The Effects of Corporate Social Responsibility on Financial Performance on Indonesian Public Listed Tobacco Companies

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Abstract: This research is aimed at examining the effect of Corporate Social Responsibility (CSR) information reveal in company annual report on company financial performance. CSR is proxies in independent variable which are Economy performance (X1), Environment Performance (X2) and Social Performance (X3). On the other hands, financial performance is proxies by four dependent variable which are Current Ratio (Y1), Debt Ratio (Y2), Net Profit Margin (Y3) and Return on Assets (Y4) on tobacco listed in Indonesia Stock Exchange. Research method used is panel data analysis using EViews 9 software. Purposive sampling is chosen and three companies are used as the sample. Data used in this research is annual financial report of tobacco sub Sector Companies that have been audited in 2010-20117 period. Based on the examination report CSR can only explain one of four financial performance measurements, that is Debt Ratio around 62.6%. Meanwhile for other financial performance measurement such as Current Ratio, Net Profit Margin and Return on Assest, CSR has not been able to explain. All and all it can be concluded that CSR activity cannot quite describe company's financial performance. It can be seen through hypothesis testing result (test-*F*, test-*t*) as well as the measurement of data panel model goodness as in determination coefficient (*R*-Square). The next research should add more indicators of the latest CSR, other variables beside of CSR and longer period of research.

Keywords: Corporate social responsibility, current ratio, debt ratio, net profit margin, return on assets

INTRODUCTION

When a company earns profits or maximum profits, the level of social inequality and environmental damage is even higher because of the company's activities that are not controlled by various resources to increase company profits. In addition to parties directly related to the company, the community and the environment around the company also feel the impact caused by the company's operations. It is intended that the company is not only required to focus on improving and improving the internal conditions of the company or in terms of seeking profit, but also the company is required to focus on developing social relations on the external conditions of the company which are corporate social responsibility to stakeholders. Social responsibility both internally and externally is called CSR.

CSR is a commitment of a company or business world (corporation) to contribute to sustainable economic development by paying attention to corporate social responsibility and emphasizing a balance between attention to economic, social and environmental aspects (Fahmi, 2013; Yoo, Lee, & Lee, 2016). Companies that have carried out

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CSR activities believe that no company can stand alone and be sustainable without being part of a wider community conducting its business activities. Implementation of social responsibility is an investment for the future and also an opportunity to ensure that the company and the community can grow together and support each other.

Corporate social responsibility itself can be described as the availability of financial and non-financial information related to organizational interactions with the physical environment and social environment, which can be expressed in the company's annual report. The disclosure is supported by (Hang, 2015; Ikatan Akuntan Indonesia, 1998) states that, "Companies can also provide additional financial reports such as reports on the environment and value added statements, especially for industries where environmental factors play an important role and for industries that consider employees as a group of financial report users."

Stakeholder's awareness of the importance of continuous development encourages companies to reveal practice of CSR. The stronger stakeholders's pressure in uncovering CSR practice makes it necessary to insert social element in companies' responsible into account. Then, company social responsibility report is only done voluntarily, now the government realize the importance and benefit of CSR report. It is supported with the legalization of several regulations that regulates the revealing of CSR by companies. In Indonesia, the awareness of keeping the environment is regulating under limited company regulation (Ketsiri & Pajongwong, 2016; Republic Indonesia, 2007), in which a company that has a trading activity in the field of natural resources, comply to do social and environmental responsibility. CSR revealing done by companies is not only done to comply to the rule and regulation, but also as a long-term investment for them.

CSR activity shows that a company has concerned with the environment and people welfare around the area as well as the welfare of their employee. In other words, the benefit not only can be enjoyed by internal party but also all people. However, there might still a chance of CSR revealing which has not been a concern for a company to report it, while this revealing is very important in determining the value of Corporate Social Disclosure Index (CSDI). If CSDI value is good, it can give positive impact on company's reputation such as attracting investors as well as sustaining good reputation in the society. The application of CSR has been proven to improve a company's reputation (Carroll & Shabana, 2010; Mohamed & Arafa, 2016; Servaes & Tamayo, 2013). Other than improving company's reputation, the benefits of applying CSR (Kotler & Lee, 2008) are:

1. Increased sales and market share
2. Strengthened brand positioning
3. Increased ability to attract, motivate and retain employees
4. Decreased operating costs
5. Increased appeal to investors and financial analyst.

The challenge in starting CSR activity is to choose social issue to support. Some considerations in determining social issue such as:

1. Does the issue support business goal?
2. How large does the social problem sosial?
3. Has it been handled by the government?
4. How would the stakeholder respond if the company handles this kind of issue?
5. Can it make employee interested?
6. Has it been addressed by?

The issue is also supported with legitimation theory statement that to be accepted by the society, a company has to reveal their social activity to ensure the company's life (Dianita, 2015; Reverte, 2009). Legitimation will be received if there are similarities between the results and people expectation from the company, and therefore no one presses charges. A company can offer social sacrifice as a reflection of their concern on the society.

