

THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY EXPENSE TO
CORPORATE PROFITABILITY (ROA) AND STOCK RETURN
(Case Study in Each 9 Company Sectors in the Stock Exchange in Q1 2009
until Q1 2014)

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Abstract – This research objective is to find out the impact of Corporate Social Responsibility (CSR) expense towards company profitability (ROA) and stock return in each different business sectors. 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 Q1 2009 to Q1 2014, the best nine companies in different business sectors, both private and state-owned enterprises (SOEs). Data used in this study is the documentary data, quarterly financial reports of the company. Study took data from the best LQ 45 Company in each sector during the study period. In this study, there are two dependent variables and one independent variable. The dependent variables are profitability (ROA) and stock return. The independent variable is CSR expense. The results of this research are: (1.) CSR expense has a positive significant effect toward profitability (ROA) in six companies (LSIP, INTP, ASII, UNVR, PGAS, and BMRI), has a negative significant effect toward profitability (ROA) in three companies (PTBA, LPKR, and UNTR), (2.) CSR expense has a positive significant effect toward stock return in all nine companies (LSIP, INTP, PTBA, ASII, UNVR, LPKR, PGAS, BMRI and UNTR).

Keywords: Corporate Social Responsibility, Profitability, Return on Assets, Stock Return

Introduction

The concept of corporate social responsibility (CSR) is not a new idea and has been around since the 19th century, which began with the industrial revolution. In Indonesia since the reformation era, the public is increasingly critical and capable of social control over the business. Therefore, CSR received critical concern for companies and governments. Undang-Undang No. 40 Tahun 2007 tentang Perseroan Terbatas (pasal 74 ayat 1a) requires companies whose business is in the field and / or related to natural resources to perform CSR.

There is a view that the current economic decision-making, not just look at the financial performance of the entity, because the conclusion is good or bad performance of the entity is not enough just to be seen from the profits (Cheng and Christiawan, 2009). This is related to how the company not only satisfy the investors but also must satisfy all stakeholders, is one of the factors that causes an emerging view that the company should carry out social activities, in addition to their operational activities.

Implementation of CSR is believed to improve the performance of the company, where investors have a tendency to invest in companies that regularly perform CSR activities. Because the companies that promote sustainable development aspects will certainly translate these principles into the company's strategy and operations, so the factors that bring benefits to the company can become an input for investor's decision-making. Therefore, companies may use CSR information as one of the company's competitive advantage.

The World Bank states that social responsibility consists of several main components: environmental protection, job security, human rights, corporate interaction and engagement with the community, business standards, market, economic development, health protection, leadership and education, humanitarian disaster relief.

If companies conduct CSR, the company has a motive to increase profits. The second motive, companies implement CSR to reduce the threat or pressure from the government and NGOs. The third motive is because of the moral consciousness, selflessly to financial benefit, the company consciously responds to the need for attention to the importance of the environment. The third motive above, it can be seen that the actual movement of the company whether strategic or ethical. From the data above, it can be concluded that CSR is very necessary to be considered by companies, governments and stakeholders' element. Therefore, this study intends to analyze the effect of CSR expense to profitability and stock return that result. Social expenses as a form of CSR will be linked with profitability and stock return.

Literature Review

Corporate Social Responsibility

Lately, the company that does social responsibility (CSR) is increasingly widespread and lively discussion as a program that must be implemented. Corporate Social Responsibility (CSR) is growing globally concept and the implementation has been extended to all sectors, particularly the industrial sector. Companies that adopt and implement the concept of social responsibility today have the attention for the creditors (in particular for banks) and investors (in particular in the capital markets). On the other hand companies ran their social responsibility, relatively undisturbed their operation.

According to The World Business Council for Sustainable Development (WBCSD), the Corporate Social Responsibility is defined as the commitment of business to contribute to sustainable economic development, in collaboration with employees and their representatives, their families, the local community and society to improve the quality of life both the business itself, as well as for development. Sustainable development is development which meets the needs of the present without compromising the ability of future generations to meet their own needs. Some people also believe that the concept of sustainable development should include preserving the environment for other species as well as for people. Sustainable development can be achieved by applying the three components, namely economic, social, and environmental. These three things are interconnected with each other. All three aspects must be accomplished in order to achieve sustainable development. Therefore, to achieve the sustainable development of an enterprise, CSR is required. CSR can fulfill two aspects of sustainable development that is social and environmental. So in accordance with the theory of sustainable development, with the development of the social and environmental aspects it also develops the economic aspects of a company.

