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LITERATURE REVIEW DISCLOSURE CORPORATE SOCIAL RESPONSIBILITY (CSR) OFIN ASSESSING COMPANY PERFORMANCE

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A B S T R A C T

Companies in carrying out business activities in the implementation process, of course, will be related to social responsibility towards the environment. CSR, which should have been in the voluntary domain, is now being brought into the mandatory domain. In addressing this, companies must be able to translate CSR in a logical framework to provide benefits for sustainable company performance. This study is a literature study from various empirical studies on corporate social responsibility and corporate performance. The results of this literature indicate that the results of the impact of company activities on the environment on the wider community, which are implemented with good governance, are a necessity for companies to be able to run their business. Which if it can be done properly through a CSR program that can meet community expectations of its existence, it will have a good impact on company performance.

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I. Introduction

Company that acts as one of the economic actors is expected to have a major influence on the economy and society at large, therefore, of course, the company will not only be responsible to the owners and providers. loans only, but also to the community at large. In Indonesia, the Law on Corporate Social Responsibility is contained in the PT Law no. 40 of 2007 article 74 paragraph 1 and Law no. 25 of 2007 concerning Investment. CSR is the process of communicating the social and environmental impacts of an organization's economic activities to specific interested groups and to society as a whole. Corporate social responsibility itself can be described as the availability of

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financial and non-financial information relating to an organization's interactions with its physical and social environment, which can be made in the company's annual report or separate social reports [1].

The government, consumers and investors are increasingly concerned about environmental problems. When market sovereignty cannot be properly controlled by the sovereignty of the people, poverty will widen, because existing public policies do not favor the interests of the people. This will also happen when global market forces can no longer be regulated and controlled by a country, then many national interests will be neglected, including efforts to protect the environment. One of the company's objectives in disclosing environmental, social and financial performance in an annual report or separate report is to reflect the level of accountability, responsibility and corporate transparency to investors. This disclosure aims to establish a good and effective communication relationship between the company and the public and other stakeholders regarding how the company has integrated CSR and the social environment in each of its operations [2].

Social CSR by the company, in general, will affect the increased profitability of the company. Although it will increase costs for the company, a company image will certainly emerge in the eyes of the public, which indirectly attracts people to use the company's products, thereby increasing the company's profitability. CSR arises because the company is concerned for the environment and social issues, as a result of the exploration that the company has undertaken to increase its production because currently, the demand for cement is very high, while Natural Resources (SDA) for raw materials for making cement is very limited, so there is a lot of environmental damage caused by the company's activities. Environmental damage caused by exploration activities carried out by the company can damage existing ecosystems such as deforested forests, hollow hills, water, and air pollution, and waste produced by production processing can damage the health of the surrounding community. There are many benefits that the company gets by implementing CSR, among others, that product are increasingly favored by consumers and companies are being attracted by investors. CSR can be used as a new marketing tool for companies if it is implemented sustainably [3]. As it is understood, the responsibility of company management is not only in managing the funds that are reported to investors, creditors. But also responsible for the impact caused by the company on the natural and social environment. The relationship that occurs between the company and its natural and social environment, as well as the social benefits and social costs it causes, is a social aspect of corporate management responsibility [4]. There is a lot of literature that confirms that CSR activities contained incorporate social disclosure are influential and have a positive relationship with company performance. The following figure illustrates the relationship between social responsibility and company performance. CSR can affect company performance and company performance also influences corporate social responsibility, this happens because the implementation of corporate social responsibility is financed by limited company funds. Therefore, with limited funds, how companies can carry out these social activities must be able to measure the results. And companies also need to know how the impact of these activities on company performance.

II. Literature review

Theory Stakeholder

Stakeholder theory begins with the principle that Value explicitly cannot be denied because it is part of business activities. [5]. Since the early 1970s, the concept of corporate social responsibility, which was generally known as stakeholder theory, was a collection of policies and practices related to stakeholders. The values of compliance with legal provisions, respect for the community and the environment, as well as the commitment of the business world to be able to contribute to sustainable

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development. [6] wrote an article in the New York Times Magazine claiming that companies only think about how to make a profit, while other problems such as increasing the welfare of society are better left to the government. This led to an idea called stakeholder theory. Stakeholder theory is a theory which states that a company is not an entity that only operates for its interests, but must also provide benefits to all stakeholders.

Legitimacy

Theory the next theory that also underlies CSR is the theory of legitimacy. Where the stakeholder theory and legitimacy are theoretical perspectives within the framework of the political economy theory. The paid society influences the allocation of financial resources and other economic resources, in this case, the company will be more likely to carry out environmental-based performance and disclosure of environmental information to justify or legitimize company activation in the view of society [7].

Company performance

Company performance is an important indicator, not only for the company but also for investors. Performance shows the company's management's ability to manage its capital. Performance is the result that has been achieved for various activities carried out by utilizing various available sources, which are measured using certain standard measures [8]. Performance appraisal company can be done by measuring the performance, company performance measurement can be done by using a method or approach. According to [9], performance measurement can be grouped into non-financial performance measurement (non-financial performance measurement) and financial performance measurement (measurement financial performance).

Company performances can be defined as the results of the business of a business unit or company in a certain period. Company performance can be divided into two categories, namely; 1) Company Financial Performance. The company's financial performance is closely related to the profits that the company receives in a certain period where the size is monetary units and is usually proxied by ROA and ROE; and 2) Corporate Social Performance. The concept of corporate social performance emerged along with various improvements to the concept of corporate social responsibility. One of the central themes brought by the concept of corporate social performance is how companies can measure the actions and results of social actions taken by the company, just as companies can measure other operational activities [10].

