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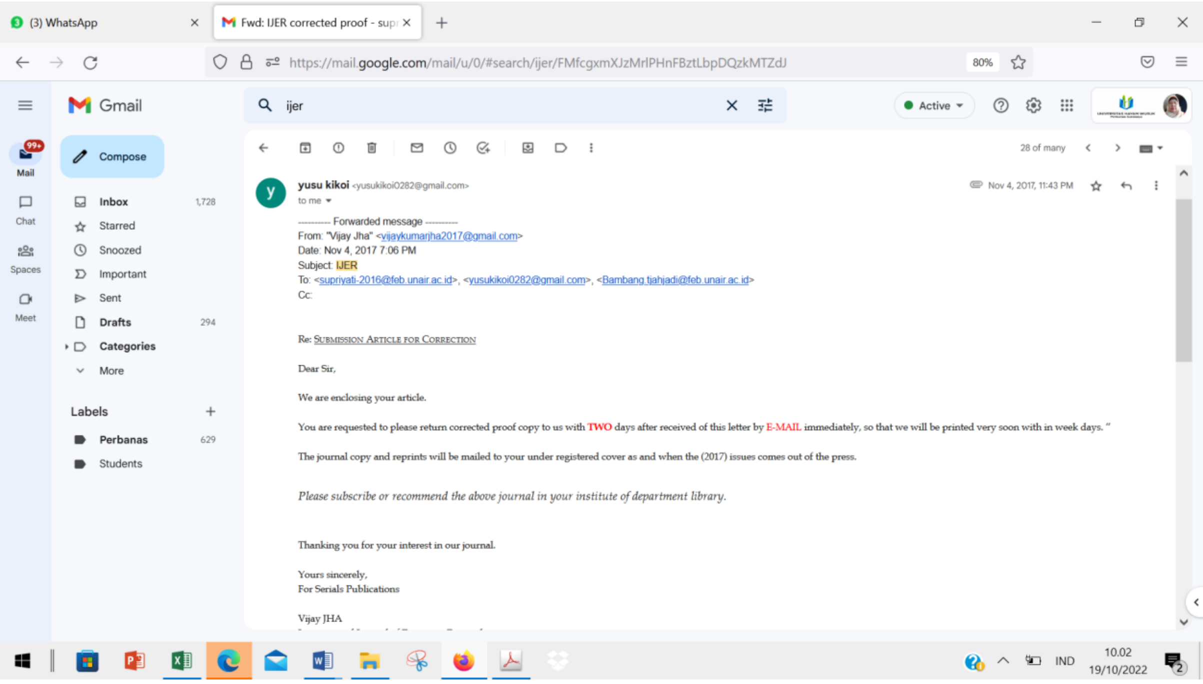

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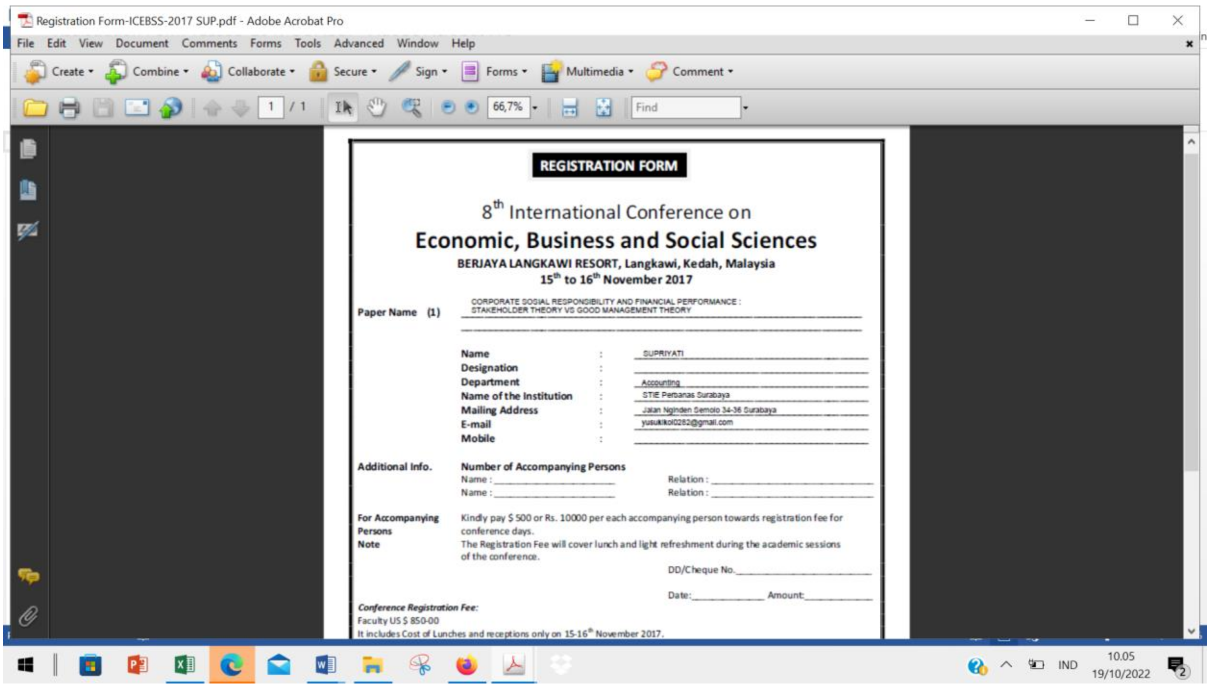

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***Corporate Sosial Responsibility* dan *Financial Performance* :**
Stakeholder Theory* vs *Good Management Theory

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Abstract

Previous research related to social responsibility (CSR) and corporate financial performance (CFP) refers to different theoretical underpinnings. This study uses two different perspectives, namely stakeholder theory and resource based theory. This study focuses on the banking industry listed on the Indonesia`s stock exchange period 2008-2015. Bank Indonesia as a major central bank, which has big authority, has set a bank soundness rating since 2011. This provision encourages banks to improve their management and meet these requirement thus CSR and CFP are important indicators. The findings of this study indicate that CSR has a significant influence on CFP, and CFP also has a significant effect on CSR. The size of the influence of both is still determined by the size of the company, the composition of corporate funding sources and government intervention.
Keywords: social responsibility, corporate financial performance

Introduction

The relationship of Corporate Social Responsibility (CSR) and Corporate Financial Performance (CFP), in several previous studies, is based on two basic theories, namely stakeholder theory and good management theory or resource based theory. Stakeholder theory states that the main goal of the company is to maximize the wealth of its owner (Freidman, 1962) and then expand this view by including all stakeholders such as creditors, consumers, suppliers, governments, communities and others (Freeman, 1983). All resources management in the company is directed to meet the expectations of these stakeholders. Resource based theory (RBV) is a good management signal (Waddock, 1997). Every company has a goal to achieve competitive advantage. Competitive advantage can be achieved when companies own and manage excellent resources. By the existence of these superior resources, the company is able to do business strategy and ultimately able to achieve competitive advantage.