Corporate social responsibility in Robbins and Coulter (2005) is divided into two views, namely:

a) The Classical View

The classical view argues that the only social responsibility of management is to maximize profit or maximize financial results for shareholders. According to Friedman (1970), the main responsibility of a manager is running the business in accordance with the biggest interests of shareholders. If the manager does social responsibility so add to the cost of doing business. Then, the cost should be charged to the consumer through higher prices or shareholders through smaller profit.

b) The Socio-Economic View

The Socio-Economic View outlook is the views that corporate social responsibility is not only result in profit but also protect and improve social welfare. Social responsibility is an obligation of a company, in addition to obligations required by law, and weighing economic. Long-term

targets for both public and corporate economic interests can be achieved, if the companies comply with regulations and legislation.

Kotler and Lee (2005) explain some of the advantages gained by the company that does corporate social responsibility activities, including:

1. Cause promotions: the companies provide some funds as a form of CSR contribution or other resources to raise public awareness of a social problem or to support fundraising, participation of the public, or in order to recruit volunteers to support the social problems.
2. Cause Related Marketing: the companies donate a certain percentage of the company's income for a social activity based on the amount of the product sales.
3. Corporate Social Marketing: the companies develop and implement a campaign to change people's behavior with the goal of improving public health and safety, protecting the environment, and improving social welfare.
4. Corporate Philanthropy: the companies directly contribute in the form of cash, donations, etc.
5. Community Volunteering: the companies support and encourage their employees, shareholders, or associates franchise retailers to set aside their time voluntarily to help the local community organizations and the people who were the program target.
6. Socially Responsible Business Practice: business practice where a company invests in favor of solving a social problem to improve the welfare of the community and protect the environment.

There are companies' reasons that voluntarily disclose their social performance. The first is internal decision making, management needs information to determine the effectiveness of particular social information in achieving corporate social goals. Secondly is product differentiation, corporate managers have an incentive to differentiate themselves from competitors who are not socially responsible to the community. And the last is enlightened self-interest, company made the disclosure to maintain social harmony with stakeholders because they can affect the sales revenue and the company's stock.

Corporate Social Responsibility in the economic empowerment technically regulated in the Decree of the Minister and the Minister Circular. In SOEs Decree No.Kep-236/MBU/2004 about SOE Partnership Program with the Small Business and Environmental Development Program. Chapter III Section 8 states that the amount of funding for the partnership program, which is derived from its net profit by 1-3% and environmental development fund by 1%. Partnership program conducted by the Small Business Development unit and cooperatives (PUKK). Environmental development programs conducted by community development unit. In practice, the allocations of the profits are used for community development programs and partnership depends on the policies of their respective companies.

According to ISO 26000, Corporate Social Responsibility has core subjects that can be explained by the figure below:

