

Comparative Analysis of Corporate Social Responsibility Based on Sustainability Report

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Abstract: POJK No. 51 of 2017 requires financial services institutions, issuers and public companies to carry out social and environmental responsibilities to help realize sustainable development. However, at this time only a few companies reported sustainability reports. There was also one case of a public company that was penalized for not managing pollution properly. So that researchers are interested in conducting research to find out whether POJK is effective in increasing or making a difference in the CSR performance of companies listed on the Indonesia Stock Exchange.

This study aims to determine whether there are differences in the performance of corporate social responsibility after the issuance of POJK NO. 51 of 2017 based on the evaluation of sustainability report. Regulatory theory is used in this study as a grand theory. The population of this study are companies listed on the Indonesia Stock Exchange in 2017-2018. The sample in this study was taken using a purposive sampling technique that is the sampling technique with certain considerations. Data were collected using a non-participant observation method. The analysis technique used in this study is Paired Sample t-Test Based on the results of the analysis, it was found that there were differences in the disclosure of corporate social responsibility performance when the POJK No. 51 of 2017.

Keywords: Sustainability reporting, corporate social responsibility performance, regulatory theory, POJK No. 51 of 2017.

I. INTRODUCTION

POJK No. 51 of 2017 requires financial services institutions, issuers and public companies to carry out social and environmental responsibility. POJK No. 51 of 2017 requires financial services institutions, issuers and public companies to carry out social and environmental responsibility which is a commitment to participate in sustainable economic development in order to improve the quality of life and the environment that is beneficial, both for the company itself, the local community, and society in general [1]. POJK No. 51 of 2017 is the application of regulatory theory, namely public interest theory, where with this regulation the government hopes that financial institutions, issuers and public companies will pay attention to sustainable development that also pays attention to the environment. Public interest theory explains that regulations must be able to maximize social welfare according to Scott [13].

POJK No. 51 of 2017 is one form of the application of stakeholder theory in Indonesia. The stronger stakeholder pressure in terms of disclosure of CSR practices by companies causes the need to incorporate social elements in corporate responsibility into accounting [2]. The company also must take responsibility for the environment specifically where it currently operates [3]. Companies can benefit by engaging positively with their various stakeholders, both internal and external, such as employees, board members, communities, working families and so on, and by caring for the environment in which they operate [4]. Some CSR reports reveal information about customer satisfaction and supplier relationships, which can help investors assess the credibility of reported financial income [5]. Disclosure of corporate social responsibility is expected so that the company can manage stakeholder information, so that stakeholder support is

also met in supporting the sustainability of the company [6]. Good relations with various stakeholders also help companies gain access to strategic resources and build competitive advantage [7].

Disclosure of information by companies on the Internet has increased over the past few years and is an increasingly popular topic for analysis among researchers, at the same time very attractive to the wider community [14], one of the disclosures of that information is CSR disclosure. CSR reports are communication tools intended to provide information, both internally and externally, about the company's approach and its maturity in the application of the CSR concept [20]. Implementation of a company's corporate social responsibility can be seen in the sustainability report issued by the company because corporate social responsibility is closely related to the company's sustainability [15]. Sustainability reports can be part of a larger integrated report that also includes financial performance indicators [16]. The economic, environmental and social dimensions are the main measures of the quality of corporate sustainability because they determine the extent to which companies do not adhere to good disclosure practices [17]. One important role of CSR disclosure is to reduce information asymmetry between companies and investors by providing additional information outside the financial statements [18]. CSR requires companies to be accountable to stakeholders and report the accountability that has been done by the company [19]. Many CSR programs in Indonesia are not based on empowerment and sustainability but are only temporary. Some CSR programs in Indonesia only aim at boosting the company's positive image and also CSR programs that are only motivated to cover up the negative impacts caused [3].

The phenomenon that occurs in Indonesia regarding CSR violation cases is PT Unilever Indonesia Tbk. Unilever is subject to environmental pollution sanctions by the Ministry of Environment (KLH) and is demanded to pay more attention to the surrounding environment in its production process [8]. In 2019 PT Bukit Asam Tbk. which is a mining company being subject to administrative sanction by the Government of the South Sumatra Environment and Land Agency (DLHP), because it does not manage air quality and control water pollution. Even though mining companies according to Law no. 40 of 2007 concerning Limited Liability Companies in article 74 reads "Companies that carry out their business activities in the fields and / or related to natural resources are required to carry out Social and Environmental Responsibility". Mining sector companies are companies whose management activities cannot be separated from the exploitation of natural resources and have a direct impact on the surrounding environment [9]. The existence of pollution cases makes it one of the gaps or problems in this study. The importance of implementing CSR and POJK No. 51 of 2017 in financial services companies, issuers and public companies also makes researchers interested in further researching whether there are differences in the performance of corporate social responsibility before and after the implementation of POJK No. 51 of 2017 for all companies listed on the Indonesia Stock Exchange.

