CSR & PERFORMANCE: ANY EVIDENCE FROM INDONESIAN LQ45?

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ABSTRACT

This research investigates the corporate social responsibility (CSR) and firm financial performance. The CSR and firm financial performance are gathered and calculated from the annual reports and managerial reports of publicly-listed firms in the LQ45 of the Indonesian Stock Exchange. These collections of firms in LQ45 represent the most liquid firms across industries.

The sampling process began with searching for the accurate information on total numbers of publicly-listed firms in LQ45 during the period of 2004-2011. In order to investigate how the CSR affects stock prices, 13 firms were selected due to their consistency in performance, which make them constantly appear in LQ45 from 2004-2011. Based on the available data, regression analysis is utilized in this study.

The results indicated that CSR employee, CSR community, size, profitability, and leverage have significant effect on stock price. It prescribed that firms may want to pay more attention onto CSR initiatives, particularly toward employee and community. The other significant variables toward stock price, which were profitability, size, and leverage, prescribed that firms may want to notice their selected financial indicators. Hence, it is safe to conclude that there were sufficient evidences, which indicated that CSR influenced the level of firm's performance.

Keywords: corporate social responsibility, CSR, firm financial performance, financial crisis, panel data estimation.

1. INTRODUCTION

As the globalization of economic, political and social environments converge with technological advances and speed of access on information across nations, a new set of issues has certainly surfaced. CSR has become an economic agent (Bird, et al, 2007; Fiori, et al, 2007) following the surge of attention toward firms and relationships with stakeholders. Despite multi-dimensional characteristics, whose definitions remain inconsistent, CSR generally refers to business guiding-principles on various managerial decision-making, emphasizing obligation and accountability to society (Bird, et al, 2007; Carroll and Buchholtz, 2003).

CSR represents the set of programs whereby firms take into account their own societal involvement (Fiori, et al, 2007; World Business Council for Sustainable Development, 2000). In a relatively similar fashion, McWilliams and Siegel (2000) defined CSR as social-good actions since CSR activities have the potential to minimize social risk of firms. Whether or not CSR may bring about actual advantages for firms, the satisfactory impacts may well be dependent on effective application of CSR by firms. Though this may appear beyond the core interests of firms, CSR is required by law across countries (Johnsen and Gjoelberg, 2009). Hence, CSR has become a part of firm's strategy (Lantos, 2001; Pearce and Robinson, 2011). CSR activities and initiatives will affect firm's financial performance (Bird, et al, 2007; Fiori, et al, 2007). Nonetheless, the positive impact of CSR toward firm's financial performance remains inconclusive (Margolis and Elfenbein, 2007). Studies on CSR and firm's performance were conducted in Indonesia. Utaminingtyas and Ahalik (2010), for instance, using a cross-sectional data, have investigated the relationships between CSR and earning response coefficient in Indonesian stock exchange. The results indicated that there was a significant impact of CSR toward earning response coefficient. These results appeared to be supported by another study in Indonesia on the relationship between CSR and financial performance (Oeyono, et al, 2011). Such results serve as the underlying circumstances for this paper, which attempts to evaluate the relationships using panel data. On the contrary, Kemp (2001) indicated that CSR in Indonesia may remain a corporate-level novelty between dreams and expectation.

2. LITERATURE REVIEW

2.1. CORPORATE SOCIAL RESPONSBILITY (CSR)

Despite the fact that CSR has been variously defined, all these definitions portray a common theme (Fiori, et al, 2007; Handelman and Bello, 2004; Iamandi, 2007; Kärnä, et al, 2003; Lyon and Maxwell, 2008; Liu and Fong, 2010; Neal, 2008; Spada, 2008; World Business Council for Sustainable Development, 2000), (1) businesses must recognize the economic impact, social impact, and environmental impact of their routine operations onto stakeholders and the environment, and (2) CSR requires firms to minimize the adverse effects and maximize the consequential benefits of any actions on stakeholders and the environment.

