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Abstract

The purpose of this study to determine the effect of Corporate Financial Performance on CSR Disclosure (Corporate Social Responsibility) Registered on the Indonesia Stock Exchange 2014-2016. Financial performance is projected with return on asset, return on equity, and debt to equity ratio. Corporate CSR disclosure is measured using the GRI (G4) aspect. The type of research is Explanatory Research. Sampling method using Purposive sampling with criteria of Mining company listed in Indonesia Stock Exchange and issuing annual report which during period 2014-2016. Data analysis techniques use multiple linear regression. The results showed that the financial performance variable did not significantly influence the disclosure of social responsibility either partially or simultaneously. The results of the insignificant research indicate that this research is not in line with stakeholder theory but in line with legitimacy theory.

Keywords: Return On Asset, Return On Equity, Debt to Equity Ratio, CSR, Theory stakeholder. legitimacy theory.

1. Introduction

Each company will not take action that will bring adverse impact to the company's performance, so it takes a careful planning in every activity undertaken and no negative impact on cash flow and can affect the financial performance of the company (Von Krogh, 1998). The company's performance measurements include planning, controlling and transactional processes for securities firms, fund managers, corporate executives, owners, stock executors, creditors and other stakeholders (Roos et al., 1997). The assessment of the company's financial performance by stakeholders is used as one of the basis of decision-making relating to their interests to the company(Ruf et al., 2001). The interests of the company are closely related to their welfare expectations. Measuring financial performance is one very important factor for the company, because the measurement is used as a basis for preparing a reward system within the company that can affect the behaviour of decision-making within the company (Katz, 1964; Achmad Daengs et al., 2020).

A company's financial performance is more measured based on financial ratios over a given period. Measurement based on financial ratios is very dependent on the method or accounting treatment used in preparing the company's financial statements. Analysis and interpretation of various ratios can provide a better view of the company's financial performance than an analysis based solely on its own financial data that is not in the form of a ratio (Altman, 1968). Media that can be used to assess the company's financial performance is the financial statements. The financial statements are the results of the collection and processing of financial data presented in the form of

financial statements or other overview so that it can be used to assist the user in assessing the financial performance of the company so as to make the right decision.

The financial statements aim to provide information regarding the financial position, financial performance, and changes in financial position that benefit most users in economic decision-making (Mutia, 2013). Financial performance measurement is generally done by analyzing financial statements such as profitability ratios (Ekaningsih, 2011). Profitability of a company can be identified by the amount of profit obtained in a certain period. Users often use the company's profitability information derived from financial statements as a leading indicator of the foundation for making investment decisions, and the profitability ratios can demonstrate the company's success in generating profits.

The owner of the company not only pay attention to the financial performance, but must pay attention to stakeholders who are part of the company. One of them by carrying out social responsibility activities that indirectly the stakeholders will affect the company's performance. the underlying notion of Corporate Social Responsibility that is often considered the essence of business ethics is that firms not only have economic and legal obligations (meaning shareholders or shareholders) but also obligations to other stakeholders whose scope exceeds obligations above. Corporate social responsibility occurs between a company and all stakeholders, including customers or customers, employees, communities, owners or investors, governments, suppliers and even competitors (Yulinartati, 2017).

In Indonesia the discourse on CSR began to surfaced in 2001, the current corporate social responsibility (CSR) is no longer a voluntary / commitment committed company in accounting for the activities of the company, but is obligatory / a liability for some companies to do or apply it. This is stipulated in Law Number 40 Year 2007 on Limited Liability Company (UU PT), which was legalized on July 20, 2007. Article 74. With this existence, companies, especially limited companies engaged in the field and or related to natural resources must implement social responsibility to the community. Criminal sanctions concerning CSR violations are contained in Law Number 23 Year 1997 regarding unlawfully intentional deeds that cause environmental pollution and / or damage, threatened with a maximum imprisonment of ten years and a maximum fine of five hundred million rupiah ". Furthermore, Article 42 Paragraph (1) states: "Anyone who due to his negligence commits an act which results in environmental pollution and / or damage, is punishable by imprisonment of a maximum of three years and a fine of at most one hundred million rupiah" (Kusumadilaga, 2010).

