International Journal of Innovation, Creativity and Change. www.ijicc.net
Volume 13, Issue 4, 2020

Corporate Social Responsibility, Foreign Ownership, and Firm Financial Performance

Dwi Bagus Priambodo[a], **Khusnul Prasetyo**[b*], [a,b]Department of Accountancy, Faculty of Economics and Business, Universitas Airlangga, Email: [b*]khusnul.prasetyo@feb.unair.ac.id

The purpose of this study is to examine the effect of corporate social responsibility disclosure on firm financial performance with foreign ownership as a moderation variable. The population used are manufacturing companies listed on the Indonesian stock exchange in 2014-2016. The sample in this study is determined by using purposive sampling. The analytical technique for hypothesis testing is simple and moderated regressions with SPSS 21. The results found that corporate social responsibility disclosure had a positive and significant effect on firm financial performance while foreign ownership does not moderate the relationship between corporate social responsibility disclosure and firm financial performance.

Keywords: *Corporate social responsibility (CSR), Firm financial performance, Foreign ownership.*

Introduction

Corporate Social Responsibility (CSR) is an approach in which companies are required to operate with responsibility for all aspects of supporting business activities such as consumers, workers, the community, and the environment. The concept of social responsibility was introduced in the early 1950s through the book "social responsibilities of the businessman". Until 1998, John Elkington expanded CSR through the concept of a triple bottom line so that the company's focus is not only on the financial aspect (profit) alone but jointly paying attention social aspects (people) and environmental aspects (planet).

Every CSR activity carried out will affect the community's perspective on the company. According to Pramana and Kusuma (2016), CSR activities are closely related to the company's image, so the more often companies contribute to CSR activities, the company image will be better known to the public and consumers. Customers will be more loyal and willing to pay higher for a product from companies that implement CSR activities in their operational activities (Rahman and Norman, 2015).

CSR activities not only have an influence on the environment and social life of the community. CSR can be simultaneously in line with the business strategy that the company will implement. According to Boubakary (2016), companies committed to CSR are able to influence innovation, differentiation, and company reputation. Companies that invest in CSR programs encourage companies to improve and develop product quality because consumers always have high expectations for the company's new products (Bhardwaj et al., 2017). Examples of companies that implement CSR in their business strategies are Procter and Gamble (P&G), which invests in green technology that helps P&G deliver better quality products and is able to reduce 395 pounds of carbon dioxide per household so that P&G is known as a company that produces environmentally friendly products. Companies that are better in terms of innovation, differentiation, and reputation have a competitive advantage compared to other companies.

From an economic point of view, the information will be disclosed if it is beneficial to increasing the value of the company (Basamalah and Jeremias, 2005). Company value is a condition that has been achieved in the form of public trust in a company for business activities carried out since the establishment of the company. Efforts to maximise company value can be achieved if the company is able to improve its financial performance. The influence of CSR disclosure as information that can improve a company's financial performance is still being under debate for more than 50 years and empirical research has been carried out over the last few decades (Rashid, 2018).

Research on the effect of corporate social responsibility disclosure on financial performance is often carried out, but the results are inconsistent (Widayanti et al., 2019; Widiastuty & Soewarno, 2019; Nasih, Harymawan, Putra & Qatrunnada, 2019; Muda, Sidauruk, Siregar, & Nurzaimah, 2018; ; Prabowo et al., 2017; Isnalita & Narsa, 2017; Kholis, Fatma, Maksum & Bukit, 2016). According to Rashid (2018), disclosure of corporate social responsibility significantly influences company performance. Feng et al. (2017) also explain the disclosure of CSR activities having a positive effect on financial performance in almost all industrial sectors. Mustafa's research (2014) reveals that the effect of CSR disclosure on financial performance is negative. Research by Han et al. (2016) also finds no significant effect between CSR disclosure and financial performance.