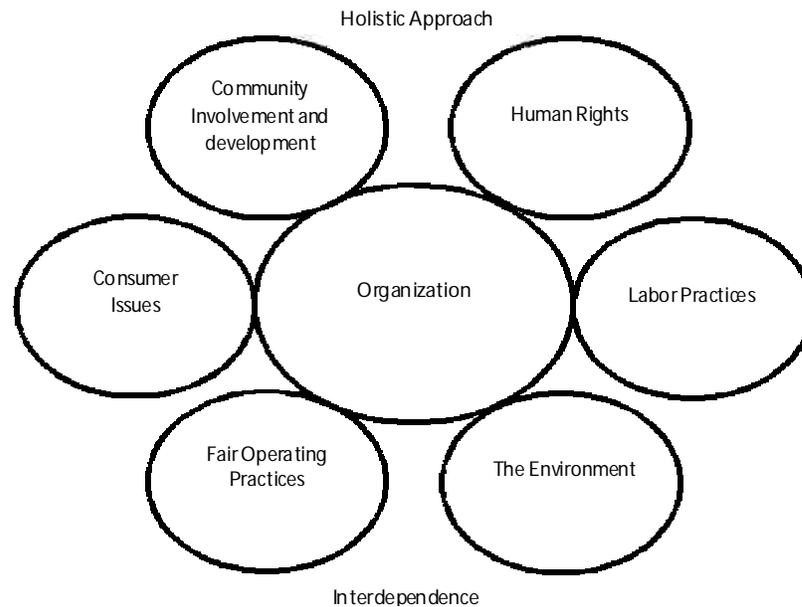


Figure 1 - Core Subjects of CSR

Profitability

Profitability is the relationship between revenues and costs generated by using the firm's assets- both current and fixed-in productive activities (Gitman, 2012: 601). Profitability ratio is the group that shows the combined effect of the ratio of liquidity, asset management, and debt on operating results (Brigham & Houston, 2006). This ratio measures the ability of the company to make a profit. Thus, measurement of profitability demonstrates the effectiveness of the overall management and indirect long-term investors would be very concerned with this analysis. In addition, profit (profitability) is very important for companies not only to continue to sustain the growth of its business, but also to strengthen the company's financial condition.

In this study, profitability is measured by return on assets ratios derived from quarterly financial statements of the company. This ratio is an important ratio to determine the profitability of a company. Return on assets is a measure of the effectiveness of the company in generating profits by exploiting its assets. 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 (Gitman, 2012: 81). Below is the formula of ROA:

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$$

Stock Return

Van Home & Wachowicz (1992:100) stated that return is income received on an investment plus any change in market price, usually expressed as a percent of the beginning market price of the investment. Return use to indicate the return on an investment over a particular span of time called holding period return. Return will be measured by the sum of the change in the market price of security at the beginning of the holding period (Elton & Gruber, 1995:19). According to Jogiyanto (2000:107), return can be divided into two, realized return and expected return. Realized return is return that has happened, so it can be used as one measurement of corporate performance and as basic determinant of expected return and future risk. Expected return are return that are expected in the future.

There are two components composing stock return such as current income and capital gains (Ang, 1997:20). Current income is profit obtained through periodic payments like interest payment, interest on the bonds and dividends. Capital gains are profits earned as a result of differences in selling price and purchase price of an investment instrument that is traded on the market.

The Relationship of CSR Expense towards Profitability and Stock Return

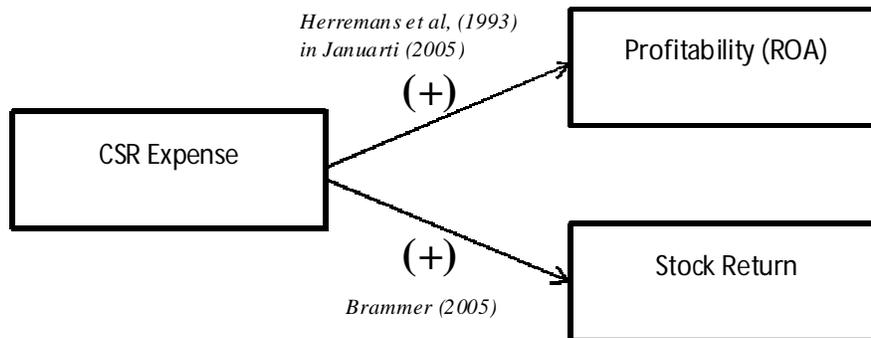


Figure 2 – The Relationship fo CSR Expense towards Profitabiliy and Stock Return

In recent years, many companies are increasingly aware about the importance of CSR implementation in their business strategy. This was revealed by a global survey conducted by the Economist Intelligence Unit showed that 85% of senior executives and investors from various organizations make CSR as a primary consideration in the decision (Economic News, December 2006 in Nistantya, 2010). Theoretically, when the company further improves their CSR activities, it can improve the brand image of the company and will be a positive influence on the corporate profitability and stock return.

The Relationship between CSR Expense and Profitability

The relationship between corporate social responsibility and profitability has raised questions for many people, causing the main ideas that produce different prediction. Herremans et al, (1993) in Januarti (2005) mentions a few key points about the relationship between corporate social responsibility and profitability, consist of: (a) The main ideas of conventional wisdom, believes that there are significant additional costs and would eliminate the profit opportunities to exercise social responsibility, thereby decreasing profitability, (b) Specific additional costs to implement social responsibility will result in a neutral impact on profitability. This is due to the additional costs incurred will be offset by efficiency gains generated by these expenditures, (c) Key points are predicting that corporate social responsibility have positive impact on the profitability of the company.

The Relationship between CSR expense and Stock Return

As one form of corporate responsibility to the community and other stakeholders, companies often engage in CSR activities. The stakeholders can give more appreciation for the companies that involved in CSR activities. This is consistent with the signaling theory where companies can enhance corporate value by signaling through their report.