CSR activities will increase the cost to be incurred by the company, so it will reduce the amount of profit to be earned by the company. Thus will disrupt the company's financial performance so that will affect the sustainability of its business. Businesses are still stuck to achieve maximum profit so they are exploitative of human resources (employees, communities, and consumers) and damaging the environment. They do not realize that their actions will endanger the environment and the sustainability of their business, and will backfire that plunges the company into business losses and failures in the future. They do not realize that their actions will endanger the environment and the sustainability of their business, and will backfire that plunges the company into business losses and failures in the future. One company that is less responsible for the environment so that the company must suffer losses and affect the profit earned.

Related problems that arise due to the company in carrying out its operation less attention to environmental and social conditions around him, especially companies whose activities related to the management of natural resources (extractive). For example, PT. Freeport Indonesia is one of the largest mining companies in Indonesia located in Papua, which started operations since 1969, to date has not been separated from the prolonged conflict with local communities. The Ajkwa River Pollution Case, the tailings disposal that causes sea contamination, reduces the catch of fish even at risk of extinction, because tailings discharged by Freeport are materials capable of producing acids that are harmful to the life of aquatic species. According to Greenomics Indonesia calculations, the cost needed to restore damaged environments is Rp 67 trillion because it has caused natural damage. And then the case that happened to PT Newmont in 1996-1997 with 2000-5000 cubic tons of waste every day disposed by PT. NMR to Buyat Bay waters beginning in March 1996, and by the end of July the fishermen found dozens of dead fish carcasses floating and stranded on shore. The local fishermen strongly protested the waste disposal, so the government in it the State Minister of Environment solve this problem through non-litigation path to PT. NMR by requesting compensation of 124 million US dollars in compensation due to declining environmental quality and declining quality of local community health due to PT Newmon Minahasia Raya (NMR) operations.

Based on the above case example it has been proven that environmental destruction affects not only their company but also other parties. The existence of the company should have benefits for the surrounding environment by conducting CSR activities. Corporate social performance is a CSR activity or activity undertaken by the company

and the results can be measured and viewed as a relationship between the company and its stakeholders. The company's social performance will show how the company manages CSR activities.

This study seeks to review the extent to which corporate social responsibility practices can be influenced by measures of financial performance in the form of Size of Company ROE (return on equity), ROA (Return On Asset), DER (debt to equity ratio) and firm size with mining companies as the object of research because mining companies are industries that are closely related to the environment and vulnerable to environmental pollution.

2. Literature Review

2.1 Financial performance

Performance or performance terms are often associated with the company's financial condition. Performance is an important thing that must be achieved by every company anywhere, because the performance is a reflection of the company's ability to manage and allocate resources. In addition, the main purpose of performance appraisal is to motivate employees in achieving the goals of the organization and in complying with predefined standards of behavior, in order to produce the expected actions and results. Standards of behavior can be either a management policy or a formal plan set forth in the budget. Company performance information, especially profitability, is needed to assess potential changes in potential economic resources that may be controlled in the future. Information performance fluctuations are important in this regard. Performance information is useful to predict the company's capacity to generate cash flow from existing resources. In addition, the information is also useful in the formulation of a balance on the effectiveness of companies in utilizing resources (Indonesia, 2012).

2.2 Platform of CSR Theory

Corporate social responsibility is a tangible manifestation in the implementation of good corporate governance. Implementation of corporate social responsibility (CSR) is an implementation in the implementation of the five principles of good corporate governance. The real form of the company in applying the principle of accountability to stakeholders by exposing corporate social responsibility actions through sustainability report (sustainability report). In preparing a sustainability report, the company is guided by standards issued by the international organization Global Reporting Initiatives (GRI) G4. Global Reporting Initiatives (GRI) G4 launches its latest sustainability reporting standard, which is the fourth generation since it was first launched in 2000, on 22 May 2013 in Amsterdam. This study uses several theories underlying research in the field of corporate social responsibility such as stakeholder theory and legitimacy theory

