

The Effects of Corporate Social Responsibility to the Corporate Value

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Abstract

This study aims to determine the influence of Corporate Social Responsibility to the company value. The research used quantitative method, which is conducted through data collection with secondary data from Indonesia Stock Exchange. While the population of all plastic and packaging sub-sector of manufacturing companies listed on Indonesia Stock Exchange which are as many as 14 companies, the sample fulfilled the criteria used in this research is 12 companies of plastic and packaging manufacturing company listed on Indonesia Stock Exchange from 2013 until 2017. Data analysis was conducted by using simple linear regression statistic method and hypothesis testing with t test. The results indicate that Corporate Social Responsibility have a positive effect to the corporate values of manufacturing company which is classified in manufacturing plastic and packaging sub-sector listed on Indonesia Stock Exchange. Practical and theoretical implications were also discussed.

Keywords

Corporate social responsibility, corporate value, global reporting initiative

1. Introduction

The company is nowadays no longer faced with the responsibility that is based on the single bottom line, that is the firm value which is reflected in the financial condition only. However, the company's responsibility should rest on the triple bottom lines (Savitz, 2013). Here the bottom lines other than financially are also social and environmental, because the financial condition alone largely used in last decades is not enough to guarantee the value of the company to grow sustainably (Waddock et al., 2002). The sustainability of the company will only be ensured if, the company takes into account the social and environmental dimensions. It is a fact of how the resistance of the surrounding community, in various places and time, comes to the forefront of companies that are deemed not to pay attention to its social, economic and environmental aspects (Kurniawan, 2017).

Corporate Social Responsibility is a mechanism for an organization to voluntarily integrate social environmental concerns to its operations and interactions with stakeholders that exceed the legal or organizational responsibilities (Putri, 2013). Corporate Social Responsibility refers to all relationships between a company and all stakeholders, including customers or customers, employees, communities, owners or investors, governments, suppliers, and even competitors. The ups and downs of firm value are also influenced by the company's ownership structure. Siallagan & Machfoedz (2006) argue that the greater managerial ownership in the company then management will tend to improve its performance for the benefit of shareholders and their own interests. Nurlela (2013) makes managerial ownership as a moderating variable in the relationship between disclosure of Corporate Social Responsibility and Corporate Value.

Corporate Social Responsibility (CSR) activities undertaken by plastic and packaging sub-sector manufacturing companies are the company's efforts to get closer to the community therefore the company conducts CSR, CSR program for the community since 2010-2016 as a whole can be divided into 5 pillars, among others: 1) Building Human Capital, 2) Outreaching To The Community, 3) Strengthening Economic Value, 4) Protecting The Environment and 5) Solidarity For Humanity (Indofood, 2016).

Corporate Social Responsibility (CSR) program of plastic and packaging manufacturing sub-sector shows that there is a very high awareness to society concerning issues of social concern. Hence, this study aims to analyze in directly the effect of Corporate Social Responsibility affect the value of the company. As a scope of this research, Corporate Social Responsibility was measured by GRI (Global Reporting Initiative) standard, which is only using economic, environmental and social performance indicators towards manufacturing companies in plastic and packaging sub-sector listed on Indonesia Stock Exchange (IDX).

2. Theoretical Basis

2.1. Corporate Social Responsibility

CSR is not a voluntary, but it becomes a demand for the company to be able to survive and develop in accordance with the provisions in the Law on CSR. Article 74 of Law No. 40 of 2007 requires the company to issue CSR funds. This CSR is mandatory for companies that run their business activities in the field and/or related to natural resources. Referred to as “a company that carries out its business activities in the field of natural resources” means a company whose business activities are managing and utilizing natural resources. Whereas “a company that conducts its business activities related to natural resources” is a company that does not manage and does not utilize natural resources, but its business activities have an impact on the function of natural resource capability.

According to Hopkins (2004), CSR is concerned with treating the stakeholders of the firm ethically or in a responsible manner. Ethically or responsible means treating stakeholders in a manner deemed acceptable in civilized societies. Social includes economic responsibility. Stakeholders exist both within a firm and outside. The natural environment is a stakeholder. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for people both within and outside the corporation (Lindrawati et al., 2008).

Accordingly, corporate social responsibility is defined that social responsibility is an ongoing commitment of business people to uphold business ethics in operation, contribute to sustainable development, and strive to support the improvement of living standards and welfare for workers, including improving the quality of life for the surrounding community (Hahn, 2009).

2.2. Disclosure of Corporate Social Responsibility

According to Cong and Freedman (2011), there are three approaches in reporting social performance in terms of social audit and social report. There approaches enable companies to use to report their social responsibility activities. These were then summarized by Dilley and Weygandt (1973) into the four groups of inventory approach, cost approach, program management approach and cost benefit approach (Henny & Murtanto, 2008; Kuntari & Sulistyani, 2007).