Research that supports a link between CSR expense with stock return is Brammer (2005) research, a company that has a good environmental performance will be responded positively by investors through the getting up stock price fluctuation from period to period and vice versa, if the company has poor environmental performance it would appear doubts among investors about the company and responded negatively to the fluctuations in the market price of the company's stock has declined from year to year. Research Frooman the (1997) cited by Colwell (2010) also states that companies with poor environmental performance will decrease shareholder wealth.

Data Collection

Types and Sources of Data

Data used in this study is the documentary data, quarterly financial reports of the company in each business sector (9 sector), which is listed on the Indonesia Stock Exchange in first quarter 2009 until the first quarter of 2014. Study took data from the best LQ 45 Company in each sector during the study period. In addition, this study using documentary data from Yahoo! Finance to find out the stock return of each company during the study period.

Source of data used are secondary data, which is the source of research data indirectly obtained through an intermediary medium (obtained and recorded by others). The data used were obtained from the reference center of the capital markets (Indonesia Stock Exchange) and Yahoo! Finance.

Population and Sample

The populations of this study are all LQ 45 companies listed on the Indonesia Stock Exchange during the study period (Q1 2009 - Q1 2014). LQ 45 companies listed in Indonesia Stock Exchange is used as a population because the company has an obligation to submit financial statements and annual reports to parties outside the company, especially the stakeholders, and also the company's liquidity has the best liquidity and have included the cost of CSR in the financial statements and annual reports.

In this study, researcher used purposive sampling. Purposive sampling is sampling based on the subjective judgment of researchers, where there are the conditions that created the criteria that must be met by the sample.

The company that became the sample in this study is LQ 45 companies listed on the Indonesia Stock Exchange period Q1 2009 to Q1 2014, the best nine companies in different business sectors, both private and state-owned enterprises (SOEs).

The company that became the sample in this study has the following criteria:

1. Companies listed in LQ 45 during the study period and are a company that consists of different sectors with one another.
2. Companies that present quarterly financial reports from Q1 2009 to Q1 2014 complete with the notes to the financial statements.
3. In the notes of the financial statements, there are elements of social costs, such as environmental development costs, which include social action through social donations to disaster victims, orphans, the disabled and the elderly, scholarships or other forms of humanity, support the activities concerned on the environment, community development, members of a social group, or community costs. Then the cost of the partnership, which is the soft loans granted to SMEs (Small Medium Enterprises) and SMI (Small and Medium Industries), or assisted cooperative partner companies. Lastly is the cost of employee benefits which include salary, benefits, pension benefits, employee benefits, health and safety, accidents, and employee bonuses.

From the above criteria, the researcher determined the companies' samples in this study are:

Table 1 – Company List

No	Company Name	Code
1.	PP London Sumatra Tbk	LSIP
2.	Tambang Batubara Bukit Asam (Persero) Tbk	PTBA
3.	Indocement Tunggul Prakasa Tbk	INTP
4.	Astra International Tbk	ASII
5.	Unilever Indonesia Tbk	UNVR
6.	Lippo Karawaci Tbk	LPKR
7.	Perusahaan Gas Negara (Persero) Tbk	PGAS
8.	Bank Mandiri (Persero) Tbk	BMRI
9.	United Tractors Tbk	UNTR

In this study, there are several variables, including:

1. Profitability ratio (ROA) is calculated using data from quarterly consolidated financial reports of LQ 45 companies in each different business sector and defined as dependent variables.
2. Stock return data in the year 2009-2013 obtained from Indonesia Yahoo! Finance and defined as dependent variable.

CSR expense is calculated using data from quarterly consolidated financial reports of LQ 45 companies representative and defined as independent variables.

The Relationship between CSR expense and Profitability

Based on the explanation of the relationship between CSR expense and profitability in chapter 2.2.1, there are hypotheses about the significant effects of CSR expense on profitability (ROA), so that researcher can make the following hypothesis:

H_{01} : There is no significant effect of CSR expense toward profitability (ROA).

H_{11} : There is significant effect of CSR expense toward profitability (ROA).

The above hypothesis will be used to test the effect of CSR on the expense of profitability (ROA) in each business sector. Thus, researchers hope to find out the final outcome, which is the effect of CSR expense on profitability in each sector.

The Relationship between CSR expense and Stock Return

Based on the explanation of the relationship between CSR expense and stock return in chapter 2.2.2, there are hypotheses about the influence of CSR expense on stock return, so that researcher can make the following hypothesis:

H_{02} : There is no significant effect of CSR expense toward stock return.

