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Company Performance And Corporate Social Responsibility

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Abstract
This study seeks empirical evidence on the impact of independent variables, namely corporate social responsibility and state, as moderating variables on firm performance. The purposive sampling technique was used to analyze a sample of 7 companies in the construction sub-sector listed on the Indonesia Stock Exchange between 2019 and 2022. Panel data regression and descriptive statistics were employed in this study. The study's findings show that corporate social responsibility has a positive but non-significant effect on firm performance, and that the state does not moderate the effect of corporate social responsibility on firm performance.

Keywords: Corporate Social Responsibility Firm Performance, state

INTRODUCTION

The performance of a company can be described through various aspects such as financial aspects. Financial performance not only shows a condition of the company, but will also have an impact on the activities to be carried out (Narkunienė & Ulbinaitė, 2022). Financial performance provides an overview of a company in achieving its goals as effectively and efficiently as possible (Kao et al., 2022). Financial performance reports are needed by companies to attract investors because generally they also need financial performance reports in making investment decisions (Brown et al., 2015).

Many things can have an impact on the performance of a company and one of them is corporate social responsibility (CSR) (Kao et al., 2022). CSR activities are a form of corporate investment that will improve its performance and gain support from the community (Peng & Yang, 2014; Amin-Chaudhry, 2016). Previous research has proven that there is a positive influence from corporate social responsibility on company performance (Al-Shammari et al., 2022). Companies use CSR with the aim of resolving conflicts between stakeholders so as to maximize shareholder wealth to create better company performance (Jo & Harjoto, 2011).

Furthermore, another factor contained in this study is government ownership. The government's role in influencing the company will result in the company's performance decreasing because of the rules and direct monitoring from the government that regulate rights, contracts, and other related issues (Aggestam,

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2006). Megginson (2005) and Rahman & Reja (2015) argue that companies owned by the government have fewer profits compared to private companies because of the high level of risk taking in government companies.

RESEARCH METHODS

Population, Sample, and Sampling Technique

This study uses a population of all construction sub-sector companies listed on the Indonesia Stock Exchange (IDX) in the 2014-2022 period with a total of 13 companies. In determining the sample in this study using a purposive sampling technique with the criteria that have been determined by the researcher. The sampling criteria in this study were construction sub-sector companies listed on the IDX for the 2014-2022 period and providing reports or financial data for the 2014-2022 period. Based on these criteria, the number of samples obtained in this study were 7 companies.

Data analysis technique

Heteroscedasticity Classical Assumption Test

The heteroscedasticity test was carried out to reveal whether or not there was an inequality of variance from the residuals in a regression model (Ghozali, 2022). The method used to test heteroscedasticity is the Breusch-Pagan-Godfrey (BPG) test and is assessed based on the Prob value. Chi-Square. If the Prob. Chi-Square shows more than 0.05, so it is free from heteroscedasticity problems.

Autocorrelation Classical Assumption Test

The autocorrelation test was carried out to reveal whether or not there was a correlation between the interfering errors in a certain period and the previous period (Ghozali, 2022). The method used for testing autocorrelation is Durbin-Watson (DW). Autocorrelation testing uses the formula $-2 < DW < 2$.

Panel Data Regression Analysis

Panel data is a combination of time series data and cross section data (Kuncoro, 2007). There are several methods that can be used to estimate a model in panel data regression analysis, namely the common effect model, fixed effect model, and random effect model (Widarjono, 2022).

Hypothesis Test (T Test)

The aim of the hypothesis test is to determine the effect of the independent (independent) variable on the dependent variable. When the relationship between these variables shows a probability value of <0.05, then the hypothesis can be said to be accepted (Ghozali, 2022).

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RESULTS AND DISCUSSION

Heteroscedasticity Classical Assumption Test Results

Table 1. Classical Heteroscedasticity Assumption Test Results

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-Statistics	0.4331	Prob. F(3,41)	0.7304
Obs*R-Squared	1.3824	Prob. Chi-Square (3)	0.7077
Scaled Explained SS	8.7415	Prob. Chi-Square (3)	0.0301

Source: Processed Secondary Data (2022)

Table 1 shows the results of testing the classical assumption of heteroscedasticity. Based on the test results, it shows that there is no heteroscedasticity problem as seen from the chi-square probability value at Osb*R-squared of 0.7077 which is greater than 0.05.