- Stakeholder Theory
  Stakeholder Theory says that a company is not an entity that only operates for its own sake, but must provide benefits to its Stakeholders (shareholders, creditors, customers, suppliers, governments, communities, analysts and others). Thus the existence of a company is strongly influenced by the support provided by Stakeholders to the company. Company activity is influenced by external and internal factors, all of which can be referred to as Stakeholders. The survival of the company depends on the support of Stakeholders and such support should be sought so that the company's activity is to seek such support. The more powerful Stakeholders, the greater the company's efforts to adapt. Social disclosure is considered part of a dialogue between the company and its stakeholders.
- Legitimacy Theory
  The theory of legitimacy is directly related to financial performance. The theory of legitimacy shows that by not managing the reputation of the company will decrease the company's performance. Clarke and Gibson-Sweet (1998) test whether this theory is used by firms, and the results show that legitimacy theory encourages companies to report CSR. Sustainability and growth of the company is based on the company's actions to be able to meet the norms and values applied in the society where the company is located. Therefore, when a company succeeds with CSR strategy, then the result of society will give its legitimacy and a positive reputation to the company. One way companies communicate with the community by using CSR reporting as a corporate instrument strategy to inform their social activities. Therefore, companies can convince people that they have behaved rightly according to what is acceptable to society.

3. Research Methods

This study aims to test the Hypothesis (Hypothesis Testing) and also included in Explanatory research / explanatory research (Explanatory Research). This research is explanatory research which intends to give explanation of causality relationship between variables through hypothesis testing . The types of data used in this study are nominal and data ratio. The data source is secondary data. Data collection is done with Pooled way, which is a combination of time series and cross section (N Gujarati, 2004). The population in this study are all public companies listed on the Indonesia Stock Exchange. The sample of this study is a mining company that publishes annual financial statements ending December 31 for three consecutive years ie 2014, 2015, 2016 and selected by using Purposive Sampling Method.

3.1 Data analysis technique

The data analysis technique used is multiple linear regression analysis. Sugiyono (2006) suggests multiple linear regression analysis is used to make predictions, how changes in the value of the dependent variable when the value of independent variables increased or lowered value. This analysis is used by involving two or more independent variables between the dependent variable and the independent variable, the analysis technique in this research is used to know and get the whole picture about the influence between independent variables, ROA, ROE, DER This way is used to know the strength of the relationship between several variables free simultaneously to related variables.

4. Results And Discussion

4.1. The Influence of Return On Asset to Disclosure of Corporate Social Responsibility on Mine Company Registered at Indonesia Stock Exchange period 2014-2016.

Return on assets is one measure to measure the company's ability to earn profits by using the ability of total assets owned by the company. The higher this ratio, the better the state of a company. The result of this research should be in accordance with the a priori expectation, where when the company gets a high profit on the assets of the company in the period of 2014 - 2016. the Company will increase its social responsibility. This means that the higher this ratio the better the social responsibility undertaken by the company. The result of the estimated return on asset should have positive sign (+) ie any increase of percentage return on asset then the company will increase the responsibility, but the return on asset in this research is negative (-) generally indicates that when the mining company obtained profits then companies tend not to increase social responsibility to their stakeholders.

In another argument the relationship between profitability and the level of social responsibility disclosure is when companies have high profits, companies do not need to report things that interfere with information about the success of corporate finance. Conversely, when the level of profitability is low, they expect the report users to read the "good news" of the social and environmental performance that has been done by the company. A decrease in the level of corporate social responsibility of a mining company may occur due to the company or its shareholders preferring to manage the company's earnings to other investments that provide faster returns on profits such as acquisitions, margins, purchases of shares of other companies or opening branches / subsidiaries. In addition, the results of the estimated return on asset research are not significant to inform the possibility that occurred in mining companies in Indonesia, that the mining company does not gain a significant profit if doing social responsibility with the cost of the return on assets owned by the company. This means that if the company wants to do social responsibility it is only voluntary / voluntary(Dwiningwarni et al., 2019; Rodli et al., 2018; Dewi et al., 2019; Pudji et al., 2019).

4.2. The Effect of Return On Equity on Corporate Social Responsibility Disclosure on Mine Company Listed on Indonesia Stock Exchange period 2014-2016

Return On Equity is one measure of the income (income) available to the owners of the company for the capital they invest in the company. This ratio shows how far the company manages its own capital (net worth) effectively, measuring the rate of return on investment that has been made by the owner of its own capital or shareholder of the company. In general, the higher the return or income earned the better the level of ownership of the company. In this study obtained the results of data analysis with a significant value of return on equity above 0.05 ie 0.298 means the return on assets partially no significant effect on corporate social responsibility disclosure during the period 2014-2016.

