rynes, & Rynes, 2003), the relationship of CSR investment with the company's financial performance can be described as follows:

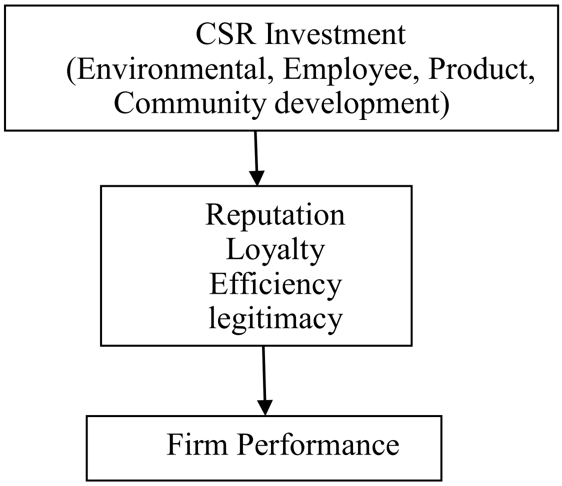

Figure 1. Conceptual Model

The conceptual model above explains that by investing in CSR, the company will get a good reputation, consumers are more loyal to the product, employees are more loyal to the company, and gain legitimacy from the public so that it will ultimately improve the company's financial performance.

1.2 CSR in Indonesia

At the beginning of the ratification of Law No. 40 of 2007, there was a strong reaction from employers for requiring every company that carries out business activities in the field of or relating to natural resources to carry out social and environmental responsibilities. This reaction is understandable because CSR departs from the concept of philanthropy, which is something that goes beyond the obligations in the regulations. In addition, throughout the world, only Indonesia has issued laws that require companies to implement CSR (Mardikanto, 2018).

Indonesia has mandatory rules and social norms relating to the safety and rights of workers, compensation, fraud or corruption, environmental protection, and consumer protection. These regulations limit what companies should or should not do, even though their implementation is often problematic. In practice, weak regulatory and legal enforcement mechanisms, such as the unavailability of a judicial mechanism to hold corporations accountable for corruption and legal uncertainty, often occur because of social norms about community and environmental problems that can weaken legal implementation.

Understanding CSR as a concept in Indonesia is still weak, inconsistent, and cannot be concluded. CSR is often seen as a western concept related to philanthropic actions or acts of concern for social and environmental problems. A common misperception is that CSR ultimately only adds to the burden of the company or the cost of the company. Very few consider it an investment. These results in companies reluctant to adopt CSR in their company policies (Waagstein 2011). The assumption that CSR is a social cost that does not provide any benefit to the company is wrong. CSR costs incurred by companies are investments that directly or indirectly, in the short term or the long term, will provide benefits much higher than just the value of money incurred.

1.3 CSR investment and Financial Performance

CSR investments can improve future financial performance in several ways. Corporate social responsibility is used by leading organizations to build good relationships not only with external but also internal stakeholders, for example, with employees. Commitment to CSR activities can help companies attract and retain high-quality employees (Greening & Turban 2000). Skilled employees and talented managers are critical resources for the company because, in the end, it can improve company performance.

CSR commitments can also increase the marketing effects of products and services, which in turn increase sales of goods and services (Fombrun 2005). Kotler & Lee (2005) explained that product attributes are not related to product function, but rather to the image of a product in the eyes of consumers. If customers have positive perceptions about the company's product quality, environmental awareness, and community relations, it can blur the line between good management practices and social performance (Prahalad & Hamel 1994). Positive perceptions, such as companies by outside stakeholders, can lead to increased sales or reduce stakeholder management costs. Dhaliwal, Li, Tsang, & Yang (2011) proved that the disclosure of CSR activities could reduce the cost of capital of a company.

Investment in CSR enhances the company's public image and provides unique comparative marketing benefits, mostly among consumers who are increasingly socially aware, which in turn, increases the company's long-term revenue (Burke & Logsdon, 1996). Overall, previous research has shown that CSR investment is associated with increasing financial performance. However, the majority of studies on this topic investigated the relationship between social responsibility and financial performance for short periods (Margolis & Walsh 2003), so this research tries to see this relationship with a time lag.