Moreover, there was Social Disclosure in Annual Report. Social disclosure is the disclosure of information about a company's activities related to the company's social environment. Social disclosure can be done through various media such as annual report, interim report/preliminary report, prospectus, announcement to the stock exchange or through mass media. Social disclosures by companies are generally voluntary, unaudited, and unregulated (not influenced by certain rules). Darwin (2004) stated that Corporate Social Responsibility is divided into 3 categories: economic performance, environmental performance and social performance (Angraini, 2006). In this study, it identifies matters relating to corporate social

reporting based on GRI (Global Reporting Initiative) standard. The Global Reporting Initiative (GRI) is an organization-based network that has pioneered the development of the world, using the most sustainability report framework and is committed to continual improvement and deployment worldwide (www.globalreporting.org). A list of social disclosures based on GRI standards has also been used by Dahli and Siregar (2008), using six disclosure indicators: economic, environmental, labor, human rights, social and product. Indicators contained in the GRI are Economic Performance Indicator, Environment Performance Indicator, Labor Practices Performance Indicator, Human Rights Performance Indicator, Social Performance Indicator and Product Responsibility Performance Indicator.

2.3. Corporate Value

Company value is defined as market value because firm value can give maximum shareholder prosperity if share price of company increases. Various policies are taken by management in an effort to increase the value of the company through increasing the prosperity of owners and shareholders reflected in stock prices (Brigham & Houston, 2012).

According to Sujoko & Soebiantoro (2007), the value of the company is the perception of investors to the success rate of the company that is closely related to the stock price. High stock prices make the value of the company also high, and increase market confidence not only to the company's current performance but also on the prospects of the company in the future (Hermuningsih & Wardani, 2009). The price of shares used generally refers to the closing price, and is the price that occurs when the stock is traded in the market (Fakhrudin & Hadianto, 2001).

3. Method

For this study, the indicators used of GRI standards are in its three categories, namely economic performance indicator, environment performance indicator and social performance indicator. Social performance indicator includes four indicators comprising employment performance indicators, human rights, social/community, and products.

Measurement of company value, according to Weston & Copelan (1991) was calculated by the ratio of valuation of the company which consists of:

- Price Earning Ratio (PER)

$$PER = \frac{\text{Market price per share}}{\text{Profit per share}} \quad (1)$$

- Price to Book Value (PBV)

$$PBV = \frac{\text{Market price per share}}{\text{Book value of shares}} \quad (2)$$

- Tobin's Q

One of the alternatives used in assessing corporate value is by using Tobin's Q. Tobin's Q was developed by professor James Tobin (Weston & Copeland, 1991). Tobin's Q is calculated by comparing the ratio of the market value of the company's stock to the book value of the company's equity. The formula is as follows:

$$Q = \frac{(MVE+DEBT)}{TA} \quad (3)$$

Information:

Q = Corporate value

MVE = Market value of equity (number of shares outstanding × closing price)

DEBT = (Current debt - current assets) + book value of inventory + long-term debt

TA = Total book value of assets

Measurement of firm value using Tobin's Q because this ratio is assessed can provide the best information. The Tobin's Q includes all the elements of debt and equity capital of the company, not only ordinary shares and not only the company's equity is included but all the assets of the company (Sukamulja, 2005; Permasari, 2010).



Figure 1: Conceptual Framework

3. Research Methods

3.1. Research Design

This research is quantitative research with population is Financial Statement of Manufacturing Company of plastic and packaging sub sector listed in Indonesia Stock Exchange. The sample of this research is financial report in the form of balance sheet and profit/loss 12 Manufacturing Company plastic and packaging sub-sector listed in Indonesia Stock Exchange year 2013 through 2017. Data analysis uses mediation regression.

3.2. Operational Definition and Variable Measurement

As independent variable, the study explored the role of Corporate Social Responsibility (X). The information on Corporate Social Responsibility (X₁) was based on GRI (Global Reporting Initiative) standard. GRI consists of 3 focus of disclosure, that are economy, environment and social aspects. Given that few companies in Indonesia report their economic, social and environmental performance in the form of sustainability reporting, this study is limited to data

contained in the company's annual report. This happened so that there is no gap between companies that have made sustainability reporting with companies that have not made it. Calculation of CSR in this study is done by using dummy variable, that are "0" if the company does not reveal any item on the questionnaire, and "1" if the company reveals items on the questionnaire.

Moreover, CSR disclosure index based on GRI (Global Reporting Initiative) standard were utilized some indicators that are Economic Performance Indicator, Environment Performance Indicator, Labor Practices Performance Indicator, Human Rights Performance Indicator, Social Performance Indicator, and Product Responsibility Performance Indicator.