Both theories are often used as the basis of previous studies, but sometimes these theories make a difference in its empirical testing. The company establishes and grows rapidly cannot be separated from the role and contribution of stakeholders that the companies should have the obligation to prosper them. Stakeholder theory emphasizes that the prosperity of stakeholders is the main target of the company. Efforts to prosper them, shown by the company's better performance, will certainly provide a positive signal for the company in the future. Meanwhile, the RBV approach or good management theory emphasizes the company's business strategy in managing the company's resources. If resources are managed efficiently and economically surely companies are able to achieve competitive advantage. This business management strategy should be delivered transparent and accountable. Theorical gap behind this research is done with the question of whether CSR affects CFP or CFP affects CSR.

Disclosure of CSR has become a debate among academics and companies. Discussion of CSR has also grown to almost 30 years, but it is still considered important and an interesting issue because it has an impact on the company's financial performance in the long run (Muritala.T, 2014). Also, on the contrary when the approach is directed to the interests of stakeholders, the company must be able to design a business strategy that is capable in achieving long-term competitive advantage. The banking industry in Indonesia as one of the financial services industry is overseen by many parties, including Bank Indonesia, the Financial Services Authority of customers (OJK) , creditors and the public, of course, see that the sustainability of the company is important. The issue of CSR and CFP is still important to be discussed in the banking industry, especially since the disclosure of CSR has not been considered as a mandatory indicator. Therefore, this study focuses on the banking industry in Indonesia where the measurement indicators of CSR and CFP use their financial base information that is different from previous research.

The rapid changing corporate business environment has an impact on the increasing quality of information that will be shared with the public, both financial and non-financial (Renard, 2013), (Oh, 2015). Financial information can be the basis of stakeholders in strategic decision making. Stakeholders expect the financial information presented to be relevant and reliable. The transparency of bank financial information has become a demand of the public and in line with the growing national banking products and activities today. Bank Indonesia uses the financial information as a basis for determining the status of a bank, healthy or unhealthy. Bank soundness requirements are set out in SE No.13 / 24 / DPNP dated October 25, 2011 which requires Commercial Banks to conduct self-assessment of bank soundness using risk approach (Risk based Bank Rating). The risk approach includes Risk Profile, Good Corporate Governance, Earning, Capital which is often called RGEC. Contrary, management is willing to pass on financial and non-financial information. Financial information as an indicator of company performance measures should show better performance, through increased profits generated. Non-financial information is used to support the transparency and accountability of financial information. More and more non-financial information disclosures show that management has managed resources well. Therefore, CSR disclosure is important to be done by companies as a medium to achieve competitive advantage.

The strength of information in sustainability reporting reports or annual reports in which CSR discloses, is used by firms to measure profitability, growth rates and firm stability. Maximum profit is expected by the owner to guarantee assets, economic efficiency and it avoids taxes illegally (Aleksandra, 2013), (Tsoutsoura, 2004), (Muritala.T, 2014). The facts show that CSR has a significant effect on CFP, but depends on its industry character and government intervention in policy determination (Oh, 2015). Implementation of CSR will increase public trust in the company. It motivates investors to invest their funds. When the funds gained increased, the ability of the company to generate profits is increasing. A continuous increase in profits will increase the value of the company and this will make the company excel in competition (Aleksandra, 2013).

Investors still rely on financial performance information especially information on profitability (Muritala.T, 2014). Many CSR is done by companies after the financial crisis because it will increase profitability (Oh, 2015). Transparency is done due to the fact that companies that disclose non-financial performance have better financial performance than those not disclosing (Renard, 2013). CSR is a future investment that will remind the value of the company because its implementation further provides statutory guarantees and not only limited to charity or philanthropic activity alone (Marta, 2015). The financial performance desired by the company not only measures the ability to generate net profit, but also the value of the firm in the investor's view. However, research on firms in China in 2008-2014 suggests that corporate value decreases when there is a short-term CSR (Xiang, 2016). CSR is thought to have a negative impact on external financial sensitivity and investment that this condition affects the company's cash flow (Avishek, 2017). Other studies have pointed to the failure of CSR to influence financial performance (Aleksandra, 2013), (Hagberg, 2015). The policies set by the government are still unable to control the changes in the existing business environment (Hasan, 2009). The empirical gap that occurred in the previous research indicates the inconsistency of the results so that CSR and CFP relationships need to be reexamined using two different perspectives.

Based on the above background, this research will be divided into several sections. The first part describes theoretical review by using two perspectives, namely stakeholder theory and resource based theory. The second part describes the research methods to test the underlying theories. The third section presents the research findings. The fourth section presents a general discussion of research theories and findings. The fifth section presents conclusions, limitations and suggestions for further research.

Theorical Review

The company's main goal is to establish the maximization of company value. Maximizing company value means maximizing shareholder wealth. Conflict between agent and principal has an impact on the achievement of company performance (Jensen, 1976). Each side wishes to maximize their own expectations, the managers as managers wishing to produce good company performance through high profit presentation. Other stakeholders, on the other hand, wish to gain high return on their investment. Assessment of financial performance is an analysis tool that is done to see how far a company has implemented by using the rules of financial implementation properly and correctly. Company performance is a description of the financial condition of a company that is analyzed with the tools of financial analysis, so it can be known the good and bad financial condition of a company that reflects the performance of managers in a certain period. It is very important that resources can be used optimally in facing the environmental change.

