CSR Expenditure Effect to the Financial Performance on the Mining and Financial Service Companies in Indonesia

Arif Fadila Prasetia and Ir. H. Arson Aliudin, SE, DEA
Bandung Institute of Technology, Indonesia

Abstract
Corporate social responsibility furthermore could be named by CSR. CSR has become more serious in the corporate strategy and concern issues. The Government also takes this seriously, in Indonesia for example, there are many rules that stated the company must do the CSR. The purpose of this study to make people understand about the importance/not of CSR with empirical way. Moreover, in this research there are also studies between mining sector and financial service CSR expenditure effect to the financial performance, to help people understand the difference of the effect between the business sector that really close to the CSR and pretty far with CSR. This research using extensive data in the mining sector and financial service over the period of 2005-2014, explores and tests the sign of the relationship between corporate social responsibility and financial performance. The data set includes the representatives, mining and financial services company from LQ45 index. The data will processed into ROA, ROE, and EVA. After that, the data will be tested with CSR expense by the simple linear regression method using SPSS Statistic software for determining the relation. The result of this study will help companies, especially mining and banking in order of actionable decision making that related to the CSR.

Keywords: CSR, Finance, ROA, ROE, EVA, Sustainability

1. Introduction
Corporate Social Responsibility that can be referred to as CSR for the rest of this research. The increase in the attractiveness of CSR activities can be demonstrated in surveys on the global business executives. The research take the mining company as a scoop of study because the mining company is shown to be the company really close to the community and
CSR in terms of direct impact business activity in form of environmental, social, and economic (Lins & Horwitz, 2007). The research also takes the financial services as a scoop of study because this sector of the company less environmentally hazardous activities compared to primary resource extraction or heavy industry (Thompson & Cowton, 2004). But both of the sectors are vital sectors to national economic that have the opportunity to encourage CSR practice that can provide an overall benefit to society (Thompson & Cowton, 2004; Scholtens, 2006).

1.1 Problem Statement

Beside of developed CSR in the world, other company managers have been arguing that additional investment in CSR is inconsistent with their efforts to maximize profits. Surely, implementing the CSR principles involves costs. These costs might be short term in nature or continuous outflows. The finance division will concern on the company financial performance resulting from development of CSR programmes. The research try to convince finance people to concern CSR as important issue in empirical ways. In traditional view, the company should focus on profit orientation, the other way stakeholder see more constrain on socially aware view (Lantos, 2001). The resulting controversy as induced the study to examine the relationship between CSR and financial performance, in an effort to measure the validity of concerns regarding a tradeoff between investment in CSR and profitability. The study also wants to analyze what is the difference relationship CSR and Financial performance of the mining company and banking company to help further decision.

1.2 Research Objective

The objective of this research is to validity the issue of the relationship between development of CSR expenditure and following financial performance. For the detail objective of this research can be seen on the following:
1. To identify the relationship between CSR expenditure to the company financial performance in recent years in mining companies and banking companies in Indonesia.
2. To identify the differences between relationship on CSR expenditure and company financial performance in mining companies and banking companies in Indonesia.
1.3 Research Questions

The following research hypotheses have been formulated in an attempt to provide empirical evidence on the existence of relationship between the variables of the study:

1. Is there relationship between CSR and company financial performance according to ROA, ROE, and Economic Value Added (EVA) in mining company and banking in Indonesia?

2. How the relationship between CSR and company financial performance according to ROA, ROE, and Economic Value Added (EVA) in mining company and banking in Indonesia?

3. Is there any differences between the relationship of CSR and company financial performance in the mining company and banking company in Indonesia?

2. Literature Review

In this research there will be some theories that will be used as bases for the research. For the further way, the theories also used to build and create the hypothesis in this research. The theories, resource are from several books, national journal, international, journal, research papers, and internet.