CSR concepts guide a company to not only have a short term goal which is to gain profit, but also apply three basic principles known as triple bottom line (profit, people and planet). A company that has long-term orientation instead of pursuing profit must also participate in the fulfillment of people welfare and preservation of the environment (planet) also known as 3P (Velasques, 2012).

Information on CSDI based on GRI used in this research is found from a website www.globalreporting.org. GRI consists of 3 parts of revealing, including economy, environment and social as the basic for sustainable reporting. Considering the fact that only few companies in Indonesia that have reported their economy, social and environmental performance in a form of sustainability reporting, this research is then limited only to the data found on company

annual report. This is done also to avoid a gap between companies that have done sustainability reporting and those who have not. In this research the writer is interested in tobacco companies listed in Indonesia stock exchange in the year of 2010-2017, due to its large number of people who have become a market with high consumerism level. This has made many companies grow rapidly in Indonesia; one of them is Tobacco Companies. However, the existence of Tobacco Companies in Indonesia has raised many controversies and become dilemmatic as to their both negative and positive impacts. In one side, tobacco companies contribute to the financial benefits for the country through their tax and have recruited many workers. On the other hands, its existence along with its products and marketing efforts increase the cigarettes consumption and decrease life quality such as damaging health because cigarettes contain many toxic substances for human body. In accordance with the regulation applied and as a form of concern to stakeholders, tobacco companies have social responsibilities such as:

Table 1 *DATA OF ACTIVITY FROM CORPORATE SOCIAL RESPONSIBILITY ON TOBACCO COMPANIES LISTED IN IN-DONESIA STOCK EXCHANGE, PERIOD OF 2010-2017*

No	Company Code	CSR Activity
1.	GGRM	Creating working opportunity, education, sports, medical service, and religious activity, environmental and its surroundings activity, social aid and disaster management, traditional culture activity, healthy life, and healthy safety work and environment.
2.	HMSP	Local people empowerment, education, environment preservation, disaster management, healthy safety and work environment, quality control and product, women empowerment, good practice of farming and farm worker, also society social development.
3.	RMBA	Environment, empowerment and initial organization, social life, disaster management, continual environment and farm preservation also empowerment charity organization, goods. Service responsibility, and environment, health and security.

(Source: Annual Report, data processing result, 2018)

From the Table above, it can be seen that the cigarette sub-sector in Indonesia is a company that is aggressively utilizing corporate social responsibility programs for business reputation development by carrying out its obligations in CSR disclosure in its business activities. CSR programs carried out by cigarette companies generally base their CSR programs on the concept of development sustainable with Triple Bottom Lines, namely preserving the environment, providing benefits to the community, and maintaining the growth of the company. And the CSR program that has been implemented is based on a framework of five pillars. The five pillars which include education, health, economy, socio-culture, religion, sports, and security, commonly called community development, are carried out alongside sustainable development programs. Through CSR activity, company's performance condition is expected to have a good development. The development of a company is a part of financial annual reports which include income report, balance or other financial report. In other words, financial report is a tool to describe or assess financial condition of a company on a certain period. The result of this assessment is very useful for certain parties who have direct connection or to those who are going to invest their money to a certain company. A company is expected to improve their performance in order to sustain their financial position both in crisis time and in a tight competition. A company's prospect can be seen from profitability and risk level as well as the probability of company undergoes financial difficulties or bankruptcy. Data gained from income report of tobacco sub sector company during observation period is shown as follows:

Table 2 *CSR TOTAL REVEALING BASED ON INDICATORS IN GRI 3 PERIOD OF 2010-2017*

Year	GGRM	HMSP	RMBA
2010	56	67	51
2011	45	56	61
2012	51	49	53
2013	49	51	56
2014	47	58	52
2015	61	53	45
2016	55	57	52
2017	57	61	49

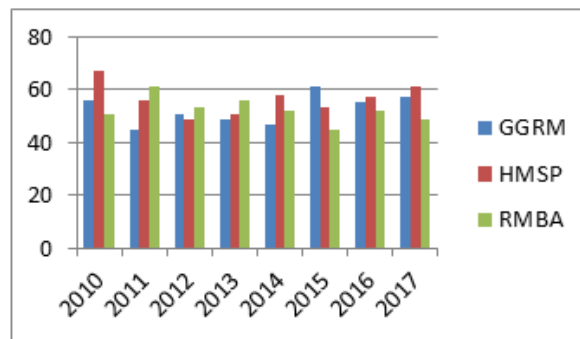(Source: idx.co.id, data processing results, 2018)

Figure 1 *Data on CSR Total Revealing Based on Indicators in GRI 3 at Indonesian Public Listed Tobacco Companies Period of 2010-2017 (Source: idx.co.id (Data Processing Results, 2018))*

Table 3 *DATA ON NET INCOME (LOSS) AT INDONESIAN PUBLIC LISTED TOBACCO COMPANIES PERIODE OF 2010-2017 (IN MILLIONS RUPIAH)*