For this study, the indicators used are only three categories, namely indicators of economic performance, environmental and social. Social performance indicators include four indicators comprising labor performance indicators, human rights, social/community, and products.

As for dependent variable, the study used Tobin's Q as calculated by comparing the ratio of the market value of the company's stock to the book value of the company's equity. The formula is as follows:

$$Q = \frac{(MVE+DEBT)}{TA} \quad (3)$$

Information:

Q = Corporate value

MVE = Market value of equity (number of shares outstanding × closing price)

DEBT = (Current debt - current assets) + book value of inventory + long-term debt

TA = Total book value of assets

This ratio is considered to provide the best information, because in Tobin's Q include all the elements of debt and stocks equity of the company, not only ordinary shares and not only the company's equity that is included but all assets of the company. Including all the assets of the company means that the company is not only focused on one type of investor, i.e. investors in the form of shares but also to the creditor because the source of the company's operational financing is not only from equity but also from loans provided by the creditor. So the greater value of Tobin's Q indicates that the company has good growth prospects. This can happen because the greater market value of the company's assets compared to the book value of the company's assets, the greater willingness of investors to issue more sacrifices to own the company (Sukamulja, 2004; Permanasari, 2010).

3.3. Population

The population that became the object of this research is the plastic and packaging manufacturing sub-sector listed on the Indonesia Stock Exchange (IDX) from 2013 until 2017, amounting to 13 companies. Sampling using purposive

sampling method that aims to get the sample in accordance with the criteria in this study. Here are the criteria in the sampling of research objects, namely:

1. Companies engaged in manufacturing plastic and packaging sub-sector.
2. Companies that have been listed on IDX for 5 years.
3. Companies that have published their financial statements on www.idx.co.id for 5 years respectively.

Table 1: Company lists

No.	Company name	Stock code
1	Argha Karya Prima Industry Tbk.	AKPI
2	Berlina Tbk.	BRNA
3	Titan Kimia Nusantara Tbk.	FPNI
4	Champion Pasific Indonesia Tbk.	IGAR
5	Indopoly Swakarsa Industry Tbk.	IPOL
6	Siwani Makmur Tbk.	SIMA
7	Trias Sentosa Tbk.	TRST
8	Yana Prima Hasta Persada Tbk.	YPAS

The type of data in this study uses quantitative and qualitative data. Technical data analysis using simple linear regression.

3.4. Data Analysis

As for Corporate Social Responsibility (X), it will be measured using the Corporate Social Disclosure Index (CSDI). Information on Corporate Social Disclosure Index (CSDI) to be used in this study based on GRI. In GRI contains several indicators of Economic Performance Indicators, Environmental Performance Indicators, Performance Indicators of Labor, Performance Indicators of Human Rights, Social Performance Indicators and Product Performance Indicators

Table 2 showed the value of CSR in manufacturing companies engaged in plastic and packaging sub-sector listed on Indonesia Stock Exchange year 2012-2016.

Table 2: Corporate social responsibility of the manufacturing companies plastic and packaging sub-sector listed on Indonesia stock exchange year 2012-2016

Companies	Year	Csr (x)	Companies	Year	Csr (x)
AKPI	2013	23,4	IPOL	2013	24,35
	2014	23,7		2014	23,71
	2015	24,1		2015	20,9
	2016	24,5		2016	20,8
	2017	24,6		2017	22,4
BRNA	2013	21,67	SIMA	2013	21,67
	2014	20,12		2014	20,12
	2015	17,51		2015	17,51
	2016	17,48		2016	17,48
FPNI	2013	18,6	TRST	2013	18,6
	2014	20,3		2014	20,3
	2015	21,2		2015	21,3
	2016	21,3		2016	21,4
	2017	21,4			

	2017	22,3		2017	22,3
IGAR	2013	23,4	YPAS	2013	27,4
	2014	23,7		2014	27,8
	2015	24,1		2015	27,9
	2016	24,5		2016	27,8
	2017	24,6		2017	28,2

Source: Processed Data, 2018

In this study the value of manufacturing companies 2013-2017 is calculated by using Tobin's Q. Table 3 showed the value of Manufacturing Companies engaged in Manufacturing plastic and packaging sub-sector listed on the Indonesia Stock Exchange 2013-2017.