H: CSR investment leads to improvements in future firm financial performance

2 RESEARCH METHODS

The samples of this study were all companies listed on the Indonesia stock exchange in 2016-2017, except companies from the service, finance, and banking industries. The companies must meet the following criterion of have submitted an annual report that includes information regarding the amount of CSR investment. Another criterion is the availability of data for control variables. The total sample obtained was 209.

CSR investment was measured by the amount of costs incurred to carry out environmental, social, and donation activities, employees, and products. This study used the total investment because not all companies inform the amount of investment for each dimension of activity. The company's financial performance was measured by return on assets (ROA) with a gap of one year. Data were analyzed using a normality test, multicollinearity, heteroscedasticity test, and automatic correlation test. Hypothesis testing was done using simple lag regression, with the statistical model below:

$$ROA_{i,t+1} = \beta_0 + \beta_1 InvCSR_{i,t} + \beta_2 LEV_{i,t} + \beta_3 Size_{i,t} + \beta_4 PBV_{i,t} + \varepsilon \quad (1)$$

The control variable is LEV which measures the ratio of debt to assets, Size was measured by ln total assets, and PBV is the ratio between market value and book value.

3 RESULTS AND DISCUSSIONS

3.1 Result

The regression results for Equation (1) are shown in Table 1. The coefficient on CSR investment, β1, is positive and significant. A positive value for β1 indicates that there is a positive relationship between the release of current CSR and the company's future performance. The coefficient on the control variable is also consistent with our expectations. The results in Table 1 show that a higher level of CSR expenditure is associated with a lower level of book leverage, the coefficient is negative and statistically significant. The price to book ratio also shows a positive coefficient, although it is not statistically significant. While the size of the company shows a negative coefficient.

Table 1. Empirical Results (Dependent variable: future firm performance)

Variable	B	t
Constant	-0.206	-1.985
InvCSR	0.016	3.894***
LEV	-0.100	-4.285***
Size	-0.001	-0.295
PBV	0.001	1.094
Adj. R2		0.158
F Sig		10.730***
n		209

***significant at 1% **significant at 5% *significant at 10%

3.2 Discussion

The regression model shows that there is a relationship between CSR investment and the company's financial performance. This is in line with good management theory. The good management hypothesis is used to explain why the better the performance of social responsibility will make better company's financial performance (Margolis & Walsh 2003). The large value of CSR investment is assumed to reflect the number of social responsibility activities. The theory explains that there is a high correlation between good management practices, namely by carrying out social responsibility because it improves relationships with key stakeholder groups so as to produce better overall performance. It is difficult for stakeholders to know whether management is acting in accordance with their interests, stakeholders must gather more information about management activities to ensure. CSR activities signal stakeholder management quality to stakeholders, so there is no need to gather more information signifying monitoring costs are also reduced.

Greater CSR investment and better performance in all dimensions of CSR enable companies to attract better employees more quickly, facilitate difficult and expensive negotiations for problems with society or government, and avoid paying fines for environmental problems. These things have proven to be able to improve the company's financial performance in the future. The results of this study enrich the previous literature, which says that in developing countries, CSR has not provided benefits because it is only aimed at meeting regulations. In fact, CSR investment can improve financial performance in companies in Indonesia.

4 CONCLUSION

The results of this study support good management theory. Social responsibility can be considered as a strategy that creates legitimacy, reputation, and competitive advantage. CSR investments in various dimensions will bring effectiveness and cost reduction through various ways that ultimately improve company performance. Satisfied workers compensate companies by increasing productivity and reducing costs of use and training, satisfied clients increase transactions for goods through repetitive buying behavior, satisfied investors lend capital at a lower rate, reducing capital costs - satisfied community will legitimize the company, ecological management leads to favorable conditions, and better suppliers reduce the cost of quality certification.

The implication of this research is to provide the fact that in Indonesia, CSR investment can drive company performance in the long run. That is, shareholders and management need not worry that social responsibility only consumes company resources. The limitation of this study is; first, not many companies disclose their spending on CSR activities. Second, the disclosure is inconsistent as not every year the companies disclose it in the annual report making it difficult to observe in the longer term.