One simple definition that this study will try to hold on is sourced out from Kotler and Lee (2005), who simply stated that CSR was about "*doing good*". Kakabadse, et al. (2005) noted that people from within and outside the field of CSR, have attempted to promote and defend their vastly different interpretations. The interpretations were merely based on "*what it is*" and "*refer to it as what they believe is closest to the cause*". Such interpretations emerged simply because firms were putting-forth particular issues, which were of interest to them. As a balancing thought, Branco and Rodrigues (2006) mentioned that CSR meant differently for individuals. In addition, Branco and Rodrigues (2006) also stated that the concept of CSR was rather difficult to grasp and/or implemented since it overlapped with other concepts, such as; corporate citizenship (Handelman and Bello, 2004; Iamandi, 2007; Neal, 2008), sustainable business (Fiori, et al, 2007; Iamandi, 2007; Lyon and Maxwell, 2008), environmental responsibility (Fiori, et al, 2007; Iamandi, 2007; Kärnä, et al, 2003; Lyon and Maxwell, 2008; Spada, 2008), and the firms' "triple bottom line" issues on social and environmental accountability, business ethics, and corporate accountability (Fiori, et al, 2007; Liu and Fong, 2010; Spada, 2008; World Business Council for Sustainable Development, 2000).

There are several factors, which signify the key phrases of CSR. On one hand, CSR recognizes firms as economic agents are responsible for the society as a whole. At least firms should take responsibilities on their immediate surrounding. Also, CSR measures firm's ability to contribute actively toward sustainability development. Then, CSR shows the capacity of firms in conducting dialogues with stakeholders.

According to Branco and Rodrigues (2006), firms can obtain benefits from CSR. Some notable internal benefits are; (1) reducing operational costs and increasing revenue from grants and incentives, (2) managerial competencies on social responsibility may lead to better management in general, (3) developing new resources and capabilities related to know-how and corporate culture, which may lead to efficiency, (4) CSR boosts firm's reputation, which may likely attract better job applicants, and (5) maintaining relatively high work satisfaction and happy workforce (Branco and Rodrigues, 2006; www.simplycsr.co.uk, 2012). Some notable external benefits are (Bird, et al, 2007; Branco and Rodrigues, 2006; Fiori, et al, 2007; www.simplycsr.co.uk, 2012; Uwuigbe, et al, 2011); (1) firm's reputation represents an intangible resource, (2) CSR investment triggers the creation or depletion of other fundamental intangible resources, which may differentiate one firm from another within the same industry, (3) good CSR prompts improved relationships with customers, investors, bankers, suppliers and competitors, (4) any disclosures on firm's behaviors and outcomes of social responsibilities may build a positive image, which may win new businesses, and (5) easier access to financial assistance, and funding opportunities.

2.2. CSR MOTIVES

The most common query encircle CSR is simply either firms are really trying to do the right thing in their routine business operations, or firms are just aiming for company image? According to www.simplycsr.co.uk (2012), firms may have to be weary to consumers/customers since they have become more educated and knowledgeable toward ethics and ethical business practices. In fact, Paine (2003) prescribed five major CSR motives for firms; risk management, organizational functioning, market positioning, civic positioning, and a better way motives.

Table 2.1: Summary of CSR motives

Risk Management	Because of the possibilities of corporate risks and individual misconducts, CSR may help firms reducing and/or otherwise eliminating such possibilities
Organizational Functioning	CSR may help firms to formulate well-functioning organizations, which encourage cooperation, commitment, innovation and positive image.
Civic Positioning	CSR may help firms in establishing reputation within the community via initiatives toward the social betterment, improvement of standard of living, and winning the supports of local community, NGOs, and the government

Marketing Positioning	CSR may help firms in shaping firms' identities and reputations, brand building, and boosting trust among customers, suppliers and other business partners.
A Better Way	CSR may help firms in formulating values toward increasing responsibility on humanity and corporate/community citizenship. This may lead to comprehensive understanding on human rights

Source: Paine, 2003

2.2.1. CSR ON EMPLOYMENT RELATIONS

There is a general understanding that the concept of CSR could serve as a bridge between issues of governance, covering the notions of equity and fairness in employment and in society (Fiori, et al, 2007; Liu and Fong, 2010; Neal, 2008). This expanded coverage of CSR differs both from a traditional conception of CSR, by referring to compliance with corporate behavioral standards (Neal, 2008). CSR should be perceived as mechanisms on managerial, regulatory and financial dimensions in firms.

Fiori et al. (2007) and Liu and Fong (2010) defined the dimensions of employment is based on five measures, which are; (1) health and safety systems, (2) systems for employee training and development, (3) equal opportunities policies, (4) systems for good employee relations, and (5) systems for job creation and security. These dimensions are incorporated into this study.

2.2.2. CSR ON THE ENVIRONMENT

CSR activities on the environment should be based on the philosophy of continuous improvement of environmental policies and development strategies to reduce adverse impacts on the environment (Pearce and Robinson, 2011; Spada, 2008). Lyon and Maxwell (2008), including Johnsen and Gjoelberg (2009) and Spada (2008) indicated that the attention toward environmental initiatives has increased drastically. The attention is basically coming from market for products, capital, and labor, as drivers of improvements.

