Corporate Social Responsibility and Corporate Performance in Indonesia

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Abstract

This study examines company profits, sales (product price multiplied by total products sold), employee performance as reflected by total production x product price, corporate social responsibility funds and employee welfare as reflected in employee income in 25 public companies listed on the Stock Exchange. Indonesia randomly sampling uses secondary data from annual reports published by related companies which are then processed. quantitatively using the moving average autoregression method. We find that corporate social responsibility along with sales, employee performance and employee welfare is positively related to company profits.

Keywords : Corporate Social Responsibility, Indonesia, Corporate Performance

Background

Corporate Social Responsibility is an obligation that must be fulfilled by a company to participate in protecting the environment and improving the welfare of the community around the company which ultimately has a positive impact on the company (Žukauskas et al,2020). Corporate social responsibility has an impact on the sales level of most companies in various business fields (Idowu & Vertigans,2016). Corporate social responsibility provides a positive image for the company and gives employees a sense of pride and loyalty (Thornton et al,2018).

Employee involvement in corporate social responsibility or CSR programs has an impact on improving performance within the company. The CSR program has a psychological impact on employees which has an impact on increasing work performance. Corporate social responsibility also has an impact on improving the safety of the company's environment and increasing employee satisfaction with the company (McWilliams et al,2019).

Corporate social responsibility is a corporate social concern outside the company. However, company concern must also be applied to a fair management system. Fair human resource management is a management system that cares, develops and improves employee welfare. In addition, human resource management must also be oriented towards preserving the environment and society so that employees can also behave well and with respect to the surrounding community (Hopkins,2012).

Increasing employee performance has an impact on increasing production with the same resources. This also needs to be supported by increased sales and fair rewards to employees. So there are four complementary and related factors, namely company income, sales, employee performance, corporate social responsibility funds and employee welfare in the form of employee income (Kaydos,2020).

Literature Preview

The decision on corporate social responsibility depends on the decision-maker in the company. Company actions reflect the people who are in the company from leaders to employees. Corporate social responsibility does not only have a positive impact on the company's image but also has a positive effect on the image of the employees who work in it (Tench et al,2018).

Corporate social responsibility is a reflection of the concern of the people who work at the company for their environment so that social responsibility corporates from the sense of caring of company employees for the environment and for their fellowmen. When corporate social responsibility has a spirit of concern for fellow humans and the environment, it becomes the spirit of all employees, it will have an impact on better customer service, better employee confidence levels and better performance (McWilliams et al,2019).

Psychologically, corporate social responsibility has an impact on all employees and encourages employees to work better in order to increase their care and concern for others and the nature around the company. Corporate responsibility with a sense of care has an impact on better and more environmentally friendly waste management. As well as an increased sense of security and calm at work. Corporate social responsibility becomes a program that brings together people as consumers and companies as producers to form loyal consumers (Schein,2016).

Consumer loyalty, increased employee performance have an impact on increased production that goes hand in hand with product sales and ultimately increases company revenue and profits. Where when there is an increase in profits, the company will be encouraged to issue more Corporate social responsibility and have an impact on increasing profits in the future. It continues to rotate and makes the company progress and develop (Widarni & Bawono,2020).

Research Method

This study examines company profits, sales (product price multiplied by total products sold), employee performance as reflected by total production x product price, corporate social responsibility funds and employee welfare as reflected in employee income in 25 public companies listed on the Stock Exchange. Indonesia randomly sampling uses secondary data from annual reports published by related companies which are then processed. quantitatively using the moving average autoregression method with the following equation:

$$Y_t = C_t + \beta_1 S_{t1} + \beta_2 EP_{t2} + \beta_3 EI_{t3} + \beta_4 CSR_{t4} + et$$

Where,
Y = Company Profits
C = Constant
S = Sales (product price x total products sold)
EP = Employee Performance (Total production x product price)
EI = Employee Income
CSR = Corporate Social Responsibility

e = Error Term

All variables are calculated in USD.

Result and Discussion

The estimation results are as follows:

Y = 7.41467073089 + 10.9006539088*CSR + 0.000971846692976*EI + 1.78346594393e-05*EP + 6.03891235084e-06*S

From the estimation results, Corporate social responsibility (CSR) is a variable that is positively related to company profits along with employee welfare (EI), employee performance (EP) and sales (S) variables. Where the variable that most strongly influences profit is sales. When sales increase by just 0.00000604%, it can increase profits by 1%. And the CSR variable is a variable that has a positive relationship with company profits but is not too strong. Where to increase profits by 1% required an increase in CSR by 10%. Table 1 illustrates the estimation results as follows:

Table 1. Estimation Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.414671	2.862275	2.590482	0.0205
CSR	10.90065	0.019991	545.2883	0
EI	0.000972	0.003648	0.266423	0.7935
EP	0.0000178	8.79E-05	0.202821	8.42E-01
S	0.00000604	2.57E-05	0.235215	8.17E-01
R-squared	0.8521345	Mean dependent var		578336.7
Adjusted R-squared	0.8421352	S.D. dependent var		207669.3
S.E. of regression	3.37E+00	Akaike info criterion		5.480499
Sum squared resid	170.435	Schwarz criterion		5.729432
Log likelihood	-49.80499	Hannan-Quinn criter.		5.529093
F-statistic	1.80E+10	Durbin-Watson stat		1.703837

Based on the estimation results described in Table 1., it can be seen that the R-square is very high so that changes in sales, employee performance, corporate social responsibility funds and employee welfare have a significant positive impact on company profits and can be accounted for with a true level of 85%.

Conclusion

Corporate social responsibility activities have a strong influence on company profits. Where every 10% increase in corporate social responsibility funds will be followed by a 1% increase in company profits. This proves that corporate social responsibility activities are proven to be able to increase company profits.

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