2.1 Corporate Social Responsibility Concept

CSR has recently been the subject of increased academic attention. The idea of CSR means that firms undertake voluntary obligations for workers, consumers, suppliers, and local communities concerning social and environmental dimensions of their economic activities. CSR also growing globally concept and the implementation has been extended to all sectors. Increased globalization has also increased competition and therefore companies try to create competitive advantage by taking greater responsibility. It's no more sufficient for organizations should have the best items and the best administration. Instead, qualities and obligation bring turned into progressively paramount components of competition, which implies that it need as of late turned popular to organizations on worth of effort with CSR (Burke & Hodgson, 1996). Diverse stakeholders also require organizations to fill in for CSR, which need helped organizations and company make more concern of their respect to particular social order (Sprinkle & Maines, 2010).
2.2 Corporate Financial Performance

Financial performance analysis is the process of selection, relation, and evaluation (Meigs, 1978). Financial performance analysts often assess firm’s production and productivity performance, profitability, performance, liquidity, performance, working capital performance, fixed asset performance, fund flow performance and social performance. This research will be concerned on the profitability analysis.

2.2.1 Return on Asset

The return on total assets (ROA) measures the overall effectiveness of management in generating profits with its available assets. The higher the firm’s return on total assets the better. ROA is one of the famous ratio to measure company profitability (Gitman, 2012). Below is the formula of ROA:

\[ \text{ROA} = \frac{\text{EAFCS}}{\text{TA}} \]  \hspace{1cm} (2.1)

Where: EAFCS = Earning Available for Common Stockholders

TA = Total Asset

2.2.2 Return on Equity

The return on common equity (ROE) measures the return earned on the common stockholders’ investments in the firm. Generally, the owners is better off the higher is this return. Activity ratios are another group of ratios; it's usually used to measure the ability to optimize the use of the available resources. Below is the formula of ROE:

\[ \text{ROE} = \frac{\text{EAFCS}}{\text{TE}} \]  \hspace{1cm} (2.2)

Where: TE = Total Equity

2.2.3 Economic Value Added

Economic Value added that can be referred as EVA is the developed by Stern Stewart &Co., a global consulting firm in 1989. EVA measures a corporation’s true economic profit (Shil, 2009). Traditional performance measures have some insufficiencies in guiding to shareholders wealth maximization, as they ignore the cost of capital, such measures lack a formal mechanism for determining whether achieving such goals create value for shareholders.
(Yook & McCabe, 2001). An positive EVA reflects that the organization is expanding its worth value its shareholders, while a negative EVA reflects opposite. The study used this performance measurement because the study wants to know is there any relationship between the CSR expenditure with the company value added in term of economic value. Otherwise this method known have more advantage such as above said.

EVA can be calculated by this formula (Young & O’Byrne, 2001):

\[ \text{EVA} = \text{NOPAT} - (\text{WACC} \times \text{IC}) \]  

(2.3)

Where: \( \text{EVA} \) = Economic Value Added  
\( \text{WACC} \) = Weight Average Cost of Capital  
\( \text{IC} \) = Invested Capital  
\( \text{NOPAT} = \text{EBIT} \times (1 - \text{CTR}) \)  

(2.4)

Where: \( \text{NOPAT} = \text{Net Operating Profit After Tax} \)  
\( \text{EBIT} \) = Earning Before Interest & Tax  
\( \text{CTR} \) = Corporate Tax Rate

\[ \text{CTR} = \frac{\text{IBT}}{\text{ITE}} \]  

(2.5)

Where: \( \text{IBT} \) = Income Before Tax  
\( \text{ITE} \) = Income Tax Expense

Invested capital is the amount of a firm has invested in the operation of its business of operation’s of company (Barneys, 2011). The invested capital can be calculated based on (Young and O’Byrne, 2001)

\[ \text{IC} = \text{TA} - \text{NIBCL} \]  

(2.6)

Where: \( \text{TA} \) = Total Asset  
\( \text{NIBCL} \) = Non-Interest Bearing Current Liabilities

\[ \text{WACC} = \text{rd} \times (1 - \text{CTR}) \times \left( \frac{\text{D}}{\text{E} + \text{D}} \right) + \text{re} \left( \frac{\text{E}}{\text{E} + \text{D}} \right) \]  

(2.7)

Where: \( \text{rd} \) = Cost of Debt  
\( \text{re} \) = Cost of Equity  
\( \text{D} \) = Total Debt  
\( \text{E} \) = Total Equity  
\( \text{rd} = \text{Rd} \times (1-t) \)  

(2.8)

Where: \( \text{Rd} \) = Before tax cost of debt
\[ rd = \text{Cost of debt} \]
\[ t = \text{Tax rate} \]

