

**Conference Paper**

# Analysis of Corporate Sosial Responsibility, Corporate Performace, and Firm Value: Jakarta Islamic Index Listed Company

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## Abstract

This study aims to explain the relationship of influence between Corporate Social Responsibility (CSR), corporate performance, and firm value in the listed companies in the Jakarta Islamic Index (JII). CSR is a business ethic that must be carried out by companies related to social responsibility. The sample of this research is the companies listed on the JII from 2015 to 2017. In this study has found the influence arising from CSR disclosure and corporate performance on the value of firms obtained by stakeholders of companies listed in the Jakarta Islamic Index, as well as both simultaneously have an influence on company value.

**Keywords:** CSR, Corporate Performance, Firm Value, JII

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## 1. Introduction

The concepts that explain corporate social responsibility were introduced in the 1930s (Carroll, 1979). Companies must pay attention to 3P (profit, people, and planet) if they want to maintain the survival of the company (Nugroho and Yulianto, 2015). To carry out the success of the 3P, CSR needs to be carried out by the company. Currently companies have included CSR activities that they have carried out in their annual reports. It was become important to provide knowledge to shareholders and other stakeholders (Servaes and Tamayo, 2013). Sustainability of the firm can be achieved by increasing firm profitability and stakeholder trust.

The sustainability of the firm recognizes the importance of a company's growth and profitability, in addition to these two social goals must also be achieved (Wilson, 2003). Some studies explain the benefits obtained by companies in disclosing their Corporate Social Responsibility in their annual reports on the company's financial performance


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so as to maintain the sustainability of the company (Thome, 2009; Woworuntu, 2014; Sayekti, 2015). Many literatures have some arguments state that by implementing CSR initiatives, companies will ultimately receive higher profits (Woworuntu, 2014).

CSR disclosure is one of the stakeholders' assessments of the value of the company. Crisostomo et.al (2011) explains that the market or investors will make CSR as their observation in providing an assessment of the company. Investors will observe the growth of investment funds that are directed directly to the social responsibility undertaken. Mohr et.al. (2012) stated that CSR is a social value model that focuses on social issues and provides a meeting point between employees and other stakeholders. So it can be said if CSR can be a marketing strategy that describes the value of the company because of the relationship between company performance, stakeholder satisfaction, and corporate income and value (O'Sullivan & John, 2012).

In Indonesia, sharia capital market transactions has listed in the Jakarta Islamic Index (JII). The stocks listed in the JII are based on sharia principles. The implementation of CSR in the business of being a spiritual revealer is a principle in business attitudes. Some studies that focus on social responsibility are discussed in Islamic business ethics (Beekun & Badawi, 2005; Khursid et.al. 2014). In the Qur'an the social responsibility is a form of justice (Qur'an 11:85). Therefore this research will discuss about CSR on company value and performance in companies listed on the JII. This is importance issues in Islamic responsibility by the firm value and stakeholder's trust. Then, the question of this research is "have CSR and financial performance an influence on the firm value in the companies listed by Jakarta Islamic Index?"

This paper model through the following section: Section 2 gives the literature review of CSR, corporate performance and firm value concept; section 3 draws the methodological of research; Section 4 explains and discusses of the result; Section 5 presents the conclusion of this research.

## 2. Literature Review

### 2.1. Corporate social responsibility

Nugroho (2015) explain that Corporate Social Responsibility (CSR) is corporate activities to all stakeholders by concerning on the social and environmental aspects, it means produce an overall positive impact to society. In addition to being a corporate responsibility, CSR disclosure will also have an impact on the sustainability of the firm. The stakeholders who has become objects in CSR disclosure are customers, employees,

government, suppliers, and competitors. CSR is also an ethical attitude shown by the company towards the social environmental (Khoury et.al. 1999).

## 2.2. CSR, corporate performance, and firm value

Firm value is an illustration of the overall market value of a company (Servaes & Tamayo, 2013). One way to create corporate value is to use marketing on customer awareness or knowledge, including providing company environmental information, company products, and practices carried out by the company, one of which is social and environmental performance. There is a relationship that occurs between CSR activities and corporate value. (Griffin & Mahon, 1997; Servaes & Tamayo, 2013).

Corporate Performance is an illustration of activities, policies, and programs run by the company. Cowen et.al. (1987) explained that large companies have several resources by paying production information costs that have consistently collected and produced information that can be obtained by stakeholders in the annual report. The relation between CSR and CFP presents some controversial arguments that, along with inconclusive empirical evidence, leads to the present situation of the study on the subject and motivates the continuous search for answers (Crisostomo et al. 2011).