The result of return on equity research should have positive sign (+) in accordance with the a priori expectation, that is when company get profit from invested capital then company will increase its responsibility / social

performance because with increasing profit then company able to finance all activity of social responsibility / performance social. The relationship between the return on equity ratio and the social performance should be positive and significant where when the company gets a return on invested capital then the company will do social responsibility because the company is able to finance all activities of social responsibility activities with the profit earned.

However, the results of this study return on equity is not significant to the disclosure of corporate social responsibility because the activities of social responsibility is a new thing in Indonesia so the company does not have full awareness to perform social responsibilities other than that CSR disclosure is still part of the ads made by the company to have the image which is good in the eyes of its stakeholders. This shows that not all companies that have good financial performance will have a good social responsibility. The Company will perform its social responsibilities in accordance with the environmental and political conditions in which the company is located. In addition, the role of government in overseeing social responsibility activities in Indonesia is also one of the supporting factors of responsibility level undertaken by the company

4.3. The Effect of Debt to Equity Ratio Against Disclosure of Corporate Social Responsibility on Mine Company Listed on Indonesia Stock Exchange period 2014-2016

In this study, debt to equity ratio describes the ratio of debt and equity in the funding of the company and shows the capability of the company's own capital to fulfil its obligations. The use of debt will affect the financial condition of the company so that will indirectly affect the social activities undertaken by the company. The result of data analysis with the significant value of debt to equity ratio greater than 0.05 is equal to 0.487 means that the variable debt to equity ratio partially has no significant effect on corporate social responsibility disclosure in the mining company during the period 2014 - 2016. The estimated debt to equity ratio has value positive (+) in accordance with the a priori expectations, where when the company has a high risk then the company will perform activities of social responsibility / social performance.

However, in this study the variable debt to equity ratio is not significant to corporate social responsibility disclosure of companies in mining companies period 2014 - 2016. The results of this estimate shows that when the risk of the company rises then the company will perform social responsibility but not significant. This indicates that the company uses other alternatives in managing the risks such as minimizing debt or selling corporate bonds. The results of this study indicate that the level of debt to equity ratio of a company will not affect the level of corporate CSR. Although the company has significant debt or risk levels, the company will continue to exercise social responsibility to its stakeholders.

5. Conclusion

- Return On Asset has no effect on CSR disclosure with argument in relationship between profitability and social responsibility disclosure level is when company have high profit, company not need to report things that disturb information about success of company finance. Conversely, when the level of profitability is low, they expect the report users to read the "good news" of the social and environmental performance that has been done by the company.
- Return On Equity does not affect the cause of social responsibility activities is a new thing in Indonesia so that companies do not have full awareness to perform social responsibilities other than that CSR disclosure is still part of the ads made by the company to have a good image in the eyes of its stakeholders . This shows that not all companies that have good financial performance will have a good social responsibility. The Company will perform its social responsibilities in accordance with the environmental and political conditions in which the company is located. In addition, the role of government in overseeing social responsibility activities in Indonesia is also one of the supporting factors of responsibility level undertaken by the company.
- Debt to Equity Ratio does not affect CSR disclosure due to the company related to Natural Resources has been obliged to conduct CSR activities which have been stipulated in the Constitution Number 40 year 2007, so big profitability does not affect CSR disclosure. However, for companies that are not related to HR can be the size of profitability affect the CSR activities and disclosure based on items set by GRI G4.

6. Suggestion

The researcher may further extend the sample not only using a sample mining company but may include all companies listed on the Indonesia Stock Exchange in order to result from the effect of profitability assuming ROA, ROE and DER on CSR disclosure is more significant.

Subsequent research should not only use annual report only in obtaining data related to Corporate Social Responsibility done by company, but can also expand the scope by looking from reports on company website, print and electronic media.

Researchers can then use or add other research variables that are not used in this study such as company age, public ownership, board size, media disclosure, etc. to further explain the effect of corporate characteristics on Corporate Social Responsibility.

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