Cost of debt is considered as a firm’s risk and the level of interest rate in the market. It is can be calculated by using yield to maturity on corporate bond. But in this study will be used the rating system, since not all of the company issued bond. If the firm is rated, use the rating to estimate the before tax cost of debt. Otherwise, if the firm is not rated, we can estimated the rate using the interest coverage to get the pre-cost of debt. To calculate the interest coverage ratio based on (Damodaran. 2012)

\[
\text{ICR} = \frac{\text{EBIT}}{\text{IE}} \tag{2.13}
\]

Where: \( \text{IE} \) = Interest Expense

This rate is acclimated to Indonesian market interest rate to to define the interest rate of the company’s debt base on the rating. This interest rate would be the before tax cost of debt. Table 2.2 demonstrates the Indonesia market interest rate.

Table 2.1 Bond Rating and Interest Coverage Ratio

<table>
<thead>
<tr>
<th>Interest Coverage Ratio</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;12.50</td>
<td>AAA</td>
</tr>
<tr>
<td>9.50 – 12.50</td>
<td>AA</td>
</tr>
<tr>
<td>7.50 – 9.50</td>
<td>A+</td>
</tr>
<tr>
<td>6.00 – 7.50</td>
<td>A</td>
</tr>
<tr>
<td>4.50 – 6.00</td>
<td>A-</td>
</tr>
<tr>
<td>4.00 – 4.50</td>
<td>BBB</td>
</tr>
<tr>
<td>3.50 – 4.00</td>
<td>BB+</td>
</tr>
<tr>
<td>3.00 – 3.50</td>
<td>BB</td>
</tr>
<tr>
<td>2.50 – 3.00</td>
<td>B+</td>
</tr>
<tr>
<td>2.00 – 2.50</td>
<td>B</td>
</tr>
<tr>
<td>1.50 – 2.00</td>
<td>B-</td>
</tr>
<tr>
<td>1.25 – 1.50</td>
<td>CCC</td>
</tr>
<tr>
<td>0.80 – 1.25</td>
<td>CC</td>
</tr>
<tr>
<td>0.50 – 0.80</td>
<td>C</td>
</tr>
</tbody>
</table>
\[
\begin{array}{c|c}
< 0.50 & D \\
\end{array}
\]

Source: Damodaran, 2012

\[
re = rf + \beta_i (Rm - rf) 
\]

(2.13)

Where: \( rf \) = Risk Free Rate (SBI Rate)

\( Rm \) = Market Return

\( \beta_i \) = Beta

\[
\beta_i = \frac{(n \sum (Rm Ri) - \sum Rm \sum Ri)}{(n \sum Rm)^2 - (\sum Rm^2)} 
\]

(2.14)

Where: \( Ri \) = Stock Price Movement

\[
R_i = \frac{(P_t - P_{t-1})}{P_{t-1}} 
\]

(2.15)

Where: \( P_t \) = Stock Price in time \( t \)

\( P_{t-1} \) = Stock Price in time before \( t \)

\[
Rm = \frac{(IHSG_t - IHSG_{t-1})}{IHSG_{t-1}} 
\]

(2.16)

Where: \( IHSG_t \) = IHSG Price in time \( t \)

\( IHSG_{t-1} \) = IHSG Price in time before \( t \)

Table 2.2 Indonesia Market Interest Rate

<table>
<thead>
<tr>
<th>Rating</th>
<th>Indonesian Market Interest Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>12.20</td>
</tr>
<tr>
<td>AA</td>
<td>12.72</td>
</tr>
<tr>
<td>A+</td>
<td>13.24</td>
</tr>
<tr>
<td>A</td>
<td>13.76</td>
</tr>
<tr>
<td>A-</td>
<td>14.28</td>
</tr>
<tr>
<td>BBB</td>
<td>14.80</td>
</tr>
<tr>
<td>BB+</td>
<td>15.32</td>
</tr>
<tr>
<td>BB</td>
<td>15.84</td>
</tr>
<tr>
<td>B+</td>
<td>16.36</td>
</tr>
<tr>
<td>B</td>
<td>16.88</td>
</tr>
<tr>
<td>B-</td>
<td>17.40</td>
</tr>
<tr>
<td>CCC</td>
<td>17.92</td>
</tr>
</tbody>
</table>
2.3 CSR Impact to the Corporate Financial Performance, according ROA, ROE, and using EVA

This sub-chapter will explain more about the relationship of CSR to the corporate financial performance from the earlier research and analysis.