II. CONCEPTUAL MODEL AND HYPOTHESES

Regulatory theory explains that regulation must maximize social welfare. POJK No.51 2017 aims to realize sustainable development by considering social and environmental aspects. The purpose of POJK is in accordance with regulatory theory where regulations are made to provide benefits and protections for report users as well as for economic development. This has caused the existence of POJK No.51 of 2017 which is a regulation that can make a difference in the performance of corporate social responsibility.

The legitimacy theory explains that the practice of corporate responsibility disclosure must be carried out in such a way that the company's activities and performance can be accepted by the community [10]. The company uses this disclosure to justify or legitimize its activities in the eyes of the public. This also encourages companies to disclose their CSR.

Changes in the sustainability report disclosure standards have an influence on the CSR performance of a company, this is evident from the results of research (Abdul & Ariwendha, 2017) [11] which shows fluctuations in CSR performance at PT Antam Tbk. In 2013 a decline in the CSR performance of PT Antam Tbk. which is caused by the directors' decision to use GRI G4 reporting standards [8].

Other research conducted by (Apriliawati & Hartiyanto, 2016) [12] examines whether there have been changes in CSR performance before and after the implementation of Law NO. 40 of 2007 the results of this study indicate that there are wide differences in CSR disclosure periods before and after the enactment of Law Number 40 of 2007 concerning Limited Liability Companies, it can be concluded that changes in regulations or standards can make changes in CSR performance. Based on the description, the hypothesis proposed is:

H₁: There is a difference in the performance of corporate social responsibility before and after the implementation of POJK No. 51 of 2017 for companies listed on the Indonesia Stock Exchange.

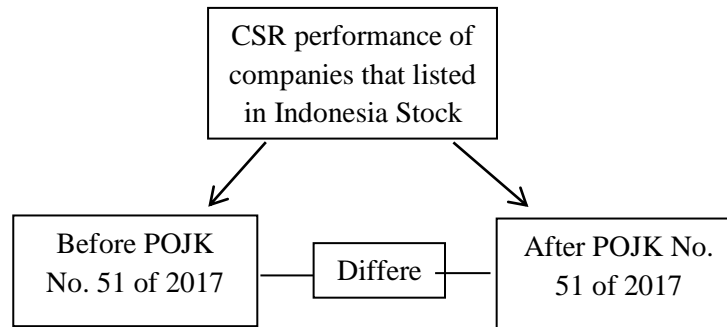


Figure 1: Conceptual Model

III. RESEARCH METHODS

This study uses a quantitative approach. The data source in this study is secondary data. This research was conducted on companies listed on the Indonesia Stock Exchange by accessing annual reports or sustainability reports through the official website of the Indonesia Stock Exchange and on the company's official website. The object used in this research is the sustainability report for 2017 and 2018 companies listed on the Indonesia Stock Exchange using GRI G4 reporting standards and GRI Standards.

Application of OJK Regulation No. 51 of 2017 becomes the independent variable (x) which influences the CSR performance of companies listed on the Indonesia Stock Exchange. The dependent variable (Y) in this study is CSR performance measured through CSR items disclosed in the sustainability report of companies listed on the Indonesia Stock Exchange. CSR performance can be measured using the Corporate Social Responsibility Index (CSRDI). A score of 0 is given if a performance indicator is not disclosed and a score of 1 is given if a performance indicator is disclosed. The calculation formula is as follows:

$$CSRI_j = (\sum X_{ij}) / N_j \dots\dots\dots (1)$$

Information:

CSR_i_j: Corporate Social Responsibility Index j,

∑ X_{ij}: Total items disclosed by company j,

N_j: Number of disclosure items according to GRI.

Data analysis techniques in this study used descriptive statistics, normality tests and paired sample t-tests.