In the marketplaces, demand plays an important role. When the level of market demand for less environmentally friendly products increases, the general level of price of those products drop. At a lower price, public may decide to buy and/or consume more. Nonetheless, as indicated by Lyon and Maxwell (2008), as the less environmentally friendly products gain more bargaining power in the marketplaces, the general level of price may likely to increase. The relatively high price of the less environmentally friendly products may signal the relatively high quality (Handelman and Bello, 2004). This may be triggering public urge to increase purchases. In terms of the labor market, the workforce is also providing potential incentives on CSR initiatives. As people may want to work with good firms, which are also doing well, firms may have to align with such employees' environmental values (Bird, et al, 2007; Lyon and Maxwell, 2008; Margolis and Elfenbein, 2007). On the other side, the market supply side also holds crucial function in terms of pushing firms toward eco-friendly products by ensuring efficient use of resources, and reducing wastes and pollution. Though cost reduction may not be present for the operational expenses, firms that produce both friendly and less-friendly products may also benefits with those imperfect product substitutes. When firms start adopting eco-friendly initiatives, production level on less-friendly products may slide. This affects the general level of price. Market demand for less-friendly products may also likely to fall while demand for eco-friendly products jumps. At the end, profitability for those products may both swell (Lyon and Maxwell, 2008).

Following what Fiori, et al (2007) had previously studied, those analyses on environmental CSR can be categorized in three dimensions; the quality of environmental policies, the environmental management systems, and environmental reporting. These dimensions are incorporated in this study.

2.2.3. CSR ON COMMUNITY DEVELOPMENT

Community development signifies the indicator of community responsiveness. D'Amato, et al. (2009) on "*Corporate Social Responsibility and Sustainable Business*" explained that relationship between firms and society had increased expectations (World Business Council for Sustainable Development, 2000). With the new level of expectation, there were new rules, regulations, and tactics. The relational effectiveness between firms and society is due to community attachment. Non-local firms may be seen as strictly profit-oriented business establishments with no concerns on local issues (Handelman and Bello, 2004). Hence, those non-local firms may not be expected to comply with local issues.

Nonetheless, firms are expected to commit to the following (D'Amato, et al, 2009; Fiori, et al, 2007; Pearce and Robinson, 2011; Spada, 2008); (1) safeguard the environment, (2) support human rights, (3) eliminate child labor, (4) adopt codes of ethics, (5) enter into partnerships with NGOs, (6) display openness and transparency in relationships with customers, employees, community groups, and governmental organizations, (7) promote diversity in the workplace, (8) help communities solve their social problems, and (9) consult with community residents on business plans and strategies.

2.3. FINANCIAL RATIO

2.3.1. FIRM SIZE

According to Lungu, et al. (2011), market size of the company measured by the total assets. Firm size has been explained by the marginal organizational costs and benefits of the expansion. Diminishing returns to management, which is determined by organizational costs, information about the value of the inputs, and input supply price determine the size of the firms. In this view, the firm is a sorting and directing unit alternative to the market mechanism. Specialization, division of labor, size of market has been the mainstream explanations for firm size (Demir, 2007).

2.3.2. PROFITABILITY RATIO

Profitability ratio provides information on the amount of income for each amount of sales. It is linked with income ratios, which gives a clear description about the effectiveness of management with returns generated on sales and investment.

Regarding the previous studies concerning the relationship between profitability and CSR, D'Amato, et al (2009), Margolis and Elfenbein (2007), Paine (2003), and Spada (2008) found that firms with higher profitability are more likely to provide high quality sustainability reporting. Fiori et al. (2007) found out that firms, which often invest time and resources in implementing CSR measures for employees, the market does not perceive them as a cost but as a good investment with a positive impact on short-term and long-term profitability. This pushes up the stock price. Possible formulas to note the profitability ratio is return on equity (ROE), and return on asset (ROA), as follows (Ross, et al, 2008; Subramanyam and Wild, 2009):

ROE = Net Income/Total Equity.....…………………………………………...….(2.1)
ROA = Net Income/Total Asset……………………………………………...…(2.2)

2.3.3. FINANCIAL LEVERAGE RATIO

Financial leverage ratio provides information on the degree of a company's fixed financing obligations and its ability to satisfy these financing obligations. In the recent study by Fiori et al. (2007), it was found that firms with a high debt/equity ratio take risky profiles and higher risks of insolvency. This may likely bring down the stock price. Uwuigbe, et al (2011) stated that there was significant negative relationship between firms' financial leverage and the level of corporate social responsibility. Possible formulas to note the firm's leverage is debt to equity ratio (DER), and debt to asset ratio (DAR), as shown below (Ross, et al, 2008; Subramanyam and Wild, 2009):