REFERENCES

Burke, L., & Logsdon, J. M. .1996. How Corporate Social Responsibility Pays Off. *Long Range Planning*. Vol 29: 495-502

Deng, X., Kang, J. koo, & Low, B. S. 2013. Corporate social responsibility and stakeholder value maximization: Evidence from mergers. *Journal of Financial Economics*. Vol. 110(1), pages 87-109

Dhaliwal, D. S., Li, O. Z., Tsang, A., & Yang, Y. G. 2011. Voluntary nonfinancial disclosure and the cost of equity capital: The initiation of corporate social responsibility reporting. *Accounting Review*, Vol. 86(1), 59–100.

Eriandani, R., Nars, I. M., & Irwanto, A. 2019. Environmental risk disclosure and cost of equity. *Polish Journal of Management Studies*, Vol.19(2):124-131.

Fombrun, C. J. 2005. A World of Reputation Research, Analysis and Thinking — Building Corporate Reputation Through CSR Initiatives: Evolving Standards. *Corporate Reputation Review*. Vol 8(1):7-11.

Greening, D. W., & Turban, D. B. 2000. Corporate Social Performance As a Competitive Advantage in Attracting a Quality Workforce. *Business & Society*. Vol 39(3): 254-280.

Hadi, N. 2014. *Corporate Social Responsibility* (2nd ed.). Yogyakarta: Graha Ilmu.

Jackson, L. A., & Parsa, H. G. 2007. Corporate Social Responsibility and Financial Performance : A Typology for Service Industries. *International Journal of Business Insights & Transformation*. Vol 2:13-21.

Jang, J. I., Lee, K., & Choi, H. S. 2013. The Relation between Corporate Social Responsibility and Financial Performance: Evidence from Korean Firms. *Pan-Pacific Journal of Business Research*. Vol 4(2): 3-17.

Jha, A., & Cox, J. 2015. Corporate social responsibility and social capital. *Journal of Banking and Finance*. Vol. 60 (Iss. C) 252–270.

Jones, T. M. 1995. Instrumental Stakeholder Theory : A Synthesis of Ethics and Economics. *Academy of Management Review*. Vol. 20(2): 404–437.

King, A. A., & Lenox, M. J. 2001. Does it really pay to be green? An empirical study of firm environmental and financial performance. *Journal of Industrial Ecology*.Vol 5 (1): 105-116.

Kotler, P., & Lee, N. 2005. *Corporate social responsibility: doing the most good for your company and your cause*. NY: John Willey & Sons.

Lys, T., Naughton, J. P., & Wang, C. 2015. Signaling through corporate accountability reporting. *Journal of Accounting and Economics*, Vol. 60(1), 56–72.

Mardikanto, T. 2018. *Corporate Social Responsibility*. Bandung: Alfabeta.

Margolis, J. D., & Walsh, J. P. 2003. Misery Loves Companies: Rethinking Social Initiatives by Business. *Administrative Science Quarterly*. Vol 48(2):268-305.

McWilliams, A., Siegel, D. S., & Wright, P. M. (2006). Corporate social responsibility: Strategic implications. *Journal of Management Studies*, *43*(1), 1–18. https://doi.org/10.1111/j.1467-6486.2006.00580.x

Orlitzky, M., Schmidt, F. L., Rynes, S. L., & Rynes, S. L. 2003. Corporate Social and Financial Performance : A Meta-Analysis Corporate Social and Financial Performance : A Meta-analysis. *Organization Studies*. Vol 24(March), 403–441.

Peloza, J. 2005. Corporate Social Responsibility as reputation insurance. Center for Responsible Business, UC Berkeley. *Working Paper Series*.

Porter, M. E., & Kramer, M. R. 2006. Strategy & society: The link between competitive advantage and corporate social responsibility. *Harvard Business Review*. 78-93.

Prahalad, C. K., & Hamel, G. 1994. Strategy as a field of study: Why search for a new paradigm? *Strategic Management Journal*.Vol 15 (52):5-16.

Reinhardt, F. 1999. Market failure and the environmental policies of firms: Economic rationales for “beyond compliance” behavior. *Journal of Industrial Ecology*.Vol 3: 3, 9-21.

Stawiski, B. S., Ph, D., & Deal, J. J. 2010. Employee Perceptions of Corporate Social Responsibility The Implications for Your Organization available a: http://www.jenniferjdeal.com/wp-content/uploads/2014/08/EmployeePerceptionsCSR.pdf.

Waagstein, P. R. 2011. The Mandatory Corporate Social Responsibility in Indonesia: Problems and Implications. *Journal of Business Ethics*. Vol. 98:455-466.