Financial performance aims to: 1) measure the achievements attained by an organization within a certain period reflecting the success rate of its implementation, 2) can be used to assess the contribution of a part in the achievement of the company's overall objectives, 3) can be used as a basis for guiding in making decisions and activities of the organization in general and divisions or parts of the organization in particular, and 5) as the basis for determining investment policy in order to improve the efficiency and productivity of the company (Munawir, 2012). An assessment of financial performance is important to mediate the conflict agent. Stakeholder theory states that all stakeholders have the right to obtain information about the activities of companies that affect them (Freeman, 1983). The main purpose of the company is to maximize the determination of corporate strategy for the future, 4)Prosperity of the owner so that actually not only shareholders, but creditors, suppliers, government, society and others also become an important consideration for the company. Social issues become an interesting issue so companies try to maximize their economic performance. Attention to social, economic and environmental aspects is an integrated system (Mercedes, 2016). For companies and communities have great benefits from the improvement of corporate social aspects. Stakeholders need the transparency, efficiency and efficacy of managers in the effort to gain benefits and ensure the sustainability of the company (Renard, 2013). CSR disclosure by the company illustrates that the company is not only aimed at achieving profit, but the company still has attention to the social and environmental aspects.

CSR disclosure is expected to provide good image and imaging for the company. When the image and good image achieved the company, it will increase public investment. Public investment is a potential resource for companies in an effort to achieve competitive advantage. Companies must build relationships with stakeholders in the long term (Marta, 2015). Companies that disclose CSR are actually trying to strengthen its position in competition (Marta, 2015). Disclosure contains elements of legal compliance although it is still voluntary, but further it provides statutory guarantees that can be regarded as a long-term strategy. From the perspective of the stakeholder, the implementation of CSR makes management incur additional costs so that the impact on the decrease in profits obtained. Empirical testing supports that opinion (Luke, 2015), (Angus, 2016).

Good Management Theory in CFP and CSR relationships

Resource-based theory or known as good management theory is a thought that develops in strategic management theory. Strategic efforts which done by management is to achieve the company's competitive advantage. The company's competitive advantage will be achieved if it has superior resources (Waddock, 1997). With superior resources, the company is able to carry out any business strategy, which ultimately leads the company to have a competitive advantage. This is an alternative way of viewing the market-based theory that is the mainstream of strategic management thinking today.

Superior resources are scarce resources and hard to imitate by competitors, for example the technology used, the competence of human resources, trust in the company, the organizational culture, and the data base or knowledge possessed by the organization. The method of analysis that is often used to see whether or not there is a competitive advantage is to use VRIO analysis (value, rarity, imitability, and organization). When superior resources are well managed that able to achieve company objectives, management must disclose transparently and accountably to stakeholders. Management hopes to motivate stakeholder behavior with CSR disclosure. Corporate CSR disclosure is strongly influenced by the interests and expectations of stakeholders.

CSR disclosure is a solution to a definite social issue (Waddock, 1997). Social responsibility as a basic and varied multidimensional of organizational behavior associated with resources, processes and outputs generated. Corporate CSR implementation can be said to be an integral part of all the strategies that run the company. Companies and stakeholders in particular the community has great benefits from the increase of this social aspect. They can compare the profit of each company and have expectation to get better return on their investment.

Research hypotheses

CFP is defined as an indicator of corporate financial performance measurement used as a basis for decision making, both for internal and external parties (Oh, 2015), (Luke, 2015). Profit performance reflects the allocation of resources as expected by stakeholders. The efficiency of resource allocation is reflected in the company's financial performance. When there is a conflict between agents and principals, CSR is able to mediate their interests (Avishek, 2017). CSR disclosure is a consensus on an agreement to meet the transparency needs of business information and corporate credibility (Antonia, 2013). CSR is the most effective management tool in which stakeholders expect management to be accountable and demonstrate the truth of the allocation of resources. The disclosure of this CSR to stakeholders is a future corporate investment. When the company voluntarily discloses its social responsibility, investors increasingly trust the company's performance. Investors will be willing to invest funds in the company. The more assets managed by the company, the more opportunity to get maximum profit and the company is able to

meet the expectations of investors in the form of dividends in the future.
H1: Disclosure of corporate social responsibility affects the company's financial performance

Managers have a responsibility to manage resources that are optimally empowered in an effort to meet stakeholder expectations. This strategic effort is made to achieve the company's competitive advantage. This superior resource is expected to produce a better financial performance of the company as well. The optimization of the company's financial performance has been defined as the main target of the company and this affects the management strategy in its operations. One management strategy is the disclosure of its social responsibility and it is a solution to a definite social issue (Waddock, 1997). When the company is able to manage these superior resources optimally, then the company will be able to produce maximum corporate financial performance. Maximum corporate financial performance should be disclosed to stakeholders and other communities so that they trust the company more. Disclosure of social responsibility is a means of corporate promotion on the other. The higher the achievement of the company's financial performance will be, the higher the effort of corporate social responsibility disclosure.
H2: The company's financial performance affects corporate social responsibility disclosure

Research Methods

Population and sample

This study was conducted using panel data derived from annual reports and audited financial statements for the period 2008-2015 in the banking industry listed on the Indonesia Stock Exchange. The samples of this research are 40 banking service companies in Indonesia. The sample used is chosen by using purposive sampling method which consider certain limitations and criteria for the sample that is suitable with the purpose of research, those are: 1) Conventional Commercial Bank listed in Indonesia Stock Exchange in period of 2008-2015, 2) Company issuing financial statements Annual (Annual Report) in a row from 2008 to 2015.

CSR data is obtained from annual report of banking services company. CSR measurements use indexes submitted by the Global Reporting Index (GRI-4) and are based on social, economic and environmental aspects. Based on 91 items of CSR disclosure, for the banking industry only 18 items of disclosure alone include economic indicators, environmental performance, labor performance, community performance and product responsibility performance. GRI indicator is selected because it is more comprehensive than other measurement and more suitable for banking industry in Indonesia. However, not all indicators are met in the reporting annual report.

The CFP data is obtained from the audited financial statements of banking services companies. There are two approaches used, namely accounting approach and market approach. The accounting approach is geared to meeting the internal interests of the company, while the market approach is directed to look at the interests of other outside stakeholders.

Dependent and independent variables

This research is supported by two stakeholder theory and good management theory. Previous research has focused more on one of these theories. This study uses secondary data in the form of audited financial statements and annual report year 2008-2015. The focus of the study was to examine the effects of CSR and CFP. The variables used in this research are CSR and CFP. The CSR variable is a form of corporate social responsibility disclosure to the surrounding community and is measured by the number of items disclosed compared to the average disclosure of all sample firms. The CFP variable which is a measure of the company's financial performance uses two approaches. CFP is a measure of the health performance of the banking industry that aims to assess the efficiency and profitability achieved. CFP includes five (five) indicators used, namely Return on Assets (EBIT and total asset ratio), Net Profit Margin Ratio (EBIT ratio and operating income), Capital Adequacy Ratio (Non-Performing Loan (Comparison of non-performing loans and total loans given), and one market approach that used Firm Value as measured by Tobin's Q model (comparing the market value of the company's stock to the book value of the company's equity).