DER = Total Debt/Total Equity………………………...………………………(2.3)
DAR = Total Debt/Total Asset…………………………………………………….(2.4)

2.3.4. CRISIS

Since the current economic condition across nations is relatively on the sliding side, it may become necessary to recognize the impact of such economic turmoil in this study (Sheng, 2009). As noted by Adriyanto (2010), the presence of technology has spread the US liquidity crisis quickly into the European continent, and across the globe. This had driven sudden movement on the global capital mobility, particularly on interconnected economies in the world. For sure, liquidity, profitability, and leverage may portray an important issue for firms during this period (Adriyanto, 2010; Sheng, 2009).

2.4. STOCK PRICE

The concept of financial performance may be measured by stock price (Bull, 2008; Fiori, et al, 2007; McWilliams and Siegel, 2000; Orlitzky, et al, 2003; Ross, et al, 2008; Subramanyam and Wild, 2009). Stock price should reflect the fundamental expected value of firms. Stock price index, however, represents a number that is used to compare a particular event with other events. Hence, in this case, stock price index is a mere indicator to describe the movement of stock prices.

Since CSR has become the common firms' strategies, CSR has proven its positive ability to maintain superb relationships with stakeholders. As the relationships with stakeholders become tighter, firms may likely experience benefits in terms of reputation (Fiori, et al, 2007), social responsiveness (Iamandi, 2007), governance (Neal, 2008), sustainability (Kärnä, et al, 2003; Liu and Fong, 2010), financial performance (Bird, et al, 2007; Orlitzky, et al, 2003), and community attachment (Handelman and Bello, 2004).

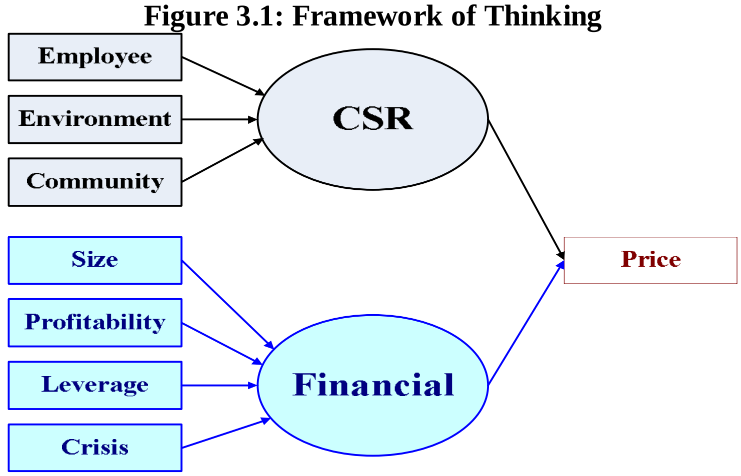
Hence, considering the situation and condition, including the possible influential factors surrounding firm's CSR, this paper aims to appraise the application of CSR as well as the financial performance of firms listed in LQ45 of the Indonesian Stock Exchange. Hence, it is hypothesized that

H_1: CSR influences stock price
H_2: Financial ratio influences stock price

3. RESEARCH MODEL

Though the underlying idea of this research follows what had been conducted by Fiori, et al (2007), the scope of this study is different since it adds other indicators from the annual reports, and financial statements, such as; ROA, DAR, and total asset. In place of firm's risk, this study utilizes crisis to note the general stage of the economy in Indonesia. This study is also different in scope, which mainly concentrates on the Indonesian LQ45 during 2004-2011.

Figure 3.1: Framework of Thinking



As illustrated in the diagram, CSR is viewed from the employee performance, environmental performance, and community performance. Such information was gathered from the firms' available data on CSR initiatives and results. This study incorporates the financial measurements from firms' annual reports and financial statements to note some selected indicators as a way to calculate and analyze the degree of influence toward stock price.

3.1. RESEARCH METHOD

This paper follows descriptive study, which attempts to describe elements and characteristics of variables in a particular situation, and degree of associations among variables (Cooper and Schindler, 2003; Sekaran and Bougie, 2009: 437). This study attempts to provide descriptive information on 3 indicators of CSR (employment, environment and community), and CSR impact on stock price.

This study relies on the used of secondary data. The main source of such secondary data are collected from firms' financial statements, firms' CSR parameters (employee, environment and community), and parameters on financial performance (market size, profitability, financial leverage and operating risk) during the period of 2004 to 2011 on 13 companies from the Indonesian LQ45.