This study uses foreign ownership as a variable that is thought to be able to moderate the relationship between CSR disclosure and corporate financial performance. Foreign ownership is a percentage of share ownership of companies owned and controlled by investors outside the domicile of the operating company. According to Law No. 25 of 2007 article 1, paragraph

6 defines foreign ownership as individuals of foreign citizens, foreign business entities, and foreign governments that make investments in the territory of the Republic of Indonesia. Foreign investors are stakeholders who also pay attention to social and environmental issues. The active participation of foreign investors in companies can influence top-level management in the decision-making process, which is more concerned with aspects of social responsibility to achieve legitimacy goals. Previous research reinforces this view, such as Oh et al. (2011) which revealed that foreign ownership in a company had a positive effect on the extent of CSR activities disclosed. The same results obtained by Khan et al. (2013) show that foreign ownership as a component of corporate governance has a positive effect on CSR disclosure. Foreign investors are long-term oriented investors. However, foreign investors will easily sell their own shares if the company fails to meet investors' expectations. Therefore, indirectly foreign investors are able to put pressure on the company's management to always improve its financial performance. Research by Ghazali (2010) and Aurori et al. (2014) revealed that foreign ownership was positively correlated with increased financial performance of the company. Research using foreign ownership as a moderating variable was conducted by Khabir and Thai (2017) indicating that foreign ownership as one of the corporate governance variables is able to strengthen the positive influence of CSR disclosure on the company's financial performance.

The sample used in this study was manufacturing companies that were consistently listed on the Indonesia stock exchange in the period 2014-2016, publishing consecutive financial reports and annual reports. Manufacturing companies were chosen because they were very closely related to the issues discussed in CSR starting from the beginning to the end of the production process. These issues include how companies obtain raw materials without damaging natural ecosystems, human rights and workplace safety for employees, security in product use, and handling of company waste after production activities. The data were obtained from the official website of the Indonesia Stock Exchange www.idx.co.id. Hypothesis testing uses multiple regression analysis techniques with the help of SPSS 21 software.

The results of this study indicate that CSR has a significant positive relationship with firm performance. However, foreign ownership does not moderate the relationship between the two. This research provides several contributions. First, this study provides additional literature related to CSR by trying to provide evidence regarding its relationship with firm performance. Second, the results of this study can be used as a stimulus for companies to be more active in corporate social responsibility activities and provide information to companies about the importance of disclosing CSR activities that are believed to be able to improve financial performance.

The structure of this paper is as follows: part 2 is a literature review and hypothesis development; part 3 is the description of the sample and research variables; part 4 is the results and discussion; part 5 is conclusions of this research.

Literature Review and Hypothesis

CSR in Indonesia

Several regulations regarding the obligation to disclose corporate social responsibility in Indonesia are contained in Law No. 40 of 2007 article 74 concerning the Company and Government Regulation No. 47 of 2012 concerning Limited Environmental Corporate Social Responsibility, so that this activity should no longer be a voluntary activity but rather an obligation in its implementation. However, it is quite unfortunate, in practice, the level of company participation in CSR activities in Indonesia is relatively low. According to Hossain et al. (2016), the lack of company involvement in CSR activities especially in developing countries is caused by corruption and political relations, the lack of coordination and monitoring, and the lack of government initiatives in implementing the law.

Theoretical Framework

The first theory used is legitimacy theory. The focus in legitimacy theory is on the area of company interaction with the community. This theory is a foundation for companies to find out what is expected by the community so that the company's operational activities are in line with prevailing social norms. Based on this theory, a company can operate well if it obtains permission from the community so that the community can withdraw its permit if the company does not operate in accordance with the matters that become its obligations. (Rofiqkoh and Priyadi, 2016).

Legitimacy can be obtained by the existence of social contracts between companies operating with the community. A social contract is something that is the expectation and demand of the community to the organisation and the company is taking action both implicitly and explicitly (Deegan, 2002). Companies will get many problems if they do not act in accordance with the demands of the community. Companies must pay attention to issues that are social demands such as environmental sustainability, employee welfare, and concern for the norms that apply in society. Siregar et al., (2013) said an important concept of the existence of legitimacy is the awareness of the elements of society that the company's business activities are congruent with the values prevailing in the community so that the company can operate in a fairly long period of time. Legitimacy theory is an acknowledgment if the community has accepted the activities carried out by the company.