Year	GGRM	HMSP	RMBA
2010	4.214.789	6.422.748	218.621
2011	4.958.102	8.064.426	305.997
2012	4.068.711	9.945.296	(323.351)
2013	4.383.932	10.818.486	(1.023.985)
2014	5.432.677	10.181.083	(1.687.866)
2015	6.452.834	10.363.308	(1.638.538)
2016	6.672.682	12.762.229	(2.085.811)
2017	7.755.347	12.670.534	(480.063)

(Source: idx.co.id, data processing results, 2018)

Figure 2 *Data on Net Income (loss) at Indonesian Public Listed Tobacco Companies Period of 2010-2017 (in Millions Rupiah) (Source: idx.co.id (Data Processing Results, 2018))*

Based on the data in Table 2 and 3 also presented in Figure 1 and Figure 2 above, it is shown that tobacco companies have done their CSR activity, but their financial conditions do not show an improvement. It can be seen in the loss done by PT Bentoel Internasional Internasional Investama Tbk (RMBA) from 2012 until 2017. According to Yusuf, Williams, and Yuwono (2007) stating that "The application of CSR is believed to be able to improve company performance, where investors tend to invest in companies that carry out CSR activities. Because companies that have social concerns can use social responsibility information as one of the company's competitive advantages. In addition, CSR is considered to be able to help improve the company's financial performance, reduce its operating costs, improve its brand and reputation, increase sales and customer loyalty, produce higher product productivity and quality, attract and retain employees, access capital, and help ensure safety product and reduce the legal obligations of an organization ". Or by doing so when a company carries out CSR activities it is considered a cost center and not a long-term investment or a business strategy of a company. And there may be a decline in profits or losses due to other factors that affect company activities, such as increases in raw material prices or customs.

The difference between this study and previous research related to CSR is located on the dependent variable which consists of four financial ratios, so specifically it will make four research models, research samples for cigarette companies that have IPOs in 1990 and in longer period observations, namely years of observation 2010-2017. This study uses the cigarette sub-sector company due to the controversy over the existence of cigarette companies in Indonesia due to its products and marketing increasing people's consumption of cigarettes and reducing the quality of life and health of the people themselves so that companies need to disclose CSR as a reciprocal to the surrounding environment.

These differences make this study focus on the current ratio, debt ratio, net profit margin, and return on assets. Of the several components of the financial statements can be assessed the achievements of the company, the effectiveness and efficiency of operational activities that have been affected by these CSR activities. And the strengths or weaknesses that are owned by the company and what causes the current ratio, the debt ratio, return on ratio, and the net profit ratio experience up and down from CSR activities or not.

Therefore, the writer would like to prove whether there is any effect of CSR on Current Ratio, Debt Ratio, Net Profit Margin, and Return on Asset on tobacco companies listed in Indonesia stock exchange (Period of observation 2010-2017).

Research Purposes

The aims of this research are:
1. To examine the effect of CSR which is proxied by Economy Performance (X1), Environment Performance (X2), Social Performance (X3) on Current Ratio (Y1) on tobacco companies listed in Indonesia stock exchange, in year 2010-2017 of the observation.
2. To test the effect of CSR which is proxied by Economy Performance (X1), Environment Performance (X2), Social Performance (X3) on Debt Ratio (Y2) on tobacco companies listed in Indonesia stock exchange, in year 2010-2017 of the observation.
3. To test the effect of CSR which is proxied by Economy Performance (X1), Environment Performance (X2), Social Performance (X3) on Net Profit Margin (Y3) on tobacco companies listed in Indonesia stock exchange, in year 2010-2017 of the observation.
4. To test the effect of CSR which is proxied by Economy Performance (X1), Environment Performance (X2), Social Performance (X3) on Return On Asset (Y4) on tobacco companies listed in Indonesia stock exchange, in year 2010-2017 of the observation.

LITERATURE REVIEW

The standards for disclosure of CSR that are developing in Indonesia refer to the standards applied by the GRI (Global Reporting Initiative). The GRI standard was chosen because it focused more on disclosure standards for various economic, social and environmental performance of the company with the aim of improving the quality and utilization of sustainability reports (Global Reporting Initiative, 2012).

The assessment was carried out in measuring the extent of CSR disclosure by giving a score of 1 and 0. Where the value of 0 for items that were not disclosed and the value of 1 for items revealed by the company (Jennifer Ho & Taylor, 2007). If the company discloses CSR activities in full, the maximum value achieved is 79. CSRI calculation formula is as follows:

$$CSDI\,j = \frac{\sum X\,I\,j}{n\,j}$$

Information:
CSRIj: Corporate Corporate Responsibility Disclosure Index j.
n j: Number of items for company j, nj = 79 (maximum score).
∑Xij: The total amount of CSR disclosure by the company.
1 = if the item is disclosed; 0 = if the item is not disclosed. Thus, $0 < CSRI\,j < 1$.