3.2. POPULATION & SAMPLE

As mentioned, this study relies on secondary data from LQ45 during 2004-2011. This collection of firms will then be re-screening to satisfy the intended sampling purpose, to include only the listed firms in LQ45 every year from 2004-2011. The LQ45 index comprises of 45 most liquid Indonesian stocks. This is where the abbreviation of LQ, which represents liquid, comes from. The selection processes for LQ45 can be summarized as follows;

1. The list started with a tight selection of top 60 stocks with highest average transactions value in regular market for the last 12 months.
2. Out of the 60 stocks; 45 stocks are screened further based on transaction value, market capitalization, trading day number, and transaction frequency in regular market over the last 12-month period.
3. Stocks must be included in the Jakarta Composite Index (JCI).
4. Stocks must have been listed in Bursa Efek Indonesia (BEI) for at least 3 months.
5. Stocks must show good financial conditions, prospect of growth, high trading frequency and transactions in regular market.
6. Firms and their listed stocks must show highest liquidity in BEI by indicating enormous investments in the group. During the period from 2004 to 2011, there were 96 firms, which were included in LQ45.

The initial analysis started with in-depth search for the accurate numbers of firms, which were listed in LQ45 during 2004-2011. As indicated, there were 96 firms listed in LQ45 during 2004-2011. Nonetheless, out of those 96 firms were not always listed within the prescribed time line of LQ45's 2004-2011 list. The following table shows the steps on sampling criteria:

Table 3.1: Sampling Criteria

Criteria	Sample
Firm listed in LQ45 from 2004-2011	96 companies
Firm listed every year from 2004-2011	13 companies

Considering that this study attempts to only focus on firms, which are always listed in LQ45 from 2004-2011, the results indicated that there were 13 firms which fulfils the sampling criteria.

Table 3.2: The Selected of Firms in LQ45 from 2004 - 2011

No	Code	Firm
1	AALI	Astra Agro Lestari Tbk.
2	ANTM	Aneka Tambang (Persero) Tbk
3	ASII	Astra International Tbk.
4	BBCA	Bank Central Asia Tbk.
5	BDMN	Bank Danamon Indonesia Tbk.
6	BNBR	Bakrie & Brothers Tbk
7	BUMI	Bumi Resources Tbk
8	INCO	International Nickel Indonesia Tbk
9	INDF	Indofood Sukses Makmur Tbk
10	ISAT	Indosat Tbk
11	PTBA	Tambang Batubara Bukit Asam Tbk
12	TLKM	Telekomunikasi Indonesia Tbk
13	UNTR	United Tractors Tbk.

Source: BEI, 2012

3.3. RESEARCH DESIGN

Though this study relies on secondary data, quantitative analysis is incorporated in this study. Selected proxies for CSR are employee performance (Fiori, et al., 2007; Orlitzky, et al, 2003; Neal, 2008; Liu and Fong, 2010), environment performance (Fiori, et al., 2007; Orlitzky, et al, 2003; Lyon and Maxwell, 2008; Iamandi, 2007; Kärnä, et al., 2003; Spada, 2008), and community performance (Fiori, et al., 2007; Orlitzky, et al, 2003; Iamandi, 2007; Handelman and Bello 2004; Ismail, 2009). Selected proxies for financial ratio are; size (Bull, 2008; Fiori, et al., 2007; Ross, et al, 2008; Subramanyam and Wild, 2009), profitability (Bull, 2008; Fiori, et al., 2007; Ross, et al, 2008; Subramanyam and Wild, 2009), leverage (Bull, 2008; Fiori, et al., 2007; Ross, et al, 2008; Subramanyam and Wild, 2009), and crisis (Andriyanto, 2010; Sheng, 2009). Firm's performance is proxied by stock price (Fiori, et al., 2007). The data are calculated and/or gathered based on the financial statements and management reports of the 13-selected firms from LQ45 in 2004-2011.