![CSR & Corporate Performance correlation](image)

There Figure 2.1 CSR & Corporate Performance correlation the profitability. Linda Marie Emilsson’s study concludes from above empirical literature evidences that CSR is highly linked with corporate financial performance. The statistical result from Setiawan & Janet also shows that CSR has a positive significant effect to company financial performance. It means that CSR activities lead to better consumer perceptions about a company’s product, hence increase consumer satisfaction and consumer loyalty. This condition will improve sales and company’s financial performance. This consideration will be more proven by this study in more empirically.

2.4 Linear Regression Analysis

Statistical tool for relating several variables is called regression analysis (Bowerman et al., 1990). Where y is a variable whose movements and values may be described by the variables X1, X2, ..., Xk. The X also known as the independent variable and the dependent variable is Y.
The additional term b is a random variable, which is included to account of fact that movements in y are not completely explained by the variables.

2.4.1 Simple Linear Regression Analysis

From the linear regression analysis there are two types, one of them is the simple linear regression analysis. The simple linear regression analysis is focus on analyze the relationship of single independent variable (X) with the single dependent variable (Y). The following formula is like this:

\[ Y = a(X1) + b + e \] (2.17)

2.4.2 Autoregression Analysis

The autoregression analysis technique such as prais winsten or Chocrane-Orchutt procedure for the data that have autocorellation and heterocedasticity problem (Jackman, 2004). Wich means this techniques is used when the data is not pass the classic asumption test for perform the simple linear regression analysis. The autoregression analysis used the prais-winsten technique because it will be default in the SPSS 20 with the command syntax (IBM, 2011)

\[ \text{AREG [VARIABLES=] dependent WITH independent} \ldots (2.19) \]

3. Method

This step, research methodology is tool to explain how to reach the final goals in term of step in this study. The goal can be form of answer and understanding the issue to helping the company and mining business sector.

3.1 Problem Identification

Problem identification is something in the first time we should know. After choosing the topic and conduct problem identification, research objectives are defined to know the effect of CSR expenditure to the corporate financial performance on the mining company and financial services company in Indonesia towards ROA, ROE, and EVA.

3.2 Literature Review

There are several literature that give explanation about implication of CSR to the profitability. The statistical result from setiawan & Janet also shows that CSR have a positively
significant effect to company financial performance. It means that CSR activities lead to better consumers perception about company’s product, hence increase consumers satisfaction and consumers loyalty. This condition will improve sales and company’s financial performance. strong positive relationship exists between CSR and CFP using Tobin’s Q as financial performance measure, mostly studies found positive relationship between CSR and CFP using ROA, ROE, & ROS as financial performance measurement. (Raza, Ali, 2012).

3.4 Data Collection

This sub-chapter will more focus on the how the study collect the data of CSR expenditure, EVA, ROE, and ROA.

3.4.1 Type Data and Sources of Data

Data used in this study is the secondary data, annully report from the eight sample company in the mining sector and financial service in Indonesia which is listed on the Indonesia Stock Exchange in first quarter 2005 until the first quarter of 2014.

The data of CSR expenditure is the most hardest data find in most of annual report on the company of Indonesia. This made the sample of this research is just eight company. The data of CSR expenditure also rarely assign as CSR expenditure, but we can categorized and measure some of the expense with some convinced refference such as in Table 3.1. Some of data of the CSR expenditure is shown in the annual report part CSR and sustainable report. The data of Financial performance such as ROA, ROE, and EVA cannot directly found in the report of the company. So, to gain the data we need to calculated those performance using the equation listed in the chapter two and gathered the data to calculated it as listed.

<table>
<thead>
<tr>
<th>No</th>
<th>CSR expenditure indicators</th>
<th>CSR measurement</th>
<th>References</th>
</tr>
</thead>
</table>

Table 3.1 CSR Expenditure Composition
Environmental Expenditure

Social action inform of donations to disaster victims, orphans, the disabled and the elderly, scholarships or other forms of humanity. Support the activities concerned on the environmental cost community development. Community cost.