Current Ratio is a ratio to measure a company's ability to pay short-term liabilities or debts that are immediately due when billed as a whole. In other words, how much current assets are available to cover short-term liabilities that are immediately due.

$$\text{Current Ratio} = \frac{\text{Current Assests}}{\text{Current Liabilities}} \times 100\%$$

Debt Ratio is a debt ratio used to measure the ratio between total debt and total assets. In other words, how much the company's assets are financed by debt or how much the company's debt affects the management of assets.

$$\text{Debt Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}} \times 100\%$$

According to Fahmi (2015), Net Profit Margin is a ratio that shows the stability of the unit to generate gains at a special sales level. High profit margin is preferred because it shows that the company gets a good result that exceeds the cost of goods sold.

$$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Sale}} \times 100\%$$

The Return on Assets ratio looks at the extent to which the investment invested has been able to provide returns as expected. And the investment is actually the same as the company's assets that are invested or placed.

$$\text{Return on Investment} = \frac{\text{EAT}}{\text{Total Assets}} \times 100\%$$

METHODOLOGY

Research methodology used in this research is panel data analysis. The research object as the independent variable is CSR which is proxied by Economy Performance (X1), Environment Performance (X2), Social Performance (X3) and the dependent variables are Current Ratio (CR), Debt Ratio (DR), Net Profit Margin (NPM), Return on Asset (ROA).

The research subjects are three tobacco companies listed in Indonesia stock exchange, period of 2010-2017. In this research non probability sampling with purposive/judgment sampling technique is used. The criteria include:
1. All companies of consumption goods industry with tobacco sub sectors listed in Indonesia stock exchange period of 2010-2017.
2. Companies that have issued report of CSR or Annual Report period of 2010-2017.
3. Companies with complete data on the variables used in this research.

Based on the sampling method, the data used is a secondary data, that is data research resource obtained indirectly through media (obtained or recorded from another party). Secondary data normally are evidence, record or historical report in a form a published archive. Data used in this research is annual financial report from tobacco companies through www.idx.co.id which has been audited during the period of 2010-2017. Data analysis procedure is described through Figure 3.

Data Collection

The researchers collected the data about company profile, financial report and company annual report under the tobacco sub sectors from 2010 until 2017. In processing the data, the steps taken by the researcher include analyzing the companies' annual reports to understand CSR disclosure. This research used GRI because it is more comprehensive in assessing the activity of CSR in one company. In this research, the researcher used 79 items of disclosure which consist of indicators for economy (9 items), environment (30 items), human resource (14 items), human rights (9 items), social (8 items), and product (9 items) with maximum disclosure score of 1 (Servaes & Tamayo, 2013).
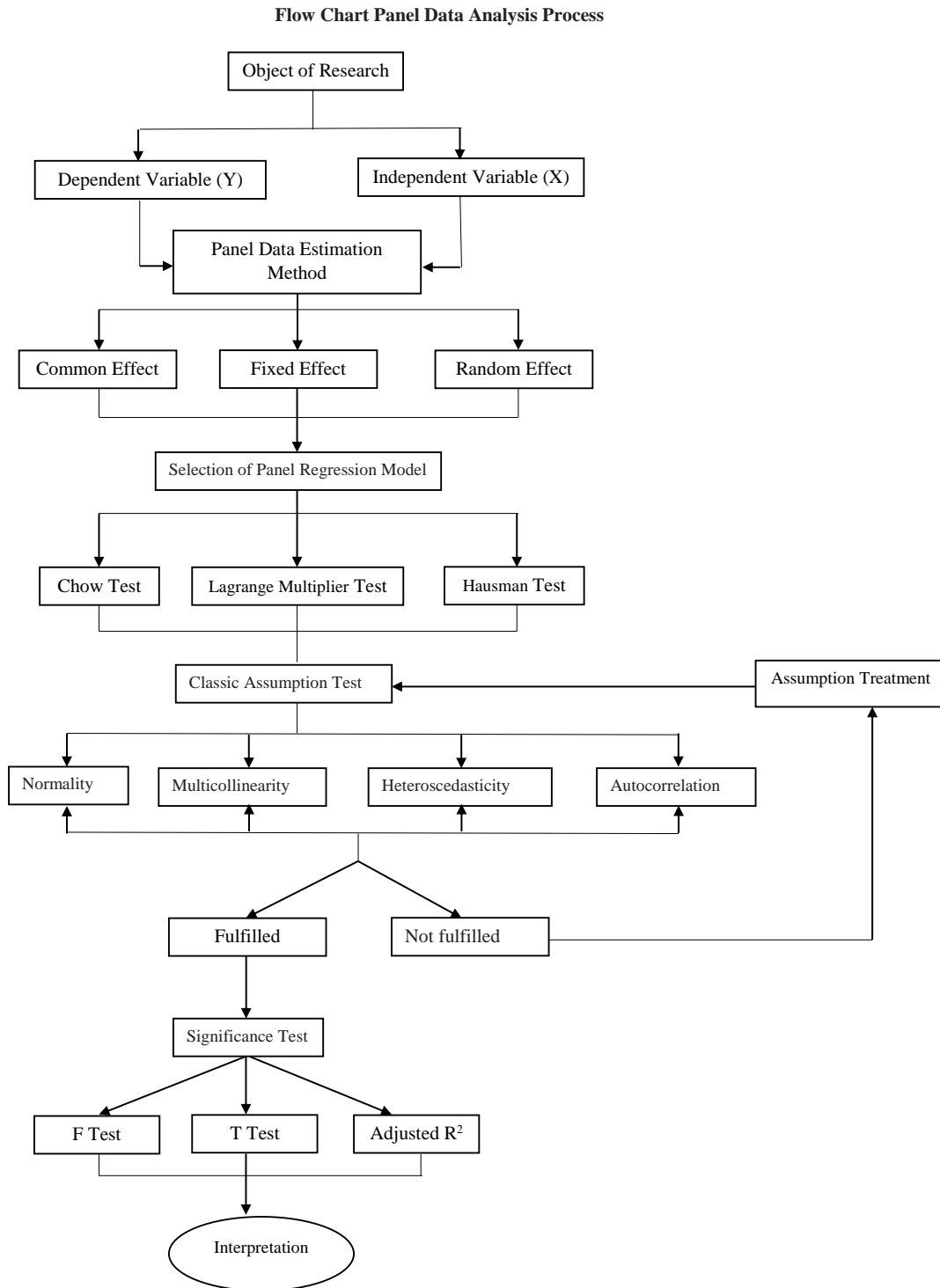
Flow Chart Panel Data Analysis Process