Heteroscedasticity Test Results

Table 2. Results of the Autocorrelation Classical Assumptions Test

Weighted Statistics	
Durbin-Watson Stat	1.6148

Source: Processed Secondary Data (2022)

Furthermore, in Table 2, the results of testing the classical assumptions of autocorrelation are presented. The classic assumption test of autocorrelation is seen based on the Durbin-Watson (DW) value obtained from the regression results of the ordinary least squares method. The calculation results show a DW value of 1.6148 which is between $-2 < DW < 2$, so it can be concluded that there is no autocorrelation problem.

Panel Data Regression Analysis Results

Table 3. Panel Data Regression Analysis Results

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Variables	coefficient	std. Error	t-Statistics	Prob.
C	3.7437	1.1752	3.3556	0.0017
Corporate Social Responsibility (TJSP)	2.5374	2.1308	1.1717	0.2402
Corporate Social Responsibility (TJSP) * Government Ownership (KP)	2.4476	2.7563	0.8277	0.4125

Source: Processed Secondary Data (2022)

Table 3 shows the results of the panel data regression analysis. Based on the test results, the model of this study is as follows:

Company Performance = 3.7437 + 2.5374 TJSP + 2.4476 TJSP*KP

The constant value obtained is 3.7437. That is, if all variables in this study are zero (0), then the company's performance is 3.7437.
The coefficient value on the corporate social responsibility variable is 2.5374. That is, when corporate social responsibility increases by 1 unit, the company's performance will increase by 2.5374, and vice versa.

Hypothesis Test Results

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Table 4. Hypothesis Test Results

Variables	coefficient	std. Error	t-Statistics	Prob.
C	3.7437	1.1752	3.3556	0.0017
Corporate Social Responsibility (TJSP)	2.5374	2.1308	1.1717	0.2402
Corporate Social Responsibility (TJSP) * Government Ownership (KP)	2.4476	2.7563	0.8277	0.4125

Source: Processed Secondary Data (2022)

Table 4 shows the results of hypothesis testing. Based on the test results can be described as follows:

The Positive Effect of Corporate Social Responsibility on Company Performance

The results of testing the first hypothesis prove that corporate social responsibility has a positive but not significant effect on company performance. This is evidenced by a coefficient value of 2.5374 with a probability value of 0.2402 which is greater than 0.05. The first hypothesis in this study was rejected.

Positive Influence of Corporate Social Responsibility on Company Performance with Government Ownership as Moderator

The results of testing the second hypothesis prove that government ownership does not moderate the effect of corporate social responsibility on company performance. This is evidenced by a coefficient value of 2.4476 with a probability value of 0.4125 which is greater than 0.05. The second hypothesis in this study was rejected.

Discussion

The Positive Effect of Corporate Social Responsibility on Company Performance

Corporate social responsibility is proven to have a positive but not significant effect on company performance. Investment in corporate social responsibility activities will provide benefits in the form of increased company performance and provide benefits for stakeholders. Previous research also supports that corporate social responsibility has a positive but not significant effect on company performance (Lim et al., 2017; Rahman et al., 2017).

The theory says that companies must be more socially responsible to improve the company's reputation, meet the needs of stakeholders, and be able to resolve conflicts between agents and principals so that it will improve company performance (Branco & Rodrigues, 2007). If the needs of stakeholders are met, then this will provide a signal to increase the company's capital and the activities carried out by the company will provide additional benefits thereby affecting the company's

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performance. The benefits received are in the form of increasing good relations between the community and the company which then brings competitive advantage and improves the company's image (Russo & Fouts, 1777; Hategan et al., 2022).

The Effect of Corporate Social Responsibility on Company Performance with Government Ownership as a Moderating Variable

Government ownership is proven not to moderate the effect of corporate social responsibility on company performance. This result is contrary to previous research conducted by La Porta et al. (2002) and Beuselinck et al. (2017) where government ownership moderates the effect of corporate social responsibility on company performance. With the government participating in the company will cause agency problems and use funds and resources for activities that lead to community welfare which will result in poor performance. No matter how big the percentage of government ownership in a company is, it will not affect the relationship between corporate social responsibility and company performance.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the research that has been done, it can be concluded: First, corporate social responsibility is proven to have a positive but not significant effect on company performance. Second, government ownership is proven not to moderate the effect of corporate social responsibility on company performance.

Suggestion

Based on the results of the research that has been done, the suggestions that can be given are as follows:

Future researchers are expected to use other measurements such as ownership concentration (Ma et al., 2010), financial performance (Peng & Yang, 2014), and others.

Corporate social responsibility should be considered and maintained in order to support its business performance while at the same time attracting social interest, especially from investors. Corporate social responsibility is one of the factors that potential investors observe before making investment decisions. In addition, private companies and government-owned companies have the same obligations in carrying out corporate social responsibility.

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