Partnership expenditure

The soft loans for the Micro Small Medium Enterprises and SMI (Small and Medium Industries), or assisted cooperative partner companies.


3.4.2 Population and Sample

The Population of this study is are all listed companies that are engaged in Indonesia’s mining and financing sector during the study period (2005 - 2014). In the listed company in Indonesia in public listing there is classification amongst the company regarding the performance, profitability, stability and etc.

The company that became the sample in this study is LQ 45 companies listed on the Indonesia Stock Exchange period Semester 1 2005 to semester 2 2014. The company became the sample also under consideration of the stability on the LQ45 position in the last ten years. The avaibility of CSR expenditure data indicator also became the consideration of choosing the sample company. From the explanation the study can determined the companies’ samples in this study in the table 3.2.

Table 3.2 Sample of Mining and Financial Service Company

<table>
<thead>
<tr>
<th>No.</th>
<th>Code</th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ANTM</td>
<td>Aneka Tambang (Persero) Tbk</td>
</tr>
<tr>
<td>2</td>
<td>INCO</td>
<td>Vale Indonesia Tbk</td>
</tr>
<tr>
<td>3</td>
<td>PTBA</td>
<td>Tambang Batubara Bukit Asam Tbk</td>
</tr>
<tr>
<td>4</td>
<td>TINS</td>
<td>Timah Tbk</td>
</tr>
<tr>
<td>5</td>
<td>BMRI</td>
<td>Bank Mandiri Tbk</td>
</tr>
<tr>
<td>6</td>
<td>BBNI</td>
<td>Bank Nasional Indonesia Tbk</td>
</tr>
</tbody>
</table>
3.5 Research Variable

In this study, there are several variables, including:

- ROA, ROE, and EVA is calculated using data from annually consolidated financial reports of LQ 45 companies that listed now in mining and financial service, this variable defined as dependent variables.
- CSR expenditure is calculated using data from annually consolidated financial and annual reports of LQ 45 companies representative and defined as independent variables.

3.6 Data Process

The gather from the report cannot be directly used for the study and must be processed by this following step:
1. Calculate profitability using ROA, ROE, and EVA from each of the companies sample as data input, which is processed by SPSS in percent and rupiah units. The processed can be
2. Calculate the CSR expenditure using two indicators which is environmental expenditure and partnership expenditure as the representation of CSR expenditure.

3.7 Data Analysis

The sub-chapter will explain more what step after the data being processing. The data analysis will focus on how the data will be analyze to gain the goal of objective of this research.

3.7.1 Hypothesis test

Hypothesis test refers to the formal procedures used to accept or reject statistical hypotheses. The test is used to measure the accuracy of the regression sample function to estimate the actual value (Kuncoro, 2001). Hypothesis can be statistically measured by the coefficient of determination and statistical t test.

3.7.2 Regression Analysis

Regression analysis is a statistical process using SPSS for estimating the relationships
among variables. The regression is includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. The good simple linear regression model should pass all the classic assumption, otherwise the result can be bias. Theses classic assumption test is consist of normality test, autocorrelation test, and heteroscedacity test. In this study performed thirty times the use of regression because there are three dependent variables (Y) and ten group of data.

\[ ROA = a + b.CSR \] \hspace{1cm} (3.1)
\[ ROE = a + b.CSR \] \hspace{1cm} (3.2)
\[ EVA = a + b.CSR \] \hspace{1cm} (3.3)

3.7.3 Autoregression Analysis

In this research, founded several problem on analyzing data using the simple linear regression. On the literature review, it said that data that going to be analyzied with the simple linear regression must normal, no heterocedasticity problem, and autocorrelation problem. The problem is called autocorrelation problem where the durbin watson is lower than it should be. Autocorrelation refers to the correlation of a time series with its own past and future values. The problem is often happens in the time series data, measurement errors correlated over time and some of others. For the data that have this problem, study will used this techniques like already explained in literature review (Lewis-Beck, Bryman, & Liao, 2003).

3.8 Conclusion

This research expects to get result the CSR and Company financial performance is have correlation. This correlation can have the company decide is they should develop their CSR program or just do it for fulfill the government rules. The correlation can be positive and negative, both of it can give opportunity what should company do with their CSR expenditure and program.