H_{12} : There is significant effect of CSR expense toward stock return.

The above hypothesis will be used to test the effect of CSR on the expense of stock return in each business sector. Thus, researchers hope to find out the final outcome, which is the effect of CSR expense on stock return in each sector.

Result Analysis

Autocorrelation Test

Autocorrelation test results indicate the absence of autocorrelation with the Durbin-Watson calculated value of 1.420 is greater than the Durbin-up on each company. Results of autocorrelation tests can be seen in the table below:

Table 2 - Autocorrelation Test

No	Company	Variable	Durbin-Watson
1	LSIP	CSR exp toROA	1.470
		CSR exp to Stock return	1.832
2	PTBA	CSR exp toROA	1.801
		CSR exp to Stock return	1.590
3	INTP	CSR exp toROA	1.563
		CSR exp to Stock return	1.434
4	ASII	CSR exp toROA	1.622
		CSR exp to Stock return	1.482
5	UNVR	CSR exp toROA	1.852
		CSR exp to Stock return	1.683
6	LPKR	CSR exp toROA	1.560
		CSR exp to Stock return	1.526

7	PGAS	CSR exp toROA	1.840
		CSR exp to Stock return	1.496
8	BMRI	CSR exp toROA	1.616
		CSR exp to Stock return	1.635
9	UNTR	CSR exp toROA	1.518
		CSR exp to Stock return	1.002

Heterokedasticity Test

Glejser test results can be seen in the table below:

Table 3 - Glejser Test

No	Company	Variable	Sig
1	LSIP	CSR exp toROA	0.979
		CSR exp to Stock return	0.072
2	PTBA	CSR exp toROA	0.125
		CSR exp to Stock return	0.743
3	INTP	CSR exp toROA	0.835
		CSR exp to Stock return	0.078
4	ASII	CSR exp toROA	0.973
		CSR exp to Stock return	0.121
5	UNVR	CSR exp toROA	0.680
		CSR exp to Stock return	0.616
6	LPKR	CSR exp toROA	0.333
		CSR exp to Stock return	0.825
7	PGAS	CSR exp toROA	0.923
		CSR exp to Stock return	0.940
8	BMRI	CSR exp toROA	0.404
		CSR exp to Stock return	0.228
9	UNTR	CSR exp toROA	0.098
		CSR exp to Stock return	0.734

a. Dependent Varibel : Absolut Residual

In the table above, it can be seen that the probability of significance above 5 percent, then the regression model used in this study contains no heteroskedaticity.

Normality Test

Normality test is performed to determine whether data taken from the normally distribution population or not. Good regression model is normal or near-normal distribution. If the data does not follow a normal distribution pattern, it will obtain biased estimates. Normality test used Kolmogorov-Smirnov test, Lilliefors correction. By using SPSS 13 obtained the following results:

Table 4 - Normality Test

No	Company	Variable	Sig	Conclusion
1	LSIP	CSR exp toROA	0.851	Normal Distribution
		CSR exp to Stock return	0.870	Normal Distribution
2	PTBA	CSR exp toROA	0.161	Normal Distribution
		CSR exp to Stock return	0.639	Normal Distribution
3	INTP	CSR exp toROA	0.486	Normal Distribution
		CSR exp to Stock return	0.724	Normal Distribution
4	ASII	CSR exp toROA	0.525	Normal Distribution
		CSR exp to Stock return	0.950	Normal Distribution
5	UNVR	CSR exp toROA	0.960	Normal Distribution
		CSR exp to Stock return	0.612	Normal Distribution
6	LPKR	CSR exp toROA	0.494	Normal Distribution
		CSR exp to Stock return	0.989	Normal Distribution
7	PGAS	CSR exp toROA	0.813	Normal Distribution
		CSR exp to Stock return	1.000	Normal Distribution
8	BMRI	CSR exp toROA	0.951	Normal Distribution
		CSR exp to Stock return	0.549	Normal Distribution
9	UNTR	CSR exp toROA	0.895	Normal Distribution
		CSR exp to Stock return	0.968	Normal Distribution