Table 3: The value of manufacturing company engaged in manufacturing plastic and packaging sub-sector listed on Indonesia stock exchange 2013-2017

Companies	Year	Corporate value (y)	Companies	Year	Corporate value (y)
AKPI	2013	882,06	IPOL	2013	4,76
	2014	513,23		2014	1,44
	2015	164,62		2015	1764,74
	2016	429,81		2016	1852,83
	2017	676,44		2017	18,82
BRNA	2013	5478,76	SIMA	2013	1846,80
	2014	6971,91		2014	2394,78
	2015	6260,29		2015	1810,79
	2016	400,11		2016	2404,90
	2017	3341,34		2017	2846,22
FPNI	2013	2,43	TRST	2013	2,28
	2014	2,79		2014	2112,10
	2015	3,04		2015	2313,42
	2016	2,91		2016	2321,43
	2017	3,39		2017	2202,83
IGAR	2013	0,98	YPAS	2013	5797,47
	2014	9,41		2014	2833,04
	2015	0,36		2015	3,65
	2016	0,64		2016	2992,85
	2017	1,06		2017	2193,34

Source: Data Processed, 2018

4. Results

Corporate social responsibility is expressed among others in a report called Sustainability Reporting. CSR can be sustainable if the program created by a company is really a joint commitment of all the elements that exist within the company itself. Certainly, without commitment and support with enthusiasm from employees will make the programs like a pension program from shareholders alone. By engaging employees intensively, the value of these programs will give a very big meaning to the company.

The main purpose of the company is to increase the value of the company. The value of the company will be guaranteed to grow sustainably if the company takes into economic, social and environmental dimensions, because sustainability is a balance between economic, environmental and community interests. The dimensions are in the implementation of Corporate Social Responsibility by the company as a form of responsibility and concern for the environment around the company. Nurlela (2013) mentioned Corporate Social Responsibility has a significant effect to the company value.

Table 4: Linear regression

Model	Coefficients ^a		Standardized coefficients	T	Sig.
	Unstandardized coefficients				
	B	Std. Error	Beta		
(Constant)	-5340.423	2822.136		-1.892	.063
Csr(x)	14530.672	6193.329	.294	2.346	.022

Dependent Variable: Corporate Value (Y)

The statistical calculations showed that the value of t-score obtained $2.346 > t_{table} = 2.011$. The value of significance obtained by $0.022 < 0.05$ then it can be said that CSR has a significant effect on Corporate Value. Based on the value of t-score and calculated sig value, it can be concluded that good Corporate Social Responsibility positively affects the company value.

On CRI standards, the assessment was linked to the economic, environment and social aspects. The economic dimension of organizational sustainability affects the economic conditions of stakeholders and economic systems at the local, national, and global levels. Economic indicators illustrate the capital flows among various stakeholders, and the main economic impacts of the organization of the whole society. Furthermore, the environmental dimension of organizational sustainability affects life in the natural system, including ecosystems, land, air, and water. Environmental performance indicators related to inputs (materials, energy, and water) and output (emission/gas, river waste, dry waste). In addition, their performance includes performance related to biodiversity, environmental compliance, and other relevant information such as environmental waste and the impact of products and services (www.globalreporting.org). Lastly, the social dimension of the sustainability of an organization has had an impact within the operating social system. GRI social performance indicators identify key performance aspects that include labor/labor practices, human rights, community/social, and product responsibility (www.globalreporting.org).

Based on the results of research, partially (t-test) shows that Corporate Social Responsibility (X2) has a significant effect on Corporate Value (Y). Disclosure of this CSR is a positive signal given by the company to an outsider company that will be responded by stakeholders and shareholders through changes in stock price of the company and changes in corporate profits. Corporate Social Responsibility is a

mechanism for a company to voluntarily integrate attention to the social environment into its operations and its interaction with stakeholders, beyond the social responsibility in law field (Darwin, 2004; Syahnaz, 2013). This is supported by Syahnaz (2013) showing that corporate social responsibility (CSR) had a significant positive effect on the company's financial performance which was scored with return on assets (ROA) and return on equity (ROE). This indicates that more disclosure of social responsibility activities improves the financial performance of banking companies.

4. Conclusion

Based on the results of the analysis and discussion that has been done, it can be concluded that Corporate Social Responsibility has a positive effect on the Value of Manufacturing Companies engaged in manufacturing plastic and packaging sub-sector listed on the Indonesia Stock Exchange. This indicates that the increasing of Corporate Social Responsibility will increase the Company Value generated by the company. Practically, the study encourage the banking companies registered in IDX, the activities in corporate social responsibility should be continued and disclosed in annual report. For investors in looking for a company to invest, it is better to consider its social activities factor because companies that have a participation in social activities are preferred environment.

Further research is expected to use the addition of the concept of Triple Bottom Line (TBL). Nowadays, companies cannot pay attention to profits only. Elkington & Hailes (1988) introduced the concept of Triple Bottom Line (TBL or 3BL). Also 3P - People, Planet and Profit. In short, these three are the pillars that measure the success of a company with three criteria: economic, environmental, and social. In fact, this approach has been widely used since early 2007 as the development of a full cost accounting approach used by many companies in the public sector. In private sector companies, the implementation of Social Responsibility (CSR) is a form of TBL implementation.

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