Table 3.3: Selected Variables and Indicators

Variable	Definition	Indicator
CSR	CSR is defined as a commitment to improve community via business practices and contributions of firm's resources. CSR is associated with positive corporate benefits and reflects firm's status and activities with respect to its perceived societal obligations (Kotler and Lee, 2005).	Employment (Fiori, et al., 2007; Orlitzky, et al, 2003; Neal, 2008; Liu and Fong, 2010)
		Environment (Fiori, et al., 2007; Orlitzky, et al, 2003; Lyon and Maxwell, 2008; Iamandi, 2007; Kärnä, et al., 2003; Spada, 2008)
		Community (Fiori, et al., 2007; Orlitzky, et al, 2003; Iamandi, 2007; Handelman and Bello 2004)
Financial Ratio	Financial ratios can help investors in making investment decisions, including making predictions on firms' performance and stability (Ross, et al, 2008; Subramanyam and Wild, 2009).	Size (Fiori, et al., 2007)
		Profitability (Fiori, et al., 2007)
		Leverage (Fiori, et al., 2007)
		Crisis (Adriyanto, 2010; Sheng, 2009)
Stock Price	Fiori, et al (2007) defined financial performance can be parallel to organizational reputation. Financially, this can be seen from the level of firm's stock price. As the level of stock price increases, this becomes a valuable resource for firms.	

This study scored each one of the measures for all the 13 firms for the eight years (2004-2011) and summed all the scores for each parameter. This study assesses CSR practices, according to Fiori et al (2007) approach. The three parameters of CSR (employment, environment and community) are translated into quantitative figures by ranking each of the variables with a scaling scores, either from 0 to 3, or 0 to 4. The following table shows CSR indexing;

Table 3.4: CSR Indexing

CSR Indicator	Category	Index Grade
Employee performance index	Health and safety, training and development, equal opportunities policies, employee relations, systems for job creation, and job security	Rated from 0 to 3 (0 = not stated, 1 = few stated, 2 = slightly stated, 3 = completely stated)
Environmental performance index	The quality of environmental policies, environmental management systems, and environmental reporting	Rated from 0 to 4 (0 = not stated, 1 = few stated, 2 = slightly stated, 3 = completely stated, 4 = very completed)
Community performance index	Safeguard the environment, support human rights, eliminate child labor, adopt codes of ethics, enter into partnerships with NGOs, display openness and transparency in relationships with customers, employees, community groups, and governmental organizations, promote diversity in the workplace, help communities solve their social problems, and consult with community residents on business plans and strategies	Rated from 0 to 3 (0 = not stated, 1 = few stated, 2 = slightly stated, 3 = completely stated)

Source: Fiori et al., 2007

In order to investigate how the CSR affects stock market prices of 13-selected firms that listed in LQ45 in 2004-2011, this study uses three types of data analysis, which are; (1) descriptive statistics, (2) normal linear regression test and (3) regression analyses. All data collected and processed in statistical software.

4. DATA ANALYSIS

As mentioned, this study only focuses on firms that listed in LQ45 of the Indonesian Stock Exchange. Of the total firms listed in LQ45 from 2004 to 2011, only 13 firms were selected due to their consistent appearance in LQ45 during the period of 2004-2011. The list of 13 selected firms that were investigated in this study is shown in the following table.

Table 4.1: The Selected of 13 Companies List of LQ45 from 2004 - 2011

No	Code	Firm	Industry
1	AALI	Astra Agro Lestari Tbk	Manufacturing
2	ANTM	Aneka Tambang (Persero) Tbk	Mining
3	ASII	Astra International Tbk	Manufacturing
4	BBCA	Bank Central Asia Tbk	Banking
5	BDMN	Bank Danamon Indonesia Tbk	Banking
6	BNBR	Bakrie & Brothers Tbk	Infrastructure, Telecommunication, and Plantations
7	BUMI	Bumi Resources Tbk	Manufacturing
8	INCO	International Nickel Indonesia Tbk	Manufacturing
9	INDF	Indofood Sukses Makmur Tbk	Food and Beverage
10	ISAT	Indosat Tbk	Telecommunication
11	PTBA	Tambang Batubara Bukit Asam	Manufacturing

No	Code	Firm	Industry
		Tbk	
12	TLKM	Telekomunikasi Indonesia Tbk	Telecommunication
13	UNTR	United Tractors Tbk	Construction Machinery, Mining Contracting, and Mining

From the following descriptive table, it is apparent that all the variables used in this study have variations in terms of their deviations around their averages. For the statistical processes, standardized values are used.

Table 4.2: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
EMPL	104	.00	17.00	11.5000	4.15711
ENV	104	.00	16.00	6.7212	5.03860
COMM	104	.00	24.00	13.4808	5.45232
LEV	104	.18	14.06	2.4202	2.90949
PRO	104	-211.88	117.06	21.7325	30.74877
SIZE	104	14.68	19.76	17.1571	1.19096
DCRISIS	104	.00	1.00	.5000	.50242
SP	104	40	96250	9292.61	13911.117
Valid N (listwise)	104				

Source: SPSS

Since the sources of all secondary data used in this study were from the firms' annual reports, financial statements, and managerial reports on CSR, which have undergone independent review/audit, this study purposely skipped the reliability and validity tests.