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                        ┌─────────────────────┐
                        │  Object of Research │
                        └─────────────────────┘
              ┌───────────────────┐   ┌───────────────────────┐
              │ Dependent Variable│   │ Independent Variable  │
              │        (Y)        │   │         (X)           │
              └───────────────────┘   └───────────────────────┘
                        ┌──────────────────────┐
                        │ Panel Data Estimation │
                        │        Method         │
                        └──────────────────────┘
        ┌──────────────┐   ┌──────────────┐   ┌──────────────┐
        │ Common Effect│   │ Fixed Effect │   │ Random Effect│
        └──────────────┘   └──────────────┘   └──────────────┘
                   ┌──────────────────────────────────┐
                   │ Selection of Panel Regression Model│
                   └──────────────────────────────────┘
        ┌──────────┐   ┌──────────────────────┐   ┌──────────────┐
        │ Chow Test│   │Lagrange Multiplier   │   │ Hausman Test │
        │          │   │       Test           │   │              │
        └──────────┘   └──────────────────────┘   └──────────────┘
           ┌──────────────────────┐        ┌──────────────────────┐
           │ Classic Assumption   │◄───────│ Assumption Treatment │
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  │ Normality│ │Multicollinearity │ │Heteroscedasticity│ │Autocorrelation│
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          ┌──────────┐            ┌──────────────┐
          │ Fulfilled│            │ Not fulfilled│
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          │ Significance Test│
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                 │  Interpretation  │
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Figure 3 *Diagram of Data Panel Analysis Procedure*

RESULTS

Data Panel Model for Assessing the Effect of X1 X2 and X3 on Current Ratio (CR)

Based on the result of data panel analysis using EViews 9 trial version, the best model was obtained by doing Chow test to compare PLS FEM model, with this hypothesis:

Ho : Model follows Pooled Least Square.
H1 : Model follows Fixed Effect Model.

Table 4 *CHOW TEST TO COMPARE PLS AND FEM MODEL*

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.132104	(2,18)	0.0680
Cross-section Chi-square	7.167133	2	0.0278

Redundant Fixed Effects Tests
Pool: PERUSAHAAN
Test cross-section fixed effects

From Chow test it can be seen that *p*-value is (0.068) < 0.10. So it can be concluded that the most suitable model is Fixed Effect Model (FEM). Parameter estimation result using FEM method is as follow:

Table 5 *CHOW TEST TO COMPARE PLS AND FEM MODEL*

Variable	Coefficient	Std. Error	*t*-Statistic	Prob.
C	0.000435	0.003192	0.136399	0.8931
D_X1?	0.000470	0.002694	0.174627	0.8634
D_X2?	0.001479	0.000963	1.535746	0.1430
D_X3?	0.000186	0.000649	0.286038	0.7783
Fixed Effects (Cross)				
_GGRM–C	0.001299			
_HMSP–C	-0.005039			
_RMBA–C	0.003903			
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.198069	Mean dependent var	0.000491	
Adjusted R-squared	-0.037793	S.D. dependent var	0.014965	
S.E. of regression	0.015245	Akaike info criterion	-5.309693	
Sum squared resid	0.003951	Schwarz criterion	-5.013477	
Log likelihood	67.06147	Hannan-Quinn criter.	-5.235196	
F-statistic	0.839765	Durbin-Watson stat	1.796908	
Prob(F-statistic)	0.539809			