4. Discussion

4.1 Effect of CSR Expense Towards EVA, ROA, and ROE

4.1.1 Classic Assumption Test

Most of the data analysis in this study passes the classic assumption said above and
proper to do the regression analysis. But some of data such as bank mandiri, mining group, and banking group have autocorrelation problem therefore to overcome this problem we used the auto regression based on the literature review above.

4.1.2 Hypothesis Test

The hypothesis test shows us that several company shows significant correlation between CSR expenditure with the corporate financial performance. Some of data that shows significant correlations:

1. PT Timah that shows significant correlation between CSR to the EVA, ROA, and ROE.
2. PT Bank Mandiri that shows significant correlation between CSR to the ROA, and ROE.
3. PT Bank BRI that shows significant correlation between CSR to the EVA.
4. PT Bank BNI that shows significant correlation between CSR to the ROA.
5. PT Bank Danamon shows significant correlation between CSR to the ROE.
6. Mining group of data that shows significant correlation between CSR to the the EVA, ROA, and ROE.
7. Financial Services group of data that shows significant correlation between CSR to the the ROE.

4.2.2 The Coefficient of Determination

The coefficient of determination is the influence level of CSR expense toward dependent variables, based on the result table of 4.1 below, obtained the following results:

4.2.3 Regression Analysis

To know the effect of CSR expenditure on EVA, ROA, and ROE, the research uses a simple linear regression analysis with the following model:

<table>
<thead>
<tr>
<th>Company</th>
<th>Regression Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>PT TIMAH</td>
<td>EVA = -155469.506 + 19.845CSR</td>
</tr>
<tr>
<td></td>
<td>ROA = -0.024 + 3.731E-006CSR</td>
</tr>
<tr>
<td></td>
<td>ROE = -0.013 + 5.104E-006CSR</td>
</tr>
<tr>
<td>PT Bank Mandiri</td>
<td>ROA = 0.014 + 8.997E-009CSR</td>
</tr>
<tr>
<td>PT Bank Rakyat Indonesia</td>
<td>EVA = 2228920.491 + 25.391CSR</td>
</tr>
<tr>
<td>PT Bank Nasional Indonesia</td>
<td>ROA = 0.013 + 1.667E-008CSR</td>
</tr>
<tr>
<td>PT Bank Danamon</td>
<td>ROE = 0.185 - 4.787E-006CSR</td>
</tr>
<tr>
<td>Group of Mining</td>
<td>EVA = 1550860,529 - 2.127CSR</td>
</tr>
<tr>
<td>Group of Banking</td>
<td>ROA = 0.175 - 2.176E-007CSR</td>
</tr>
<tr>
<td></td>
<td>ROE = 0.255 - 3.29E-007CSR</td>
</tr>
<tr>
<td></td>
<td>ROA = 0.018 + 8.84E-009CSR</td>
</tr>
<tr>
<td></td>
<td>ROE = 0.158 + 4.145E-008CSR</td>
</tr>
</tbody>
</table>
The regression formula have similar interpretation, so to save some space the paper will elaborate one result such as PT Timah result. The formula result of the PT Timah regression CSR to the EVA is shown below.