Companies can disclose CSR activity information in annual reports to gain public legitimacy because CSR disclosure is a medium used to describe the impression of a company that is not only concerned with profit but also socially and morally responsible (Karina, 2013). With legitimacy, the company is expected to be free from problems arising from the community so that the company can operate properly.

The next theory is the stakeholder theory. Stakeholders are various parties who have interests and have an influence on the company's business activities (Gray, 2001). According to its characteristics, stakeholders are divided into two, namely primary stakeholders and secondary stakeholders (Clarkson, 1995). Primary stakeholders is a group of people who have a significant influence on the company and affect the sustainability of the business such as shareholders, consumers, suppliers of raw materials, company employees, and the government. Secondary stakeholders is a group of people who do not have a significant influence, and their presence is considered inessential to the transaction or the sustainability of the company's business.

Stakeholder theory shows a company is an entity that should be able to provide benefits to all its stakeholders and not only think for the company's own interests (Ghazali and Chariri, 2007). The assumption in stakeholder theory is that a company is strongly influenced by stakeholders so that the company always tries to get support from all stakeholders for its business activities. Companies must accommodate and pay attention to what is desired by each stakeholder, especially stakeholders who have a significant influence on the sustainability of the company's operations such as labour and consumers of the company's products (Ghazali and Chariri, 2007).

Stakeholder theory says that all stakeholders have the right to be given information on all organisational activities that have been carried out (Ulum, 2009). Disclosure of CSR activities in annual reports and company performance in financial statements is a way the company uses to maintain good relations with all stakeholders. The company's relationship with all of its stakeholders should be reciprocal and mutually beneficial to each other (Rofiqkoh and Priyadi, 2016).

Hypotheses Development

Corporate Social Responsibility and Firm Financial Performance

Research on the influence of corporate social responsibility, corporate financial performance, and foreign ownership has often been carried out in Indonesia and in many countries throughout the world in different periods. Diverse results were obtained from previous studies. Mustafa and Handayani (2014) conducted research on the effect of corporate social responsibility disclosure on the financial performance of manufacturing companies. The study used simple regression analysis with the conclusion that corporate social responsibility has no significant effect on financial performance.

Feng, Wang, and Kreuze (2017) reveal that the relationship between CSR and financial performance is heterogeneous in each industry sector and the type of CSR category. Broadly speaking, corporate social responsibility significantly and positively influences financial performance in almost all industrial sectors. Han, Kim, and Yu (2016) find that only the governance component is positively correlated with financial performance, while environmental and social responsibility is negatively related to financial performance. In other words, researchers find no statistically significant relationship between CSR and corporate financial performance. Kabir and Thai (2017) find that CSR disclosure is significantly and positively related to the company's financial performance, besides foreign ownership, the number of directors, and independent directors are able to moderate the positive relationship between two variables. However, state ownership cannot moderate the relationship between CSR and corporate financial performance.

According to the World Business Council for Sustainable Development, CSR is a commitment of businesspeople in a sustainable manner to act according to norms and contribute to building the economy, improving the living standards of workers, and caring for the local community and society at large. What underlies companies in implementing CSR is that they can operate in the long run if they has gained legitimacy from the community (Siregar et al., 2013). According to Bhatt (2002), the importance of companies in implementing and supporting CSR activities is to minimise risks and create positive values for the company. According to research by Servaes and Tamayo, the positive value obtained by the company is the positive response from customers in the form of customer loyalty and willingness to pay slightly higher for CSR-oriented company products so as to increase sales and company profits.