To conform to the regression equation, the underlying sets of testing may have to be conducted as follows (Trihendradi, 2004);

- The tests of multicollinearity is intended to evaluate the level of correlations among independent variables used in the regressions. An appropriate regression model should not have correlations among independent variables. This ensures independency among independent variables. Since the value of value inflation factor ("VIF") are less than 10, it is safe to conclude that there is no multicollinearity in the data set (Wijaya, 2009).

Table 4.3: Multicollinearity

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-3.252	2.212		-1.470	.145		
	EMPL	-.061	.032	-.170	-1.893	.061	**.654**	**1.529**
	ENV	.051	.033	.169	1.550	.124	**.441**	**2.269**
	COMM	-.042	.023	-.153	-1.851	.067	**.769**	**1.300**
	LEV	-.268	.050	-.518	-5.309	.000	**.552**	**1.810**
	PRO	.027	.004	.555	6.945	.000	**.822**	**1.217**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	SIZE	.727	.134	.575	5.410	.000	**.465**	**2.150**
	DCRISIS	-.041	.265	-.014	-.155	.877	**.672**	**1.488**

a. Dependent Variable: LNSP

Source: based on Coefficients[a] results, SPSS

- Autocorrelation test is intended to evaluate the level of correlations of the dependent variable over periods. The values of Durbin-Watson are all between -2 and +2, as shown in the table. Hence, it is safe to conclude that the available data does not violate any autocorrelations specifications (Wijaya, 2009).

Table 4.4: Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.708[a]	.501	.459	1.10798	**1.986**

a. Predictors: (Constant), DCRISIS, BETA, LEV, ROE, CSR_EMPL, CSR_COMM, SIZE, CSR_ENV
b. Dependent Variable: LNSP

Source: based on the result on model summary[b], SPSS

Given the satisfactory results of the underlying assumption testing on regression model, it is apparent that the available data can be processed further.

4.1. REGRESSION ANALYSIS

4.1.1. MULTIPLE COEFFICIENT OF DETERMINATION R^2

The following table shows that R^2 of 0.501 and adjusted R^2 of 0.459. This means that the variations around the means in CSR employment, CSR environment, CSR community, leverage, profitability, market risk, firm size and crisis is about 45.9%. The remaining balance can be explained by other variables, which are not examined in this study.

Table 4.3: Model Summary[b]

Model	R	R Square	Adjusted R Square
1	.708	.501	.459

a. Predictors: (Constant), DCRISIS, BETA, LEV, ROE, CSR_EMPL, CSR_COMM, SIZE, CSR_ENV
b. Dependent variable: LNSP

Source: SPSS

4.1.2. TESTING THE OVERALL SIGNIFICANCE (F-test)

The following table shows that the level of significance of the probability F-test is 0.000. This value is lower than 0.05, as the level of alpha used in this study.

This means that all variables used in this study, CSR employment, CSR environment, CSR community, leverage, profitability, market risk, firm size and crisis, have some degrees of influence toward stock price, simultaneously.

Table 4.4: Analysis of Variance (ANOVA[a]) Results

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	117.124	8	14.641	11.926	.000[b]
	Residual	116.624	95	1.228		
	Total	233.748	103			

a. Dependent Variable: LNSP
b. Predictors: (Constant), DCRISIS, BETA, LEV, ROE, CSR_EMPL, CSR_COMM, SIZE, CSR_ENV

Source: SPSS

4.1.3. HYPOTHESIS TESTING (t-test)

To test the hypothesis in this study, the following statistical process was performed with the following results.

Table 4.5: Hypothesis Testing Using t test (Coefficients[a])

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-3.252	2.212		-1.470	.145
EMPL	-.061	.032	-.170	-1.893	.061
ENV	.051	.033	.169	1.550	.124
COMM	-.042	.023	-.153	-1.851	.067
LEV	-.268	.050	-.518	-5.309	.000
PRO	.027	.004	.555	6.945	.000
SIZE	.727	.134	.575	5.410	.000
DCRISIS	-.041	.265	-.014	-.155	.877

a. Dependent Variable: LNSP

Source: SPSS

Based on the above table, first, by simply ignoring the level of significance and alpha used in this study, the regression equation becomes as follows:

SP = -0.170 EMPL + 0.169 ENV – 0.153 COMM – 0.518 LEV + 0.555 PRO + 0.575 SIZE – 0.014 DCRISIS………………...(4.1)