\[ \text{EVA} = -155469.506 + 19.845 \text{CSR} \]
## Table 4.1: Regression

<table>
<thead>
<tr>
<th>No</th>
<th>Company</th>
<th>EVA</th>
<th>ROA</th>
<th>ROE</th>
<th>EVA</th>
<th>ROA</th>
<th>ROE</th>
<th>EVA</th>
<th>ROA</th>
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<th>ROE</th>
<th>EVA</th>
<th>ROA</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ANTAM</td>
<td>1,416,592,773</td>
<td>0.204</td>
<td>0.331</td>
<td>-2.615</td>
<td>-3.16E-07</td>
<td>-5.99E-07</td>
<td>0.054</td>
<td>0.097</td>
<td>0.164</td>
<td>0.517</td>
<td>0.381</td>
<td>0.245</td>
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</tr>
<tr>
<td>2</td>
<td>PTBA</td>
<td>579,382.56</td>
<td>0.213</td>
<td>0.305</td>
<td>-56.633</td>
<td>1.01E-07</td>
<td>6.02E-07</td>
<td>0.357</td>
<td>0</td>
<td>0.005</td>
<td>0.068</td>
<td>0.965</td>
<td>0.85</td>
<td></td>
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</tr>
<tr>
<td>3</td>
<td>TINS</td>
<td>-155469.506</td>
<td>-0.024</td>
<td>-0.013</td>
<td>19.845</td>
<td>3.73E-06</td>
<td>5.10E-06</td>
<td>0.412</td>
<td>0.476</td>
<td>0.416</td>
<td>0.045</td>
<td>0.027</td>
<td>0.044</td>
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<td>4</td>
<td>INCO</td>
<td>1181061.074</td>
<td>0.073</td>
<td>0.105</td>
<td>-60.894</td>
<td>-3.85E-06</td>
<td>-4.69E-06</td>
<td>0.09</td>
<td>0.098</td>
<td>0.079</td>
<td>0.4</td>
<td>0.378</td>
<td>0.431</td>
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<td>5</td>
<td>BMRI</td>
<td>1858917.482</td>
<td>0.014</td>
<td>0.144</td>
<td>-0.732</td>
<td>9.00E-09</td>
<td>6.78E-08</td>
<td>0.074</td>
<td>0.145</td>
<td>0.098</td>
<td>0.513</td>
<td>0.006</td>
<td>0.004</td>
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<td>6</td>
<td>BBRI</td>
<td>2,228,920.49</td>
<td>0.025</td>
<td>0.273</td>
<td>25.391</td>
<td>2.13E-08</td>
<td>-6.70E-09</td>
<td>0.524</td>
<td>0.376</td>
<td>0.001</td>
<td>0.018</td>
<td>0.059</td>
<td>0.049</td>
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<td>7</td>
<td>BBNI</td>
<td>559760.956</td>
<td>0.013</td>
<td>0.107</td>
<td>-4.406</td>
<td>1.67E-08</td>
<td>2.38E-07</td>
<td>0.17</td>
<td>0.023</td>
<td>0.084</td>
<td>0.27</td>
<td>0.037</td>
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<td>8</td>
<td>BDMN</td>
<td>1231683.284</td>
<td>0.023</td>
<td>0.185</td>
<td>-161.329</td>
<td>-2.11E-07</td>
<td>-4.79E-06</td>
<td>0.312</td>
<td>0.028</td>
<td>0.441</td>
<td>0.093</td>
<td>0.646</td>
<td>0.036</td>
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<td>9</td>
<td>Mining</td>
<td>1,550,860,529</td>
<td>0.175</td>
<td>0.255</td>
<td>-2.127</td>
<td>-2.18E-07</td>
<td>-3.29E-07</td>
<td>0.008</td>
<td>0.021</td>
<td>0.025</td>
<td>0.006</td>
<td>0</td>
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<td>10</td>
<td>Banking</td>
<td>1300435.65</td>
<td>0.018</td>
<td>0.158</td>
<td>3.933</td>
<td>8.84E-09</td>
<td>4.15E-08</td>
<td>0.045</td>
<td>0.034</td>
<td>0.013</td>
<td>0.341</td>
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</table>
Value of constant a means when CSR expense (CSR) is zero or EVA is not affected by CSR expense, then the average EVA worth -155469.506. While the regression coefficient b has the sense that if the variable CSR expense (CSR) increases by one unit, then the EVA will increase by 19.845. The regression coefficient is positive, which means CSR expense give a positive impact on EVA (the higher / stronger CSR expense, hence increasing EVA).

4.3 Result Analysis

4.3.1 The Effect of CSR Expense towards ROA, ROE, and EVA

The table 4.2 shows that group of banking data, PT Timah data, PT Bank Mandiri, and PT Bank BRI have positive correlation. Even so, this positive correlation is still low, the discovery might be the sign of the CSR that just believed by the finance people as program for charity can give more impact on economic value and shareholder value. This result has opposites of the first suggestion that CSR is far from the banking sector companies.

But the result signaling the negative correlation for such as the group of mining. This means that CSR expense that given to community not enough leverage the company financial performance. Even so, the CSR expense lowering the financial performance.