This study uses two hypotheses that associated with the theory. The first model, on the basis of stakeholder theory, analyzes the influence of CSR on CFP and is based on simple regression testing. The second model, on the basis of good management theory, analyzes the effect of CFP on CSR is also based on simple regression testing.

Control variables

In order to increase the estimation of variables outside the dependent and independent variables, control variables are required. As the result of previous research showing the coefficient of determination is small, it is possible to consider the control variables (Husted, 2007), namely debt policy, company size,

company growth rate, innovation and risk. The five variables were chosen because they have been used extensively in previous studies related to CSR studies (Isabel, 2011), (Luke, 2015), (Tsoutsoura, 2004), (Mercedes, 2016), (Aleksandra, 2013), (Xiang, 2016).
The variable leverage policy is measured from the ratio between total debt and total equity. The firm size variable (size) is measured from the total asset logarithm. Variable growth rate (growth) company is measured from total gross revenue.

Analysis technique
Based on the variables chosen in hypothesis testing, the research model was developed where CFP is a function of CSR, leverage, size, growth and age:

$ROA = \alpha + \beta 1CSR + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon$ (1.1.)
$CAR = \alpha + \beta 1CSR + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon$ (1.2.)
$NPM = \alpha + \beta 1CSR + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon$ (1.3.)
$NPL = \alpha + \beta 1CSR + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon$ (1.4.)
$NIM = \alpha + \beta 1CSR + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon$ (1.5.)
$BOPO = \alpha + \beta 1CSR + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon$ (1.6.)
$FV = \alpha + \beta 1CSR + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon$ (1.7.)

Another hypothesis is used to represent that CSR is a function of CFP, leverage, size, growth and age:

$CSR = \alpha + \beta 1ROA + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon$ (2.1.)
$CSR = \alpha + \beta 1NPM + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon$ (2.2.)
$CSR = \alpha + \beta 1NPL + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon$ (2.3.)
$CSR = \alpha + \beta 1CAR + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon$ (2.4.)
$CSR = \alpha + \beta 1NIM + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon$ (2.5.)
$CSR = \alpha + \beta 1BOPO + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon$ (2.6.)
$CSR = \alpha + \beta 1FV + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon$ (2.7.)

Where:
CSR Is corporate social responsibility, as measured by the number of CSR indicator disclosure items by GRI-4 divided by the average disclosure of all samples
ROA Is a return on asset, which is measured on the ratio of earning before tax, divided by total assets
NPL Is a non performing loan, which is measured on the ratio of the amount of bad loans, divided by the total loan given
CAR is the capital adequacy ratio, which is measured on the ratio of banking capital divided by risk-weighted assets

NPM is net profit margin, which is measured on earning before tax ratio divided by operating income
NIM is the net interest margin, which is measured on the ratio of net interest income divided by the average earning assets
BOPO is the profitability measured on the ratio of operating expenses to operating income
FV is the firm value, which is measured by the ratio of the market value of the company's stock to the book value of the company's equity
LEV is leverage, which is measured by the ratio of total debt divided by total equity
SIZE is the size of the company, which is measured by the total asset logarithm
GROWTH is the growth rate of a company, which is measured on the amount of gross profit before tax
AGE is the age of the company, which is measured from the date of the establishment until the date of financial reporting

The above model is tested empirically through the two stage least squares method with the dynamic panel data model. Technical testing begins from testing control variables to observe heterogeneity and prevent the occurrence of endogeneity problems between independent and dependent variables. Then, testing is done with partial regression through the stages of normality test, test coefficient of determination and t test.

Result of empirical analysis

This study has been conducted on 136 sample data from 17 conventional banks listed on Indonesia Stock Exchange for a period of research for 8 years. There is only 1 sample data issued to meet the requirements of data normality. The Kolmogorov-Smirnov (Test Statistic) value is 0.060 so it can be stated that the data is normally distributed.

Table 1 illustrates descriptive statistical results that correspond to the minimum, maximum, mean and standard deviation values for numerical variables. Variable growth and firm size have heterogeneous data or very high data variation. This shows the grouping of the banking industry in small, medium and large categories in terms of net income received and total assets owned. Banking companies experience an average increase of assets each year from 2008 to 2015 is equal to 0.20 per year. The increase was due to an increase in consumer financing receivables and net investment in finance leases. The increase is a form of business banking company in maintaining its financial capabilities. Economic resources owned by large-scale banks can provide greater benefits in the future. This supports the growth of income earned by banks.

Disclosure of CSR indicator refers to GRI-4 (GSSB, 2016) but only 18 items exist in banking companies that include economic indicators, environmental performance, labor performance, community performance and product responsibility performance. Indicators of community and environmental performance have the lowest average because the activities undertaken by banking companies have no direct impact on the community and the surrounding environment. However, banking companies continue to pay attention to communities and the environment as a form of social responsibility through programs such as habitat protection or renewal of an ecosystem or environment for environmental performance indicators, while for community performance indicators designed programs on the nature, scope and The effectiveness of each program and practice undertaken to assess and manage the impact of operations on communities.

Variabel	Minimum	Maksimum	Mean	Std deviasi
CSR	0,33	1,00	0,7985	0,14252
FV	0,36	1,35	0,9633	0,12882
ROA	-0,70	4,46	2,0185	1,16908
NPL	0,00	0,11	0,0194	0,01725
NIM	0,00	0,55	0,0717	0,05296
CAR	0,00	46,49	14,4440	6,21553
BOPO	0,02	108,00	51,0891	40.46721
NPM	-13,20	49,16	11,3530	12,78709
GROWTH	-47.601.231.850	32.494.000.000.000	4.601.947.679.287	7.290.571.464.900
AGE	10	120	56	27,03634
SIZE	1.359.880.324	910.063.409.000	164.966.347.707	2,05824
LEV	0,34	0,94	0,8757	0,06405

Table 2 below shows the test results based on the variables chosen in hypothesis testing 1. The research model was developed where CFP is a function of CSR, leverage, size, growth and age. Test results show that CSR affects ROA, CAR, BOPO, FV at 1%, 5% and 10% significance levels. CSR affects NPLs at significant levels of 5% and 10%, whereas CSR affects NIMs only at a significant level of 10%. CSR has no significant effect on NIM and NPM. Strong control variable predictors underlying variable relationships are firm size and leverage level.