The risks that a company may face if it does not implement CSR are conflicts with local communities, increased employee turnover, and lawsuits over environmental pollution (Backhaus et al., 2002). These risks have the potential to cause unexpected costs and reduce the level of corporate profits. In this study, the financial performance uses profitability ratios so that financial performance focuses on the profits generated from the company's resources. CSR, as a form of social investment, is predicted to be able to improve financial performance. This is reinforced by research conducted by Khabir and Thai (2017) and Rashid (2018) who state that statistically, CSR proves to have a positive effect on financial performance. Based on this explanation, the first hypothesis development is:

H1: Corporate social responsibility positively affects firm financial performance.

Corporate Social Responsibility, Foreign Ownership, and Kinerja Keuangan Perusahaan

Based on previous research, there are different results on the relationship between CSR and financial performance. The researcher uses the foreign ownership factor as a variable that is supposed to moderate the relationship between two variables. Foreign ownership, according to Law No. 25 of 2007 concerning investment, is defined as foreign citizens, foreign business entities, and foreign governments who make investments in the territory of the Republic of Indonesia. According to Siegel and Vitaliano (2007), the presence of foreign ownership in companies, especially in developing countries, shows that corporate governance can be trusted. That is because investment activities in other countries have a high risk, where laws and regulations differ from the country of origin so as to enable asymmetric information.

Oh, Chang, and Martinov (2011) found that institutional ownership and foreign ownership are positively and significantly related to CSR disclosure. However, managerial ownership is negatively related to CSR disclosure. Khan, Muttaqin, and Siddiqui (2013) found that only managerial ownership has a non-positive relationship with CSR disclosure while public ownership, foreign ownership, and the proportion of independent directors are significantly and positively related CSR disclosures. Ghazali (2010) found foreign ownership and government ownership have a positive and significant effect on Tobin's Q.

Research by Arouri, Hossain, Muttakin (2014) shows that foreign ownership, family ownership, and institutional ownership have a positive and significant effect on financial performance, whereas government ownership, board size, and CEO duality have no significant influence on financial performance. According to Ghazali and Chariri (2007), the most important thing from stakeholder theory is that companies must accommodate and pay attention to what is desired by each stakeholder, especially stakeholders who have a significant influence on the sustainability of the company's operations, one of which is foreign investors. Foreign investors will be reluctant to invest in companies that have financial or social problems. Foreign investors can demand that company management disclose more CSR activities as evidence if the company has no social problems with any party. This is supported by Oh et al., (2011), which revealed that the higher the percentage of foreign ownership, the CSR activities disclosed also increased.

In addition, foreign investors can easily release their own shares if the company's financial performance is deemed unsatisfactory. This can be a stimulus for companies to always improve financial performance. This is supported by Chen and Liao (2010) indicating that foreign ownership has a significant effect on high profitability. Based on this explanation, the second hypothesis is developed as follows:

H2: Foreign ownership significantly affects corporate social responsibility and firm financial performance.

Research Design

Sample and Source of Data

The population and sample used in this study were manufacturing companies listed on the Indonesia Stock Exchange for the year 2014 to 2016. The reason for choosing the research period was because the fourth generation Global Reporting Initiative (GRI G-4) was effective starting from 2014 and this study began in 2018. The researcher chose 2016 or two years before the study to avoid data errors that might not have been revealed in the study year. The sample selection used was using a purposive sampling method. The research data was obtained through the Indonesia Stock Exchange website, the Indonesia Stock Exchange website (www.idx.co.id). The total observations of this study were 348 observations.

Operational Definition and Variable Measurement

Financial performance which is proxied by ROA becomes the dependent variable in this study. The company's financial performance is measured by profitability ratios, financial ratios that illustrate how capable the company is in making profits with its resources. ROA is used as a measurement tool to assess how efficient the company is in getting a rate of return on profits through overall assets owned by the company. ROA is calculated by the percentage of profit after tax divided by total assets (Munizu, Damang, Hamid, & Sumardi, 2017).