IV. RESULT AND DISCUSSION

There are 34 companies that are sampled in this study based on the results of sample selection. The results of the descriptive statistics in this study are as follows:

Table 1: DESCRIPTIVE STATISTICS

	N	Minimum	Maximum	Mean	Std. Deviation
CSRDI_Before	34	0.35	0.65	0.4402	0.07885
CSRDI_After	34	0.40	0.60	0.4729	0.05546

Source: Data Processed, 2019

The average value of CSRDI before the implementation of POJK No.51 of 2017 based on Table 4.3 is 0.4402 with a standard deviation of 0.07885 while the average value of CSRDI after the implementation of POJK No.51 of 2017 based on Table 4.3 is 0.4729 with a standard deviation 0.05546. This shows an increase in CSRDI or an increase in the disclosure of Corporate Social Responsibility performance by 0.0327 with a percentage increase of 7.4%.

The result of normality test in this study are as follows:

Table 2: NORMALITY TEST

		CSRDI BEFORE	CSRDI AFTER
N		34	34
Normal Parameters ^{a,b}	Mean	.4402	.4729
	Std. Deviation	.07885	.05546
Most Extreme Differences	Absolute	.148	.140
	Positive	.148	.142
	Negative	-.115	-.086
Test Statistic		.148	.140
Asymp. Sig. (2-tailed)		.056 ^c	.087 ^c

Source: Data Processed, 2019

Significance value (Asymptotic Sig.) CSRDI variable before the implementation of POJK No.51 2017 has a value of more than 0.05, with a value of 0.056 this shows that the data are normally distributed. The CSRDI variable after the implementation of POJK N.501 2017 which has a significance value (Asymptotic Sig) of 0.193 is more than 0.05, indicating that the variable is normally distributed. Paired sample t-test is used because this research variable is normally distributed.

The result of paired sample t-test in this study are as follow:

Table 3: Paired Sample t Test

	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-Tailed)
				Lower	Upper			
Pair 1 CSRDI Sebelum- CSRDI Sesudah	-0.03271	0.05336	0.00915	-0.05133	-0.01410	-3.575	33	0.001

Source: Data Processed, 2019

Asymp.sig (2-tailed) CSRDI value in the comparison before and after the implementation of POJK No.51 of 2017 is 0.001. H_1 this study was accepted because the results of the SPSS test were obtained with a value of 0.001, because the value of sig <0.05 can be concluded that there were significant differences before and after the implementation of POJK No.51 of 2017.

Regulatory theory explains that regulation must maximize social welfare. POJK No.51 2017 aims to realize sustainable development by considering social and environmental aspects. The purpose of POJK is in accordance with regulatory theory where regulations are made to provide benefits and protections for report users as well as for economic development. This has caused the existence of POJK No.51 of 2017 which is a regulation that can make a difference in the performance of corporate social responsibility. The results of this study are in line with research (Abdul & Ariwendha, 2017) and (Apriliawati & Hartiyanto, 2016).

Differences of corporate social responsibility performance after the issuance of POJK No. 51 of 2017 due to POJK No. 51 of 2017 encourages each LJK, Issuer, and Public Company to have awareness or commitment to the implementation of sustainable financial principles, contribute to the development of products in the form of goods and services that consider economic, social and environmental aspects.

The difference in the performance of corporate social responsibility after the implementation of POJK No.51 of 2017 shows that the regulations implemented by the government have an influence so that it causes differences in performance. companies use annual reports or known as sustainability reports in conveying environmental responsibility or corporate

social responsibility as a form of company compliance with regulations issued by the government. Compliance with this regulation is a picture of public interest theory, where companies strive for the public interest.

Research Limitations:

This research only using 2 year of measuring because the 2019 sustainability report was not yet published when this research was conducted.

V. CONCLUSION AND SUGGESTIONS

Based on the results of the discussion of the research the conclusion is there are differences in the disclosure of the performance of Corporate Social Responsibility before and after the implementation of POJK No.51 of 2017. This is because POJK No.51 of 2017 is a regulation that is applied to the public interest in accordance with the regulations, namely public interest theory. POJK No. 51 of 2017 encourages each LJK, Issuer, and Public Company to have awareness or commitment to the implementation of sustainable financial principles, contribute to the development of products in the form of goods and services that consider economic, social and environmental aspects.

Based on the results of the discussion of the research, it can be drawn some suggestions that:

- 1) The government can apply regulations on the company's CSR performance, because it is proven to be effective in improving CSR performance.
- 2) For further research conducting similar studies it is advisable to take measurements by adding other indicators to measure environmental performance such as ISO 9001 and ISO 14001, if needed.
- 3) Further research can add years of measuring CSR performance in conducting research.

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