Variabel	Minimum	Maksimum	Mean	Std deviasi
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AGE	10	120	56	27,03634
SIZE	1.359.880.324	910.063.409.000	164.966.347.707	2,05824
LEV	0,34	0,94	0,8757	0,06405

Table 3 below shows the results of hypothesis 2 testing used to represent that CSR is a function of CFP, leverage, size, growth and age. The test results show that all the proxies of company financial performance measurement is able to influence CSR with predictor of control variable is company size.

Discussion of result

The level of banking health measurement has become a serious concern and banks are required to comply with the provisions. The rating of bank health in Indonesia to date is largely based on CAMEL factors (Capital, Assets Quality, Management, Earning and Liquidity). Lack of capital is a common phenomenon experienced by banks in developing countries. Lack of capital can be sourced from the first two things, the first is due to the small amount of capital and the second is poor quality of capital. The shareholders and management of the bank must be fully responsible for the invested capital. Capital adequacy is calculated from the capital adequacy ratio or commonly referred to as Capital Adequacy Ratio (CAR). At present, in accordance with applicable Bank Indonesia regulations, a bank's CAR is at least 8%. Another important measurement is earnings that show the ability of banks to generate profits and this can be seen from ROA and BOPO. In addition, Bank Indonesia also set a non-performing loan (NPL) ratio of 5% in which the NPL shows the performance assessment of bank functions. When investors view the stock price of a publicly delivered company as reflecting a realible value received by the investor and indicating its operational sustainability, then the measurement of firm value is an appropriate measure.

Health level measurement indicators that include ROA, CAR, BOPO, NPL and firm value (FV) become indicators that measure the ability of banks in maintaining business continuity. The matters required by Bank Indonesia shall be submitted to stakeholders to provide reasonable assurance regarding the management and oversight functions of their funds. As stakeholder theory shows all stakeholders have the right to obtain information about company activity (Freeman, 1983). Disclosure of CSR is a comprehensive corporate strategy in an effort to improve the financial performance of the company (Mercedes, 2016). For companies and communities, it has great benefits from the improvement of corporate social aspects. Stakeholders need the transparency, efficiency and efficacy of managers in the effort to gain benefits and ensure the sustainability of the company (Renard, 2013). Banks should be able to build relationships with stakeholders in the long term to achieve competitive advantage. This study supports research conducted (Oh, 2015), (Renard, 2013), (Muritala.T, 2014), (Tsoutsoura, 2004), (Aleksandra, 2013), (Antonia, 2013), (Tsoutsoura, 2004), (Hasan, 2009).

The findings of this research in testing the second hypothesis show that the achievement of corporate financial performance encourages the company to further improve the effort of social responsibility disclosure. Strategic management efforts undertaken to achieve competitive advantage can be achieved through the management of superior resources. Resource-based theory or known as good management theory reveals that when superior resources are well managed so as to achieve company goals, management must disclose transparently and accountably to stakeholders (Waddock, 1997). Stakeholders can compare the profit of each company and have expectation of getting better return on their investment.

Other findings in this study, there are two important things. The first finding that issues related to social responsibility and corporate financial performance can be used two theoretical bases, namely stakeholder theory or resource based theory. Both theoretical underpinnings have different perspectives. Stakeholder theory emphasizes the interests and expectations of stakeholders, especially investors for the performance of the company's financial performance. Resource-based theory emphasis more on the efforts of management strategies in managing corporate assets derived from funds invested by investors. The second finding that corporate strategy efforts and corporate goals in the future is largely determined by the characteristics of the company, such as the size of the assets owned by the company and the source of funding that the company obtains (equity composition).

Conclusions

Based on two different perspectives, namely stakeholder theory and resource based theory show that between CSR and CFP has significant influence. Measuring bank soundness levels required by Bank Indonesia since 2011 has pushed banks to perform better.

Tests conducted on 136 sample data from 17 banks listed on the Indonesia Stock Exchange since 2008-2015 show that in hypothesis testing model 1 stated that CSR has significant influence on ROA, CAR, BOPO, NPL and FV. The hypothesis 2 testing model states that all CFP measurement indicators have a significant effect on CSR.

The principle is that stakeholder theory and resource based theory can be used to link CSR and CFP. CSR which is still voluntary, is expected in the future can be used as a guide for all companies and become mandatory as this gives a good effect for corporate image. Other findings indicate that financial performance and market performance for all industry sectors are the main targets to be achieved as this will serve as the basis for stakeholder reference in decision making. The measurement of the soundness of the banks set by the Indonesian banks is considered as the determinant that encourages banks to operate better, and provide adequate assurance for stakeholders of the funds invested.

Future researcher is expected to be able to consider the mechanism of management and supervision of superior resources optimally. This management mechanism and supervision is inseparable from the role of managers, supervision boards, audit committees and board of commissioners. Researchers are also expected to consider the other important stakeholder interests of the government. The government's interference also contributed to the tax revenues.

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Corporate Sosial Responsibility and Financial Performance: Stakeholder Theory vs Good Management Theory

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ABSTRACT

Previous research related to social responsibility (CSR) and corporate financial performance (CFP) refers to different theoretical underpinnings. This study uses two different perspectives, namely stakeholder theory and resource based theory. This study focuses on the banking industry listed on the Indonesia`s stock exchange period 2008-2015. Bank Indonesia as a major central bank, which has big authority, has set a bank soundness rating since 2011. This provision encourages banks to improve their management and meet these requirement thus CSR and CFP are important indicators. The findings of this study indicate that CSR has a significant influence on CFP, and CFP also has a significant effect on CSR. The size of the influence of both is still determined by the size of the company, the composition of corporate funding sources and government intervention.

Keywords: Social responsibility, corporate financial performance.