From the result above, we can see most of the mining company’s CSR in the external environment such as Aneka tambang, Vale indonesia, and Tambang batu bara bukit asam doesn’t have correlation with their financial performance. This could be happen because of several factor from the company it self seeing the CSR, the environmental it self, the business atmosphere in the business sector. One opinion said a hodgepodge of uncoordinated CSR and philanthropic activities that disconnected from the company’s strategy that neither make any meaningful social impact nor strengthen the firm’s long-term (Porter & Kramer, 2006). This means the company CSR activities not coordinated well with the company strategy that make no significant effect to financial performance. This things also happens in the two bank companies, Danamon and BNI.

5. Conclusion

This research objective is to find out the relationship of Corporate Social Responsibility (CSR) expense towards company EVA, ROA, and ROE in the companies in two different sector banking and mining. This research used purposive sampling to select the companies. The company that became the sample in this study is LQ 45 companies listed on the Indonesia Stock
Exchange period 2005 to 2014, the best eight companies from two business sectors, both private and state-owned enterprises (SOEs). In this study, there are three dependent variables and one independent variable. The dependent variables are EVA, ROA, ROE. The independent variable is CSR expenditure.

The results of this research are:
1. CSR expenditure has a positive significant effect toward financial performance (ROA, ROE, and EVA) in one mining companies (TINS). The rest of the mining companies is not have significant effect.
2. The CSR expenditure also has a positive significant effect toward ROA in two banking companies (BMRI, BBRI, and BBNI). The CSR also have a positive significant effect on ROE in one banking company (BMRI). The CSR also have a positive significant effect on EVA in one banking company (BBRI). The BBNI CSR is show positive correlation to the ROA. The rest of the bank is not having significant effect.
3. CSR expenditure has a negative low effect toward financial performance (ROA, ROE, and EVA) in group of mining companies.
4. CSR expenditure has a positive low effect toward financial performance (ROA, ROE, and EVA) in group of banking companies.
5. From the each company regression it seems that companies from sector banking or mining can be signed the positive relationship between variable. So, with some good particular CSR program mining and banking company’s CSR can give positive impact to the company.

From above result also seen the differences in effect of CSR to the financial performance that to mining companies it has negative effect that opposites with their business that really close to CSR refer in the first chapter. The positive effect seems in the group of banking that pretty far with the CSR. Based on the result above, there are analyses about significant effect of the result:
1. CSR activities will enhance the company's image in the customer point of view about the companies (External environment), local community (as the company's external environment) and employees (as internal environment)
2. CSR expenditure will increase the companies burden that can give negative impact.

And also there are also analysis about no significant effect of the result such as
1. Company not conduct CSR coordinated with their corporate strategy that will enhance overall corporate performance.
2. The Company Work harder to get the efficiency gains.

5.1 Recommendation

From the research obtained some recommendation for the company in the Indonesia especially the mining and banking company:

1. For the company that has positive correlation on CSR activity to their financial performance, they must not worried about their CSR program because until now the company have benefit from it. But for further company should develop their CSR for developing country and still benefit for the company itself.

2. For the data that have negative correlation and company that doesn’t have significant correlation between the CSR and the financial performance, they should develop the CSR model and synchronize it with the company business, atmosphere and characteristic so that can align with the financial purpose.

3. The main point is company should do CSR properly and effective as possible with consideration of improve social performance and also corporate performance too. Both sector of mining and banking can make CSR program that have positive impact on the financial performance. There no specific model of CSR program for each company it depends a lot to the environment, condition, and many factors. But the company should always improve CSR program to benefit the stakeholders and shareholders.

For the further research there also some recommendation such as:

1. This study not using more CSR theoretical to determine more about the depth analysis about the effect of CSR activities to the financial performance. The research also just use several companies that not represent all the sectoral performance. So for the further research on the knowing the CSR effect to the financial performance is should be good using more CSR analysis and the sectoral data if already exist in the further time.

2. This Study sign that not all the CSR program give significant effect to the financial performance of company. These things enhance for further research about how the most effective CSR model for increasing the social welfare and company benefit as well. There still be much question on this area.
5.2 Limitation of the Research

This research has some limitations on resource and time. So the research limitation as follow:

1. The research is limited from period of 2005-2014
2. The scope of this research limited to company that listed on LQ45 index in Indonesia

Reference


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