## 2.3. Stakeholder theory

Stakeholder Theory is a strategic management theory introduced by Freeman. Freeman et.al (2010) explained that companies have social responsibility towards their stakeholders and implement good corporate governance. This theory also states that companies will voluntarily disclose information related to their environmental, social and intellectual performance. This is done by the company to meet actual expectations as recognized by stakeholders.

The framework of stakeholder theory gives an argument that attention to the interests of the various stakeholders of the corporation may improve firm image and reputation, and that firm's concerns about such interests are able to affect positively firm's productivity, financial performance and value creation (Cristotomo et. al. 2011).

## 3. Methods

This study focuses on companies listed in Jakarta Islamic Index with quantitative methodology. Data sampling adopted from the return of asset (ROA) and CSR disclosure

from annual report of companies listed by JII within three years from 2015-2017. Company's ROA data give a view of corporate performance. There is two variables used, CSR and financial performance as independent variables, while the company's value becomes the dependent variable.

The statistical calculation used in this study is using multiple regression where CSR and company performance become independent variables and the firm's value becomes the dependent variable. Ghazali (2013) explains if the results of regression analysis are in the form of coefficients for each independent variable. This coefficient is obtained by predicting the value of the dependent variable with an equation.

### 4. Discussion

TABLE 1: Result of Descriptive Analysis.

Descriptive Statistics			
	Mean	Std. Deviation	N
logNilaiPerusahaan	13.6757	.41401	30
ROA	.1291	.13207	30
logCSR	10.1015	.75159	30

Fraser (2008) explains if profitability is a ratio to measure a company's ability to generate profits in sales and company assets. In this study ROA is used as a measure of the company's profitability.

From the table 1, it can be seen if the average ROA of companies in JII is 12.91%. ROA or return of assets is the company's financial ratios related to the potential benefits of measuring the company's strength. Each increase of the logarithm of the company value has an average of 13,6757.

TABLE 2: Model Summary.

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.575 <sup>a</sup>	.331	.282	.35091	.331	6.683	2	27	.004

a. Predictors: (Constant), logCSR, ROA

TABLE 3

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	11.289	.880		12.829	.000
ROA	1.289	.493	.411	2.613	.014
logCSR	.220	.087	.399	2.535	.017

a. Dependent Variable: logNilaiPerusahaan

Information about how big the effect of independent variable on the dependent variable can be known from the Model Summary Table (Ghozali, 2013). Previous studies have identified the relationship between corporate financial performance and CSR (Woworantu, 2014, Moneva, et al 2017). In other studies, there is significant relationship between CSR and firm value.

TABLE 4

ANOVA <sup>a</sup>						
	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.646	2	.823	6.683	.004 <sup>b</sup>
	Residual	3.325	27	.123		
	Total	4.971	29			

a. Dependent Variable: logNilaiPerusahaan  
 b. Predictors: (Constant), logCSR, ROA

This paper will analyze the effect form CSR and financial performance to firm value. From the table 2, can be seen if 28,2% variation in firm value can be explained by two variables that can calculated in this paper, there are CSR and corporate performance. This is the most accurate calculate.

By the ANOVA table, it is explained the influence between dependent and independent variable simultaneously. We can know from the table above the significant value is 0.004, it means that all of independent variables (CSR and financial performance) have an influence on the firm value simultaneously. Second, by looking from F count, it is 6.683. it can be seen that the overall of independent variables simultaneously affect the dependent variable because it has value greater than F table which has value 4.195. So, it can be seen from the table result that CSR and financial performance have a

simultaneous effect on the firm value of companies listed in the Jakarta Islamic Index (JII).

From the coefficient table, we can make the equation of the regression model. This is  $Y = 11.289 + 1.289 X_1 + 0.220 X_2$ . Looking at the results of the table above, it can also be seen that CSR and financial performance have an influence on the value of the company. This can be seen from the calculated value of 12,829. This value is smaller than the t table value of 1.3114.

## 5. Conclusions

From the result and analysis above, this paper have some conclusions, there are:

1. Using the calculation of multiple regression analysis, it can be seen that there is a relationship between CSR, financial performance, and company value in companies listed on the Jakarta Islamic Index.
2. CSR and financial performance of the companies is simultaneously give influence for firm value.
3. Limitation of this research is the few variables that's effect the firm value. So, for the next study able to provide the others variable.
4. For the recommendation, To the next research researchers can use Islamic Corporate Responsibility variables so that they are better able to describe the form of CSR in companies listed on the Islamic Index.

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