1. INTRODUCTION

The relationship of Corporate Social Responsibility (CSR) and Corporate Financial Performance (CFP), in several previous studies, is based on two basic theories, namely stakeholder theory and good management theory or resource based theory. Stakeholder theory states that the main goal of the company is to maximize the wealth of its owner (Freidman, 1962) and then expand this view by including all stakeholders such as creditors, consumers, suppliers, governments, communities and others (Freeman, 1983). All resources management in the company is directed to meet the expectations of these stakeholders. Resource based theory (RBV) is a good management signal (Waddock, 1997). Every company has a goal to achieve competitive advantage. Competitive advantage can be achieved when companies own and manage excellent resources. By the existence of these superior resources, the company is able to do business strategy and ultimately able to achieve competitive advantage. Both theories are often used as the basis of previous studies, but sometimes these theories make a difference in its empirical testing.

Disclosure of CSR has become a debate among academics and companies. Discussion of CSR has also grown to almost 30 years, but it is still considered important and an interesting issue because it has an impact on the company's financial performance in the long run (Muritala.T, 2014). Also, on the contrary when the approach is directed to the interests of stakeholders, the company must be able to design a business strategy that is capable in achieving long-term competitive advantage. The banking industry in Indonesia as one of the financial services industry is overseen by many parties, including Bank Indonesia, the Financial Services Authority of customers (OJK), creditors and the public, of course, see that the sustainability of the company is important. The issue of CSR and CFP is still important to be discussed in the banking industry, especially since the disclosure of CSR has not been considered as a mandatory indicator. Therefore, this study focuses on the banking industry in Indonesia where the measurement indicators of CSR and CFP use their financial base information that is different from previous research.

The rapid changing corporate business environment has an impact on the increasing quality of information that will be shared with the public, both financial and non-financial (Renard, 2013), (Oh, 2015). Financial information can be the basis of stakeholders in strategic decision making. Stakeholders expect the financial information presented to be relevant and reliable. The transparency of bank financial information has become a demand of the public and in line with the growing national banking products and activities today. The strength of information in sustainability reporting reports or annual reports in which CSR discloses, is used by firms to measure profitability, growth rates and firm stability. Maximum profit is expected by the owner to guarantee assets, economic efficiency and it avoids taxes illegally (Aleksandra, 2013), (Tsoutsoura, 2004), (Muritala.T, 2014). The facts show that CSR has a significant effect on CFP, but depends on its industry character and government intervention in policy determination (Oh, 2015). Implementation of CSR will increase public trust in the company. It motivates investors to invest their funds. When the funds gained increased, the ability of the company to generate profits is increasing. A continuous increase in profits will increase the value of the company and this will make the company excel in competition (Aleksandra, 2013).

Investors still rely on financial performance information especially information on profitability (Muritala.T, 2014). Many CSR is done by companies after the financial crisis because it will increase profitability (Oh, 2015). Transparency is done due to the fact that companies that disclose non-financial performance have better financial performance than those not disclosing (Renard, 2013). CSR is a future investment that will remind the value of the company because its implementation further provides statutory guarantees and not only limited to charity or philanthropic activity alone (Marta, 2015). The financial performance desired by the company not only measures the ability to generate net profit, but also the value of the firm in the investor's view. However, research on firms in China in 2008-2014 suggests that corporate value decreases when there is a short-term CSR (Xiang, 2016). CSR is thought to have a negative impact on external financial sensitivity and investment that this condition affects the company's cash flow (Avishek, 2017). Other studies have pointed to the failure of CSR to influence financial performance (Aleksandra, 2013), (Hagberg, 2015). The policies set by the government are still unable to control the changes in the existing business environment (Hasan, 2009). The empirical gap that occurred in the previous research indicates the inconsistency of the results so that CSR and CFP relationships need to be reexamined using two different perspectives.

2. REVIEW OF LITERATURE

Financial performance aims to: (1) measure the achievements attained by an organization within a certain period reflecting the success rate of its implementation, (2) can be used to assess the contribution of a part in the achievement of the company's overall objectives, (3) can be used as a basis for guiding in making decisions and activities of the organization in general and divisions or parts of the organization in particular, and (5) as the basis for determining investment policy in order to improve the efficiency and productivity of the company (Munawir, 2012). An assessment of financial performance is important to mediate the conflict agent.

Stakeholder theory states that all stakeholders have the right to obtain information about the activities of companies that affect them (Freeman, 1983). The main purpose of the company is to maximize the determination of corporate strategy for the future, (4) Prosperity of the owner so that actually not only shareholders, but creditors, suppliers, government, society and others also become an important consideration for the company. Social issues become an interesting issue so companies try to maximize their economic performance. Attention to social, economic and environmental aspects is an integrated system (Mercedes, 2016). For companies and communities have great benefits from the improvement of corporate social aspects. Stakeholders need the transparency, efficiency and efficacy of managers in the effort to gain benefits and ensure the sustainability of the company (Renard, 2013). CSR disclosure by the company illustrates that the company is not only aimed at achieving profit, but the company still has attention to the social and environmental aspects.

CSR disclosure is expected to provide good image and imaging for the company. When the image and good image achieved the company, it will increase public investment. Public investment is a potential resource for companies in an effort to achieve competitive advantage. Companies must build relationships with stakeholders in the long term (Marta, 2015). Companies that disclose CSR are actually trying to strengthen its position in competition (Marta, 2015). Disclosure contains elements of legal compliance although it is still voluntary, but further it provides statutory guarantees that can be regarded as a long-term strategy. From the perspective of the stakeholder, the implementation of CSR makes management incur additional costs so that the impact on the decrease in profits obtained. Empirical testing supports that opinion (Luke, 2015), (Angus, 2016).

Good Management Theory in CFP and CSR Relationships

CSR disclosure is a solution to a definite social issue (Waddock, 1997). Social responsibility as a basic and varied multidimensional of organizational behavior associated with resources, processes and outputs generated. Corporate CSR implementation can be said to be an integral part of all the strategies that run the company. Companies and stakeholders in particular the community has great benefits from the increase of this social aspect. They can compare the profit of each company and have expectation to get better return on their investment.

CFP is defined as an indicator of corporate financial performance measurement used as a basis for decision making, both for internal and external parties (Oh, 2015), (Luke, 2015). Profit performance reflects the allocation of resources as expected by stakeholders. The efficiency of resource allocation is reflected in the company's financial performance. When there is a conflict between agents and principals, CSR is able to mediate their interests (Avishek, 2017). CSR disclosure is a consensus on an agreement to meet the transparency needs of business information and corporate credibility (Antonia, 2013). CSR is the most effective management tool in which stakeholders expect management to be accountable and demonstrate the truth of the allocation of resources. The disclosure of this CSR to stakeholders is a future corporate investment. When the company voluntarily discloses its social responsibility, investors increasingly trust the company's performance. Investors will be willing to invest funds in the company. The more assets managed by the company, the more opportunity to get maximum profit and the company is able to meet the expectations of investors in the form of dividends in the future.