The Coefficient of Determination

Dependent Variable : ROA and Stock Return

Independent Variable : CSR expense

Table 5 – Result Table

No	Company	Coefficient(b)		Constant(a)		R-Square (R2)		Sig.	
		CSR _{ROA}	CSR _{Ri,t}	ROA	Ri,t	ROA	Ri,t	ROA	Ri,t
1	LSIP	0.286	1.849	-6.493	-38.074	0.188	0.862	0.049**	0.000***
	Std.Error	(0.136)	(0.170)	(3.372)	(4.196)				
2	PTBA	-0.122	0.215	3.772	4.037	0.231	0.680	0.027**	0.000***
	Std.Error	(0.051)	(0.034)	(1.314)	(0.884)				
3	INTP	0.007	0.663	0.461	-6.715	0.222	0.470	0.031**	0.001***
	Std.Error	(0.003)	(0.161)	(0.072)	(4.003)				
4	ASII	0.011	0.520	0.274	-6.073	0.242	0.680	0.023**	0.000***
	Std.Error	(0.004)	(0.082)	(0.126)	(2.315)				
5	UNVR	0.008	0.900	0.475	-13.743	0.223	0.448	0.031**	0.001***
	Std.Error	(0.003)	(0.229)	(0.091)	(5.999)				
6	LPKR	-0.039	0.531	1.474	-6.662	0.357	0.508	0.004***	0.000***
	Std.Error	(0.012)	(0.120)	(0.307)	(3.005)				
7	PGAS	0.017	0.211	0.186	2.875	0.286	0.247	0.013**	0.022**

	Std.Error	(0.006)	(0.084)	(0.160)	(2.179)				
8	BMRI	0.045	0.841	-0.844	-14.848	0.390	0.692	0.002***	0.000***
	Std.Error	(0.013)	(0.129)	(0.045)	(3.624)				
9	UNTR	-0.020	0.318	1.119	1.284	0.550	0.585	0.000***	0.000***
	Std.Error	(0.004)	(0.061)	(0.112)	(1.685)				

Note : Significant at a *) 10%
 **) 5%
 ***) 1%

Hypothesis Test

- H₀₁ : β = 0 It means that, there is no significant effect of CSR expense on ROA.
- H₁₁ : β ≠ 0 It means that, there is significant effect of CSR expense on ROA.
- H₀₂ : β = 0 It means that, there is no significant effect of CSR expense on stock return.
- H₁₂ : β ≠ 0 It means that, there is significant effect of CSR expense on stock return.

The formula used to test the above hypothesis is using student t test:

$$t_{hit} = \frac{b}{Se(b)}$$

Based on the following test criteria:
 a = 0.05

1. Accept H₀ if p-value > a
2. Reject H₀ if p-value < a

The Effect of CSR Expense towards ROA and Stock Return

To determine the effect of CSR exp on ROA and Stock return, the authors use a simple linear regression analysis with the following model:

$$Y = a + bX$$

Based on the results of data processing using statistical software SPSS 13 obtained the following results:

Table 6 – Simple Regression Linear Analysis

No	Company	Variable	B	Std. Error	Regression Equation	
1	LSIP	CSR expense to ROA	(Constant)	-6.493	3.372	ROA = -6.493 + 0.286CSR
			X	0.286	0.136	
		CSR expense to Stock return	(Constant)	-38.074	4.196	R _{i,t} = -38.074 + 1.849CSR
			X	1.849	0.170	
2	PTBA	CSR expense to ROA	(Constant)	3.772	1.314	ROA = 3.772 - 0.122CSR
			X	-0.122	0.051	
		CSR expense to Stock return	(Constant)	4.037	0.884	R _{i,t} = 4.037 + 0.215CSR
			X	0.215	0.034	
3	INTP	CSR expense to ROA	(Constant)	0.461	0.072	ROA = 0.461 + 0.007CSR
			X	0.007	0.003	
		CSR expense to Stock return	(Constant)	-6.715	4.003	R _{i,t} = -6.715 + 0.663CSR
			X	0.663	0.161	