Corporate Social Responsibility (CSR) The definition of CSR has been put forward by many experts. CSR is a mechanism for a company to voluntarily integrate attention to the social environment into its operations and interactions with stakeholders, which goes beyond social responsibility in the legal field [10]. Disclosure of corporate social responsibility in company annual reports is often done voluntarily by companies. Henderson and Peirson in [11] describe several reasons for companies to voluntarily disclose social performance, including 1) Internal decision making. Management requires information to determine the effectiveness of certain social information in achieving the goals of the company association; 2) Product differentiation. Managers of socially responsible companies have an incentive to differentiate themselves from competitors who are not socially responsible to society. 3) Enlightened self-interest. Companies make disclosures to maintain social harmony with stakeholders consisting of stockholders, creditors, employees, suppliers, customers, government, and society because they can affect sales revenue and the company's share price.

III. Research Methods

Data sources This study uses secondary data in the form of research results that have been published

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in the form of research journals or from existing literature. In previous research conducted by [12, 13], testing the first hypothesis aims to prove whether CSR affects the *Earning Response Coefficient* (ERC). The results of his research indicate that CSR has no influence on the *Earnings Response Coefficient* which indicates that CSR is not able to influence the *ERC*. This occurs because in this study as a whole the companies sampled are large companies that are included in the LQ45 index listed on the Indonesia Stock Exchange, which has been proven from the results of descriptive statistical tests which give the average results of companies included in large companies. So the size of the company here does not affect investors in making decisions because the size of the company is both large.

Meanwhile, in a study conducted by [14], it was found that Syari'ah Commercial Banks, represented by BMI and BSM, had implemented CSR in 10 categories of activities or fields. Among other things are programs on the environment, health, economic empowerment, improving the quality of the workforce, consumer comfort, and so on. Apart from that, the two Syari'ah Banks carry out CSR activities to participate in sustainable development. BMI and BSM practice the preservation of religion, soul, and assets. As for the maintenance of offspring (descent honor) and the maintenance of reason are things that have been done with a large contribution in nominal quantity, but the proportions are still not insignificant compared to the existing problems that are the core of CSR activities in the two banks. The author argues that the maintenance of reason has not been comprehensive and heredity in the BMI and BSM CSR practices. These deficiencies do not mean that the two agencies are not focused or do not want to participate in the maintenance of reason and property, but both of them are still not concerned and give their social activities for the two maintenance.

[15] from the hypothesis testing that has been conducted it can be concluded that: social disclosures in the annual report of companies that go public have been shown to affect the volume of stock trading for companies that are in the category high *profile*. In another study conducted by [16], almost all companies disclose their economic performance, due to the Decree of the Minister of Manpower No. Kep-150/Men/2000 regarding labor and severance pay and PSAK 57 regarding estimated obligations, contingencies, cause the company to disclose certain information if there are regulations that require it. Banking and insurance companies disclose more about human resources (50%), companies with large management ownership including those in industries that have high political risk (*high-profile)* tend to disclose more social information than other companies.

Research conducted by [17] explains that *disclosure of CSR* does not affect company performance, but corporate governance has a significant positive effect on company performance and *leverage has a* significant negative effect on company performance. This proves that with good governance, the higher the company's performance so that it will synergize with the company's goals. Meanwhile, high leverage will cause reduced performance where we know that high debt levels will make investors more careful in investing funds so that it can affect company performance. Companies that practice GCG will experience improved image and increased corporate value. However, the amount of total assets is proven not to affect the company's performance because the size of the asset ownership is not an indication of generating high profits.

IV. Results

In the development of a business unit, stakeholders are the supporting elements needed. And the concept of social responsibility can be understood by asking who the real company manager (manager) is responsible for [10]. Managers are agents who act for the benefit of company owners where the manager's actions to carry out the social responsibility program are financed by shareholders who have to bear the costs of this social responsibility.

The relationship between the concept of social responsibility

The concept of Corporate Social Performance (CSP) includes the concept of CSR, refer to as CSR principles. The concept of CSR itself includes the concept of CSR which shows the extent to which the company responds to various social issues, namely proactive responses to reactive responses. The CSR concept also contains elements of Corporate Governance that will support the company's success in obtaining profits as one of the CSR categories, namely, economic responsibilities.

The linkage between CSR and CSP

[10] proposes another approach to see the relationship between CSR and company performance (CSP). Marom developed five basic assumptions as follows; 1) The company operates in both the business and CSR domains to maximize profit; 2) The utility of the stakeholders is a function of the level of social output received by the stakeholders; 3) Each stakeholder group has a different utility (U) function compared to other stakeholder groups; and 4) The social output of a company is assumed to be independent; 5) Reward (R) for the company obtained through the actions of stakeholders (for example; local people become loyal to the company's products), is proportional to the utility of the stakeholder group.

The performance of companies with good corporate governance

[18] Just as a state government that involves various groups with different interests to achieve a goal, corporate governance is also related to the alignment of collective action problems involving various investors. Corporate governance also concerns the reconciliation of various different interests from stakeholders. This means that without good corporate governance there will be a conflict of interest which can have a negative impact on company performance.

Conclusion

In the implementation of CSR activities and company performance, these two things will always be related because the company has a responsibility to society at large as a form of the constituency. And because of that, the community has high hopes for the existence of the company which of course can provide benefits for them. The company hopes that the community's hopes can be fulfilled through various philanthropic activity programs. Good corporate governance will support the achievement of CSR activities carried out by companies and will create *value* (added value) in products and services for *shareholders* and *stakeholders* corporate.

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