The independent variable used is CSR disclosure. CSR is a good faith from the company to improve the quality of life of the community by using the owned resources (Kotler and Nancy, 2005). CSR disclosure items refer to items in the GRI-G4. The total items in GRI-G4 are 91 items which include aspects of the company's sustainability in terms of economic, environmental, and social. However, not all items in GRI G-4 are included in topics related to CSR. CSR items in GRI G-4 are 40 items. The Corporate Social Responsibility Disclosure Index (CSRDI) is used to measure CSR variables. CSRDI can be calculated by content analysis that is by giving a score on each item of CSR activity disclosure in the company's annual report. If the item disclosed falls into one of the categories, then a value of 1 is given, whereas if the item is not included in one category is given a score of 0. The total score revealed is divided by the 40 items that should have been revealed.

This study also uses moderating variables in the relationship between CSR disclosure and firm financial performance. The moderation variable used is foreign ownership. Foreign ownership is used as a moderating variable in this study. Foreign ownership, according to

Law No. 25 of 2007 are individuals of foreign citizens, foreign business entities, and foreign governments that make investments in the territory of the Republic of Indonesia. The reason researchers use foreign ownership is that foreign investors do not want to invest in companies that have financial or social problems that encourage company management to be more active in CSR activities and always improve their financial performance. Foreign ownership can be determined by the formula (Khabir and Thai, 2017), namely the proportion of foreign investor ownership divided by the total shares of the company.

There are three control variables used in this study, namely company size, liquidity level, and leverage percentage. The size of acompany according to Liu et al., (2015) is a measure that assesses the size of the company based on the natural logarithm value of the total assets owned by the company. Liquidity, according to Sudana (2011), is a ratio that shows a company's ability to meet obligations within 12 months or during one operating cycle. In this study, the level of company liquidity uses a quick ratio that is calculated by dividing the number of current assets by current liabilities. Finally, this study uses a leverage ratio, which is a ratio that measures the size of the company's assets financed by debt (Sudana, 2011). In this study, using the debt to asset ratio or DAR is calculated by dividing the total amount of liabilities by the total number of company assets. Variable definition table can be seen in Table 1.

Methodology

Data analysis methods used in this study include descriptive statistical analysis, model suitability test, overall model test, logistic regression analysis, coefficient of determination test, hypothesis test using partial test. This study uses multiple linear regression analysis techniques. The regression models tested are as follows:

$$\mathbf{ROA = \alpha + \beta_1 CSRDI + \beta_2 SIZE + \beta_3 QR + \beta_4 DAR + e \ (1)}$$
$$\mathbf{ROA = \alpha + \beta_1 CSRDI + \beta_2 FOW + \beta_3 SIZE + \beta_4 QR + \beta_5 DAR + e \ (2)}$$
$$\mathbf{ROA = \alpha + \beta_4 CSRDI + \beta_5 FOWN + \beta_6 CSRDI{*}FOWN + \beta_3 SIZE + \beta_4 QR + \beta_5 DAR + e \ (3)}$$

Table 1: Variable Definition

Variable	Definition
Dependent	
ROA	Percentage of earnings after tax divided by total assets
Independent	
CSRDI	Dummy variable, 1 if the item revealed is in one category and 0 otherwise
Control	
FOW	The number of shares owned by foreign investors divided by the total shares of the company
SIZE	Natural logarithm of total assets
QR	The number of current assets divided by current liabilities
DAR	Total liabilities are divided by total company assets.

Result and Discussion

Descriptive Statistics

The independent variable is the area of corporate social responsibility disclosure symbolized by CSRDI has the lowest value of 0.025 or 2.5%, which means that the company only discloses 1 of 40 CSR items. The mean value of ROA is 0.04, with a standard deviation of 0.068. The value of foreign ownership calculated by the percentage of share ownership by a foreign party has the lowest value of 0, which means that no foreign investor invests funds in the company.