H1: Disclosure of corporate social responsibility affects the company's financial performance.

Managers have a responsibility to manage resources that are optimally empowered in an effort to meet stakeholder expectations. This strategic effort is made to achieve the company's competitive advantage. This superior resource is expected to produce a better financial performance of the company as well. The optimization of the company's financial performance has been defined as the main target of the company and this affects the management strategy in its operations. One management strategy is the disclosure of its social responsibility and it is a solution to a definite social issue (Waddock, 1997). When the company is able to manage these superior resources optimally, then the company will be able to produce maximum corporate financial performance. Maximum corporate financial performance should be disclosed to stakeholders and other communities so that they trust the company more. Disclosure of social responsibility is a means of corporate promotion on the other. The higher the achievement of the company's financial performance will be, the higher the effort of corporate social responsibility disclosure.

H2: The company's financial performance affects corporate social responsibility disclosure.

3. RESEARCH METHOD

This study was conducted using panel data derived from annual reports and audited financial statements for the period 2008-2015 in the banking industry listed on the Indonesia Stock Exchange. The samples of this research are 40 banking service companies in Indonesia. The sample used is chosen by using purposive sampling method which consider certain limitations and criteria for the sample that is suitable with the purpose of research, those are: (1) Conventional Commercial Bank listed in Indonesia Stock Exchange in period of 2008-2015, (2) Company issuing financial statements Annual (Annual Report) in a row from 2008 to 2015.

CSR data is obtained from annual report of banking services company. CSR measurements use indexes submitted by the Global Reporting Index (GRI-4) and are based on social, economic and environmental aspects. The CFP data is obtained from the audited financial statements of banking services companies. There are two approaches used, namely accounting approach and market approach. The accounting approach is geared to meeting the internal interests of the company, while the market approach is directed to look at the interests of other outside stakeholders.

Dependent and Independent Variables

The variables used in this research are CSR and CFP. The CSR variable is a form of corporate social responsibility disclosure to the surrounding community and is measured by the number of items disclosed compared to the average disclosure of all sample firms. The CFP variable which is a measure of the company's financial performance uses two approaches. CFP is a measure of the health performance of the banking industry that aims to assess the efficiency and profitability achieved. CFP includes five (five) indicators used, namely Return on Assets (EBIT and total asset ratio), Net Profit Margin Ratio (EBIT ratio and operating income), Capital Adequacy Ratio (Non-Performing Loan (Comparison of non-performing loans and total loans given), and one market approach that used Firm Value as measured by Tobin's Q model (comparing the market value of the company's stock to the book value of the company's equity).

Control Variables

In order to increase the estimation of variables outside the dependent and independent variables, control variables are required. As the result of previous research showing the coefficient of determination is small, it is possible to consider the control variables (Husted, 2007), namely debt policy, company size, company growth rate, innovation and risk. The five variables were chosen because they have been used extensively in previous studies related to CSR studies (Isabel, 2011), (Luke, 2015), (Tsoutsoura, 2004), (Mercedes, 2016), (Aleksandra, 2013), (Xiang, 2016).

The variable leverage policy is measured from the ratio between total debt and total equity. The firm size variable (size) is measured from the total asset logarithm. Variable growth rate (growth) company is measured from total gross revenue.

Analysis Technique

Based on the variables chosen in hypothesis testing, the research model was developed where CFP is a function of CSR, leverage, size, growth and age:

$$ROA = \alpha + \beta 1CSR + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon \quad (1.1)$$

$$CAR = \alpha + \beta 1CSR + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon \quad (1.2)$$

$$NPM = \alpha + \beta 1CSR + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon \quad (1.3)$$

$$NPL = \alpha + \beta 1CSR + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon \quad (1.4)$$

$$NIM = \alpha + \beta 1CSR + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon \quad (1.5)$$

$$BOPO = \alpha + \beta 1CSR + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon \quad (1.6)$$

$$FV = \alpha + \beta 1CSR + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon \quad (1.7)$$

Another hypothesis is used to represent that CSR is a function of CFP, leverage, size, growth and age:

$$CSR = \alpha + \beta 1ROA + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon \quad (2.1)$$

$$CSR = \alpha + \beta 1NPM + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon \quad (2.2)$$

$$CSR = \alpha + \beta 1NPL + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon \quad (2.3)$$

$$CSR = \alpha + \beta 1CAR + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon \tag{2.4}$$

$$CSR = \alpha + \beta 1NIM + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon \tag{2.5}$$

$$CSR = \alpha + \beta 1BOPO + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon \tag{2.6}$$

$$CSR = \alpha + \beta 1FV + \beta 2Lev + \beta 3Size + \beta 4Growth + \beta 5Age + \varepsilon \tag{2.7}$$

where,

CSR Is corporate social responsibility, as measured by the number of CSR indicator disclosure items by GRI-4 divided by the average disclosure of all samples.

ROA Is a return on asset, which is measured on the ratio of earning before tax, divided by total assets.

NPL Is a non performing loan, which is measured on the ratio of the amount of bad loans, divided by the total loan given.

CAR is the capital adequacy ratio, which is measured on the ratio of banking capital divided by risk-weighted assets.

NPM is net profit margin, which is measured on earning before tax ratio divided by operating income.

NIM is the net interest margin, which is measured on the ratio of net interest income divided by the average earning assets.

BOPO is the profitability measured on the ratio of operating expenses to operating income.

FV is the firm value, which is measured by the ratio of the market value of the company's stock to the book value of the company's equity.

LEV is leverage, which is measured by the ratio of total debt divided by total equity.

SIZE is the size of the company, which is measured by the total asset logarithm.

GROWTH is the growth rate of a company, which is measured on the amount of gross profit before tax.

AGE is the age of the company, which is measured from the date of the establishment until the date of financial reporting.

4. RESULT AND DISCUSSION

This study has been conducted on 136 sample data from 17 conventional banks listed on Indonesia Stock Exchange for a period of research for 8 years. There is only 1 sample data issued to meet the requirements of data normality. The Kolmogorov-Smirnov (Test Statistic) value is 0.060 so it can be stated that the data is normally distributed.