Dependent Variable: D_BX_CR? Method: Pooled Least Squares: Sample: 1 8: Included observations: 8

Based on simultaneous test result of Model FEM, it is said that overall variables of X1, X2, and X3 do not have simultaneous effects on the score for CR (F-statistic = 0.540 > α = 0.10). The same result is also shown by partial test (uji-t), which shows that each independent variables statistically do not have any significant effects on CR at significance level of (α) 10%. R-Square Model value is at 0,198 which shows that only 19,8% of CR diversity can be explained by variables X1, X2, and X3 while the rest are explained by other variables outside the model. Estimation result equation model is as follows:

$$\hat{a}Y_{it} = 0.0004 + 0.0005 \ X1_{it} + 0.0015 \ X2_{it}$$
$$+ 0.0002 \ X3_{it} + 0.0013 \ D_{GGRM}$$
$$- 0.0050 \ D_{HMSP} + 0.0039 \ D_{RMBA}$$

With:
$\hat{Y}_{it}$: Current Ratio of company in the-*i* of year the -*t*.
$X1_{it}$: CSR with Economy performance for company the-*i* year the-*t*.
$X2_{it}$: CSR with Environment performance for company the -*i* year the-*t*.
$X3_{it}$: CSR with social performance for company the -i year the-*t*.
D_i : Constanta Value (Individual Effect) in every company the -*i*, with GGRM, HMSP and RMBA

Data Panel Model for Assessing the Effect of X1 X2 and X3 on Debt Ratio (DR)

Based on data panel analysis using Eviews 9 trial version, it was found the best model according to Chow test to compare PLS and FEM model, with this hypothesis:

Ho : Model follows Pooled Least Square.
H1 : Model follows Fixed Effect Model.

Table 6 *CHOW TEST TO COMPARE PLS AND FEM MODEL*

Effects Test	Statistic	d.f.	Prob.
Cross-section F	15.835337	(2,18)	0.0001
Cross-section Chi-square	24.361030	2	0.0000

Redundant Fixed Effects Tests; Pool: PERUSAHAAN; Test cross-section fixed effects

Based on Chow test, *p*-value is (0.0001) < 0.10, which means that the most suitable model to be used is FEM. Parameter estimation result using FEM method is as follows:

Table 7 *DATA PANEL MODEL FOR ASSESSING THE EFFECT OF X1 X2 AND X3 ON DEBT RATIO (DR)*

Variable	Coefficient	Std. Error	*t*-Statistic Prob.	
C	57.30890	19.70527	2.908303	0.0094
X1?	3.916424	3.102771	1.262235	0.2230
X2?	-1.446046	1.181394	-1.224016	0.2367
X3?	-0.194519	0.391277	-0.497138	0.6251
Fixed Effects (Cross)				
_GGRM–C	-21.85680			
_HMSP–C	-15.35230			
_RMBA–C	37.20910			
Effects Specification				
Cross-section fixed (dummy variables)				
Weighted Statistics				
R-squared	0.625977	Mean dependent var	91.34486	
Adjusted R-squared	0.522082	S.D. dependent var	58.52082	
S.E. of regression	18.90762	Sum squared resid	6434.965	
F-statistic	6.025083	Durbin-Watson stat	1.826577	
Prob(F-statistic)	0.001911			
Unweighted Statistics				
R-squared	0.670739	Mean dependent var	55.65471	
Sum squared resid	7536.501	Durbin-Watson stat	2.436102	

Dependent Variable: DR? Method: Pooled EGLS (Cross-section weights); Sample: 1 8; Included

Based on simultaneous test of FEM model, overall result of variables X1, X2, and X3 have an effect on the value of DR (*F*-statistic = 0.0019 < α = 0.10). Meanwhile, from partial test (*t*-test), it shows that each independent variable statistically does not have a significant effect on DR on significance level (α) of 10%.

R-Square Model value is 0.626 which shows that only 62.6% of DR diversity can be explained by variables X1, X2, and X3 while the rest is explained by other variables outside the model. Estimation result equation model is as follows:
$\hat{Y}_{it} = 57.3089 + 3.9164\ X1_{it}$
$- 1.4460\ X2_{it} - 0.1945\ X3_{it}$
$- 21.8568\ D_{GGRM} - 15.3523\ D_{HMSP}$
$+ 37.2091\ D_{RMBA}$
With:
$\hat{Y}_{it}$: Debt Ratio company the-i year the-t
$X1_{it}$: CSR with Economy performance for company the -*i* year the-*t*
$X2_{it}$: CSR with Environmental performance for company the -*i* year the-*t*
$X3_{it}$: CSR with Social performance for company the –*i* year the-*t*
D_i : Constanta Value (Individual Effect) in every company the –*i*, with i GGRM, HMSP and RMBA

Data Panel Model to Assess the Effect of X1 X2 and X3 on Net Profit Margin (NPM)