Using the previously mentioned alpha of 0.05, some variables are considered disqualified. This means that those "disqualified" variables should not be included in the regression model. Nonetheless, since the level of insignificance appears to be rather marginal, the level of alpha may be increased to accommodate more variables for the regression equation. Say, if the level of alpha is increased to 7%, CSR environment, and crisis may have to be eliminated from the regression model. Hence, the final result of this regression model becomes;

SP = -0.170 EMPL – 0.153 COMM – 0.518 LEV + 0.555 PRO + 0.575 SIZE .....(4.2)

The analysis shows an influence between CSR parameters and a firm's stock price. In fact, not all of the CSR parameters significantly influence the firm's performance. Referring the level of alpha of 7%, for instance, only CSR for employee and community have influential factor to firm's performance.

For the CSR variables, the negative signs are somewhat expected in the regression equations. From the internal operations of the firms, those CSR's employee and community initiatives require sufficient funds. As those funds are expensed-out, this may appear reduce the level of income. The lower level of income may be seen as a poorer financial condition. Ultimately, this may signal public to adversely value the firms. Hence, the regression equation provides conclusive conditions as follows;

- As the CSR's employee initiatives increase by 1%, firm's stock price declines by 17%. This may be understandable since employee CSR initiatives incur expenses for health and safety (Frans, 2012), training and development (Liu and Fong, 2010), employment friendly policies (Kärnä, et al, 2003; Neal, 2008), governance (Kärnä, et al, 2003; Neal, 2008), job creation (Liu and Fong, 2010), and job security (Liu and Fong, 2010). Since these initiatives represent cash out, this leads to negative impact toward the stock price as the market may see such expenses as a mere additional financial burdens for firms.

- As the CSR's community initiatives increases by 1%, the prevailing stock price slides by 15.3%. Just like the employee CSR initiatives, these community CSR initiatives also incur expenses for all kinds of activities targeted toward the betterment of the society as a whole (Handelman and Bello, 2004; Iamandi, 2007; Kärnä, et al, 2003; Neal, 2008). Hence, since these initiatives correspond to expenses, the market may react as additional financial burden for firms. Therefore, a negative respond toward stock price is prominent.

In addition to the CSR initiatives above, firm's leverage, profitability, and size are also somewhat expected to share contributions in the regression equation. From the understanding of corporate finance, it is evident that firm's leverage, level of profitability and size may likely provide influence toward the value of firms. Depending whether the indicators are "located" on the asset or liability side of the firm's balance sheet, the influence may correspond accordingly.

- As firm's leverage increases by 1%, the prevailing stock price slides by 51.8%. Since firm's leverage symbolizes borrowings, the payment of interests may portray financial burdens. Though such borrowings may well be solely targeted into capital expenditures and/or expansion projects by firms, nonetheless, the market may perceive them as hurdles toward profitability.

- As firm's profitability increases by 1%, the prevailing stock price jumps by 55.5%. This is evident that the market recognizes the vital role of profitability for firms. Undoubtedly, as profitability rises, the market views it as a "comfortable cushion" to leap toward sustainability. This is what the public looks for.

- As firm's size increases by 1%, the prevailing stock price jumps by 57.5%. as previously noted, in this study, firm's size is proxied by total asset. Hence, similar to the level of profitability, firm's total asset remains an important factor for firms. As firms accumulated assets, the existence may become powerful in the market. This powerful existence may be perceived as a crucial ingredient toward fighting-off rivals with deep-pocket competition.

5. CONCLUSION AND RECOMMENDATION

The results show that CSR employee, CSR community, firm's size, profitability and leverage have significant effect toward firm's stock price. It means that firms may have to consider increasing attention on employee and community CSR initiatives. Other variables that have significant influences toward stock price are profitability, size, and leverage. It means that firm should also manage their financial performance carefully, as always prescribed and intensively studied in numerous subjects within the faculty of economics across universities and colleges.

Aside from the above summary, possible explanations include the fact that CSR initiatives are relatively new schemes in Indonesia. Also, the quality of disclosures for CSR may not be easily measurable as firms use CSR disclosures as a mere instruments toward advertising. From the investor's perspective, it is also apparent that the timeline orientations between CSR results and investor's expectations may not be closely matched. Investors have relatively short-sighted orientations while CSR's impacts are mostly medium to longer terms.

Future research should add influencing variables, such as; governance, ownership structure, quality of human resources, opinions from employees and community on CSR initiatives, including other external parameters. Also, the use of other quantitative method may be incorporated to note the differences and/or applicability across firms and industries.

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