4	ASII	CSR expense toROA	(Constant)	0.274	0.126	ROA = 0.274 + 0.011CSR
			X	0.011	0.004	
		CSR expense to Stock return	(Constant)	-6.073	2.315	$R_{i,t} = -6.073 + 0.520CSR$
			X	0.520	0.082	
5	UNVR	CSR expense toROA	(Constant)	0.475	0.091	ROA = 0.475 + 0.008CSR
			X	0.008	0.003	
		CSR expense to Stock return	(Constant)	-13.743	5.999	$R_{i,t} = -13.743 + 0.900CSR$
			X	0.900	0.229	
6	LPKR	CSR expense toROA	(Constant)	1.474	0.307	ROA = 1.474 - 0.039CSR
			X	-0.039	0.012	
		CSR expense to Stock return	(Constant)	-6.662	3.005	$R_{i,t} = -6.662 + 0.531CSR$
			X	0.531	0.120	
7	PGAS	CSR expense toROA	(Constant)	0.186	0.160	ROA = 0.186 + 0.017CSR
			X	0.017	0.006	
		CSR expense to Stock return	(Constant)	2.875	2.179	$R_{i,t} = 2.875 + 0.211CSR$
			X	0.211	0.084	
8	BMRI	CSR expense toROA	(Constant)	-0.844	0.360	ROA = -0.844 + 0.045CSR
			X	0.045	0.013	
		CSR expense to Stock return	(Constant)	-14.848	3.624	$R_{i,t} = -14.848 + 0.841CSR$
			X	0.841	0.129	
9	UNTR	CSR expense toROA	(Constant)	1.119	0.112	ROA = 1.117 - 0.020CSR
			X	-0.020	0.004	
		CSR expense to Stock return	(Constant)	1.284	1.658	$R_{i,t} = 1.284 + 0.318CSR$
			X	0.318	0.061	

From the tests result above, there are some results indicate that there is negative significant effect of CSR expense toward profitability (ROA) This was due by the presence of company view that with issuing CSR expense, it will increase the burden of the company, because the company must also be accountable to shareholders for the reduced of distribute profits because used for social costs. Thus, companies have to work harder to get the efficiency gains generated by these expenditures. Besides that, there are some results indicate that there is significant effect of CSR expense toward profitability (ROA). This is can happen because with the rising cost of employee benefits (employee benefits, bonuses etc.) will improve the performance and loyalty of employees to the company. Due to the presence of corporate social responsibility can provide encouragement to excel in performing their duties. In accordance with WBCSD (2008), that the employee benefits is a form of corporate responsibility in the company's internal environment, so that with rising this costs, companies do not need to worry because the benefits derived from the company's employee welfare expenses can be felt directly by the company, with increasing employee performance it will increase corporate profit because employees will work harder and it will become easier to be directed in order to work effectively and efficiently.

Results analysis for the effect of CSR expense on stock return is significant. There are 9 companies that have a significant effect. This is due with the implementation of CSR expense in corporate, it will enhance the company's image in the local community (as the company's external environment) and also employees (as internal environment). So this may affect the company's performance and stock price. The increase of the company's stock price will affect the increase of stock return. The result would be different if the company does not implement CSR properly. The company will get a negative assessment from public. In accordance with signaling theory, if the company gave a positive signal, then the public will give a positive signal as well, and vice versa. So the implementation from the CSR activities will set up a public opinion against the company.

Conclusion

This research objective is to find out the impact of Corporate Social Responsibility (CSR) expense towards company profitability (ROA) and stock return in each different business sectors. 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 Q1 2009 to Q1 2014, the best nine companies in different business sectors, both private and state-owned enterprises (SOEs). In this study, there are two dependent variables and one independent variable. The dependent variables are profitability (ROA) and stock return. The independent variable is CSR expense.

The results of this research are:

1. CSR expense has a positive significant effect toward profitability (ROA) in six companies (LSIP, INTP, ASII, UNVR, PGAS, and BMRI), has a negative significant effect toward profitability (ROA) in three companies (PTBA, LPKR, and UNTR)
2. CSR expense has a positive significant effect toward stock return in all nine companies (LSIP, INTP, PTBA, ASII, UNVR, LPKR, PGAS, BMRI and UNTR)

Based on the result above, there are analyses about significant effect of the result:

1. The rising expenses of employee benefits (employee benefits, bonuses etc.) will improve the performance and loyalty of employees
2. CSR activities will enhance the company's image in the local community (as the company's external environment) and also employees (as internal environment)

So this may affect the company's performance and stock price. The increase of the company's stock price will affect the increase of stock return.

And there are analyses about no significant effect of the result:

1. CSR expense will increase the burden of the company
2. Company not conduct CSR activities properly
3. The Company Work harder to get the efficiency gains

Research Limitation

This study uses only a few companies in each business sector, so it cannot be concluded as sectoral results. In addition, this study also still cannot be generalized and cannot present all the existing companies. So the suggestion for further research, the researcher is expenseected to use sectoral data in order to determine the effect of CSR expense of profitability and stock return sectorally.

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