Based on the result from data panel analysis using Eviews 9 trial version, it was found the best model using Chow test to compare PLS and FEM model, with hypothesis as follows:

Ho : Model follows Pooled Least Square
H1 : Model follows Fixed Effect Model

Table 8 *CHOW TEST TO COMPARE PLS AND FEM MODEL*

Effects Test	Statistic	d.f	Prob.
Cross-section F	39.332707	(2,18)	0.0000
Cross-section Chi-square	40.341214	2	0.0000

Redundant Fixed Effects Tests Pool: PERUSAHAAN Test cross-section fixed effects

Based on Chow test the value of *p*-value is (0.000) < 0.10, and it can be concluded that the most suitable model to be used is FEM model. Parameter estimation result using FEM method can be seen as follows:

Table 9 *DATA PANEL MODEL TO ASSESS THE EFFECT OF X1 X2 AND X3 ON NET PROFIT MARGIN (NPM)*

Variable	Coefficient	Std. Error	*t*-Statistic	Prob.
C	-0.600804	0.493416	-1.217641	0.2400
D_X1?	-1.029527	0.626316	-1.643781	0.1186
D_X2?	0.289818	0.205833	1.408024	0.1771
D_X3?	0.034775	0.087361	0.398062	0.6955
Fixed Effects (Cross)				
_GGRM–C	0.364741			
_HMSP–C	0.826787			
_RMBA–C	-1.145936			
Effects Specification				
Cross-section fixed (dummy variables)				
Weighted Statistics				
R-squared	0.212781	Mean dependent var	-0.304740	
Adjusted *R*-squared	-0.018753	S.D. dependent var	3.951869	
S.E. of regression	4.000848	Sum squared resid	272.1154	
F-statistic	0.919004	Durbin-Watson stat	1.660863	
Prob(*F*-statistic)	0.492336			
Unweighted Statistics				
R-squared	0.065770	Mean dependent var	-0.589210	
Sum squared resid	347.7019	Durbin-Watson stat	1.438419	

Dependent Variable: D_NPM? Method: Pooled EGLS (Cross-section weights); Sample: 8; Included observations: 8

Based on simultaneous test of FEM model, the overall result from variables X1, X2, and X3 do not have any effects simultaneously on the value of NPM (*F*-statistic = 0.492 > α = 0.10). Meanwhile from the partial test (*t*-test), it shows that each independent variable statistically does not have a significance effect on NPM on significance level (α) of 10%.

R-Square Model value is 0,213 which shows that there is only 21,3% diversity of NPM that can be explained by variables X1, X2, and X3 while the rest are explained by other variables outside the model. Model of estimation result equation is as follows :

$\hat{Y}_{it}$ = - 0.6008 - 1.0295 X1$_{it}$ + 0.2898 X2$_{it}$ + 0.0348 X3$_{it}$
+ 0.3647 D$_{GGRM}$ + 0.8268 D$_{HMSP}$
- 1.1459 D$_{RMBA}$

With:
Y_{it}: Net Profit Margin company the-*i* year the-*t*
$X1_{it}$: CSR with economy performance for company the -*i* year the-*t*
$X2_{it}$: CSR with Environmental performance for company the-*i* year the-*t*
$X3_{it}$: CSR with Social performance for company the -*i* year the-*t*
D_i : Constanta Value (Individual Effect) in every company the -*i*, with i GGRM, HMSP and RMBA

4. Data Panel Model to Assess the Effect of X1 X2 and X3 on Return on Asset (ROA)

Based on the result of data panel using Eviews 9 trial version, it was found the best model using Chow test to compare PLS and FEM model, with hypothesis as follows:

Ho : Model follows Pooled Least Square
H1 : Model follows Fixed Effect Model

Table 10 *CHOW TEST TO COMPARE PLS AND FEM MODEL*

Effects Test	Statistic	d.f.	Prob.
Cross-section F	64.091783	(2,18)	0.0000
Cross-section Chi-square	50.267793	2	0.0000

Redundant Fixed Effects Tests Pool: PERUSAHAAN Test cross-section fixed effects

Based on Chow test the *p*-value is (0.000) < 0.10, which can be concluded that the most suitable model to be used is FEM model. Parameter estimation result using FEM method is as follow:

Table 11 *DATA PANEL MODEL TO ASSESS THE EFFECT OF X1 X2 AND X3 ON NET PROFIT MARGIN (NPM)*

Variable	Coefficient	Std. Error	*t*-Statistic	Prob.
C	-0.802795	0.867833	-0.925057	0.3679
D_X1?	-1.902282	1.092752	-1.740817	0.0998
D_X2?	0.815810	0.419967	1.942559	0.0688
D_X3?	0.031817	0.142731	0.222917	0.8263
Fixed Effects (Cross)				
_GGRM–C	0.611167			
_HMSP–C	2.418046			
_RMBA–C	-2.952817			
Effects Specification				
Cross-section fixed (dummy variables)				
Weighted Statistics				
R-squared	0.268534	Mean dependent var	-0.653954	
Adjusted R-squared	0.053396	S.D. dependent var	7.631374	
S.E. of regression	7.433186	Sum squared resid	939.2883	
F-statistic	1.248197	Durbin-Watson stat	1.330985	
Prob (*F*-statistic)	0.330482			
Unweighted Statistics				
R-squared	0.227019	Mean dependent var	-0.744305	
Sum squared resid	1281.453	Durbin-Watson stat	1.329473	