Descriptive statistical results that correspond to the minimum, maximum, mean and standard deviation values for numerical variables. Variable growth and firm size have heterogeneous data or very high data variation. This shows the grouping of the banking industry in small, medium and large categories in terms of net income received and total assets owned. Banking companies experience an average increase of assets each year from 2008 to 2015 is equal to 0.20 per year. The increase was due to an increase in consumer financing receivables and net investment in finance leases. The increase is a form of business banking company in maintaining its financial capabilities. Economic resources owned by large-scale banks can provide greater benefits in the future. This supports the growth of income earned by banks.

Disclosure of CSR indicator refers to GRI-4 (GSSB, 2016) but only 18 items exist in banking companies that include economic indicators, environmental performance, labor performance, community performance and product responsibility performance. Indicators of community and environmental performance have the lowest average because the activities undertaken by banking companies have no direct impact on the community and the surrounding environment. However, banking companies continue to pay attention to communities and the environment as a form of social responsibility through programs such as habitat protection or renewal of an ecosystem or environment for environmental performance indicators, while for community performance indicators designed programs on the nature, scope and The effectiveness of each program and practice undertaken to assess and manage the impact of operations on communities.

Table 1
Hypothesis 1 test

Variable	*Minimum*	*Max*	*Mean*	*Std deviation*
CSR	0,33	1,00	0,7985	0,14252
FV	0,36	1,35	0,9633	0,12882
ROA	–0,70	4,46	2,0185	1,16908
NPL	0,00	0,11	0,0194	0,01725
NIM	0,00	0,55	0,0717	0,05296
CAR	0,00	46,49	14,4440	6,21553
BOPO	0,02	108,00	51,0891	40.46721
NPM	–13,20	49,16	11,3530	12,78709
GROWTH	–47.601.231.850	32.494.000.000.000	4.601.947.679.287	7.290.571.464.900
AGE	10	120	56	27,03634
SIZE	1.359.880.324	910.063.409.000	164.966.347.707	2,05824
LEV	0,34	0,94	0,8757	0,06405

Table 1 below shows the test results based on the variables chosen in hypothesis testing 1. The research model was developed where CFP is a function of CSR, leverage, size, growth and age. Test results show that CSR affects ROA, CAR, BOPO, FV at 1%, 5% and 10% significance levels. CSR affects NPLs at significant levels of 5% and 10%, whereas CSR affects NIMs only at a significant level of 10%. CSR has no significant effect on NIM and NPM. Strong control variable predictors underlying variable relationships are firm size and leverage level.

Table 2
Hypothesis 2 test

Variabel	*Minimum*	*Maximum*	*Mean*	*Std deviation*
CSR	0,33	1,00	0,7985	0,14252
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Table 2 below shows the results of hypothesis 2 testing used to represent that CSR is a function of CFP, leverage, size, growth and age. The test results show that all the proxies of company financial performance measurement is able to influence CSR with predictor of control variable is company size.

The level of banking health measurement has become a serious concern and banks are required to comply with the provisions. The rating of bank health in Indonesia to date is largely based on CAMEL factors (Capital, Assets Quality, Management, Earning and Liquidity). Lack of capital is a common phenomenon experienced by banks in developing countries. Lack of capital can be sourced from the first two things, the first is due to the small amount of capital and the second is poor quality of capital. The shareholders and management of the bank must be fully responsible for the invested capital. Capital adequacy is calculated from the capital adequacy ratio or commonly referred to as Capital Adequacy Ratio (CAR). At present, in accordance with applicable Bank Indonesia regulations, a bank's CAR is at least 8%. Another important measurement is earnings that show the ability of banks to generate profits and this can be seen from ROA and BOPO. In addition, Bank Indonesia also set a non-performing loan (NPL) ratio of 5% in which the NPL shows the performance assessment of bank functions. When investors view the stock price of a publicly delivered company as reflecting a reliable value received by the investor and indicating its operational sustainability, then the measurement of firm value is an appropriate measure.

Health level measurement indicators that include ROA, CAR, BOPO, NPL and firm value (FV) become indicators that measure the ability of banks in maintaining business continuity. The matters required by Bank Indonesia shall be submitted to stakeholders to provide reasonable assurance regarding the management and oversight functions of their funds. As stakeholder theory shows all stakeholders have the right to obtain information about company activity (Freeman, 1983). Disclosure of CSR is a comprehensive corporate strategy in an effort to improve the financial performance of the company (Mercedes, 2016). For companies and communities, it has great benefits from the improvement of corporate social aspects. Stakeholders need the transparency, efficiency and efficacy of managers in the effort to gain benefits and ensure the sustainability of the company (Renard, 2013). Banks should be able to build relationships with stakeholders in the long term to achieve competitive advantage. This study supports research conducted (Oh, 2015), (Renard, 2013), (Muritala.T, 2014), (Tsoutsoura, 2004), (Aleksandra, 2013), (Antonia, 2013), (Tsoutsoura, 2004), (Hasan, 2009).

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Other findings in this study, there are two important things. The first finding that issues related to social responsibility and corporate financial performance can be used two theoretical bases, namely stakeholder theory or resource based theory. Both theoretical underpinnings have different perspectives. Stakeholder theory emphasizes the interests and expectations of stakeholders, especially investors for the performance of the company's financial performance. Resource-based theory emphasis more on the efforts of management strategies in managing corporate assets derived from funds invested by investors. The second finding that corporate strategy efforts and corporate goals in the future is largely determined by the characteristics of the company, such as the size of the assets owned by the company and the source of funding that the company obtains (equity composition).

5. CONCLUSION, LIMITATIONS AND SUGGESTIONS

Based on two different perspectives, namely stakeholder theory and resource based theory show that between CSR and CFP has significant influence. Measuring bank soundness levels required by Bank Indonesia since 2011 has pushed banks to perform better.

Tests conducted on 136 sample data from 17 banks listed on the Indonesia Stock Exchange since 2008-2015 show that in hypothesis testing model 1 stated that CSR has significant influence on ROA, CAR, BOPO, NPL and FV. The hypothesis 2 testing model states that all CFP measurement indicators have a significant effect on CSR.

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Future researcher is expected to be able to consider the mechanism of management and supervision of superior resources optimally. This management mechanism and supervision is inseparable from the role of managers, supervision boards, audit committees and board of commissioners. Researchers are also expected to consider the other important stakeholder interests of the government. The government's interference also contributed to the tax revenues.

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