Dependent Variable: D_ROI? Method: Pooled EGLS (Cross-section weights) ; Sample: 1 8; Included observations: 8

Based on simultaneous test from FEM model, the overall result from variables X1, X2, and X3 do not have simultaneous effects on the value of ROA (*F*-statistic = 0.330 > $\alpha = 0.10$). while from the result of partial test (*t*-test), it shows that independent variables X1, X2 statistically have significant effects on ROA on significance level (α) of 10% while independent variable X3 statistically does not have a significance effect on ROA on significance level (α) of 10%.

R-Square Model value is 0,269 which shows that only 26.9% diversity of ROA can be explained by variable X1, X2, and X3 while the rest can be explained by other variables outside the model.

Estimation result equation Model is as follows:

$\hat{Y}_{it}$ = -0.8028 - 1.9023 $X1_{it}$ + 0.8158 $X2_{it}$

+ 0.0318 X3it + 0.6112 D$_{GGRM}$

+ 2.4180 DHMSP - 2.9528 D$_{RMBA}$

With:

Y_{it} : return on Asset company the -i year the-t

$X1_{it}$: CSR with Economy performance for company the -*i* year the-t

$X2_{it}$: CSR with Environmental performance for company the -*i* year the -*t*

$X3_{it}$: CSR with Social performance for company the -*i* year the-*t*

D_i : Constanta Value (Individual Effect) in every company the -*i*, with i GGRM, HMSP and RMBA

DISCUSSION

Companies as one form of organization generally have certain goals to be achieved in an effort to meet the interests of its members. As a basic goal of a company is a material wealth and commercial benefits. Success in achieving company goals is a management achievement. And according to Fahmi (2015), performance appraisal or company performance is measured because it can be used as a basis for decision-making both internal and external parties, because financial performance is a picture of the success of the company. With the Law on Limited Liability Company (Republic Indonesia, 2007) which came into force on 16 August 2007 concerning awareness of the need to protect the environment in Indonesia. This encourages the CSR concept that a company in carrying out activities and decision making is not only based on financial factors such as dividends and profits but also based on social and environmental consequences for the present and future.

This is also supported by the opinion of (Branco & Rodrigues, 2008) in the legitimacy theory that companies must implement and disclose CSR activities as much as possible so that company activities can be accepted by society. The disclosure is used to legitimize company activities in the eyes of the public, because CSR disclosure will show the level of compliance of a company. And according to Reverte (2009) to be accepted by the community, the company must disclose the company's social activities so that it will guarantee the survival of the company.

This research discusses about the effect of CSR on each financial performance such as Current Ratio, Debt Ratio, Net Profit Margin, and Return on Asset on tobacco companies listed in Indonesia Stock exchange within the observation period of 2010-2017.

Research finding explains that financial performance such as the highest Debt Ratio can be explained by CSR compared with other financial performance in this research. This means that the hope in carrying out CSR activities is to improve the image of the company's products. With an improved product image, it will increase assets with high liquidity value. When a company has assets with high liquidity value, then when the company has debts that are due or at the company in difficult circumstances, it is expected that the company's assets will be able to cover every debt borne by the company.

Table 12 *R-SQUARE VALUE FOR CSR ON EVERY FINANCIAL PERFORMANCE*

Financial Performance (Y)	CSR (X)	R^2
CR	X1, X2 and X3	19,8%
DR	X1, X2 and X3	62,6%
NPM	X1, X2 and X3	21,3%
ROA	X1, X2 and X3	26,9%

LIMITATION OF THE STUDY

Subject of this research is limited only on tobacco sub sectors, therefore it cannot be used to find out the effect happens on other fields of trading, such as food and beverage industry, or other sector that shows continuous company report. The research only used eight periods because of the limited annual data reports which are hard to find and only used four dependent variables. Data panel approach model used in this research is limited with so many cross-section data which refers to the number of companies so that during the analysis, PLS and FEM method were used.

CONCLUSION

From all four financial performances it can be said that CSR can only explain about the quantity of Debt Ratio which is around 62,6%. While for other financial performance quantity such as Curret Ratio, Net Profit Margin and Return on Asset, CSR has not been yet capable in explaining it.

Overall it can be concluded that CSR activity cannot exactly describe financial performance of a company. It can be seen from hypothesis test result (*F*-test, *t*-test) and goodness measurement of data panel model in a form of determination coefficient (*R*-Square). For further research, it is necessary to add the latest CSR indicators, other variables beside of CSR, increase the number of companies and longer time periods used.

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