Table 2: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CSRDI	320	.025	.600	.1833	.1250
ROA	320	-.2907	.2726	.0400	.0680
FOWN	320	.0000	.9896	.3171	.3271
SIZE	320	11.5084	19.3833	14.7214	1.5571
QR	320	.1064	15.1646	2.2618	2.1157
DAR	320	.07	5.06	.5251	.4907

CSR Disclosure and Firm Financial Performance

In hypothesis 1 (one), it has been stated that CSR disclosure has a positive and significant effect on financial performance. Based on the results of statistical tests, the regression coefficient is 0.161, and the significance of the t-test is 0.014. The results in Table 3 show that there is a significant influence between CSR disclosure and financial performance because the significance value is less than 0.05. It can be interpreted that the wider the level of CSR disclosure in the annual report, the financial performance (ROA) will also increase. Therefore, the first hypothesis is accepted.

According to the theory of legitimacy, the existence of a company will be accepted if it operates in accordance with community expectations. One way for a company to gain community legitimacy is to reveal its CSR activities. When companies gain legitimacy from the public, they will avoid potential unexpected costs and can reduce the number of profits such as the costs of lawsuits for environmental pollution, work safety, product safety, and underage labour.

Disclosure of CSR activities is one of the business strategies in enhancing the company's reputation to maintain consumer loyalty (Pramana and Kusuma, 2016). In addition to maintaining loyal customers, a positive reputation and company brand image can be stimulation to increase market share and sales levels (Rahman and Norman, 2015). When the company is able to increase the level of sales and is able to control operational and non-operational costs, the company's profit level also increases. The increase in corporate profits is an indicator of the company's success in improving its financial performance.

The results of this study support the research of Khabir and Thai (2017) and Rashid (2018) who revealed that there was a positive and significant relationship between CSR disclosures and corporate financial performance, one of which was proxied by ROA. However, the results of this study are different from the results of research by Mustafa and Handayani (2014) who did not find a significant effect of CSR disclosure on financial performance, including ROA.

Table 3: Multiple Linear Regression - Model 1

Model	**Unstandardised Coefficients**		**Std. Coefficients**	**t**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	0.026	0.006		1.948	0.052
CSRDI	0.006	0.028	0.228	2.483	0.014
SIZE	0,007	0,002	0,164	3.185	0,002
QR	0,011	0,002	0,329	6.323	0,000
DAR	-0,045	0,007	-0,322	-6.304	0,000
R		0.541	Adjusted R^2		0.284

CSR Disclosure, Foreign Ownership, and Firm Financial Performance

Before testing the effect of foreign ownership as a moderating variable, researchers test foreign ownership as an independent variable that can be seen in Table 4.

Table 4: Multiple Linear Regression - Model 2

Model	Unstandardised Coefficients		Std. Coeff.	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.064	0.034		1.914	0.057
CSRDI	0.002	0.010	0.136	3.402	0.001
FOWN	0.007	0.010	0.08	2.999	0.004
SIZE	0,007	0.002	0.164	3.180	0,002
QR	0,011	0.002	0.328	6.247	0,000
DAR	-0,045	0.007	-0.322	-6.248	0,000
R		0.541	Adjusted R^2		0.282

In hypothesis 2 (two), it is stated that foreign ownership is able to moderate the relationship between CSR disclosure and financial performance. Based on the results of the statistical tests in Table 5, foreign ownership as a moderating variable has a regression coefficient of 0.017 and a significance of 0.150. Meanwhile, foreign ownership as an independent variable has a regression coefficient of 0.007 and a significance of 0.004. It can be interpreted that foreign ownership is more appropriate as an independent variable than moderating variables so that foreign ownership as an independent variable has a positive and significant effect on financial performance that is proxied by ROA. Foreign ownership as a moderating variable fails to moderate the relationship between CSR disclosure and financial performance. Therefore, the second hypothesis is rejected.

The results of this study are in line with Sari and Suaryana's (2013) research which found no significant influence of foreign ownership in influencing CSR policies on financial performance. The results of this study differ from the results of research from Khabir and Thai (2017), which revealed the influence of foreign ownership in strengthening the relationship between CSR disclosure and financial performance.

The effect of foreign ownership is not significant due to the absence of specific legal rules to sue companies that have foreign ownership to be more active in carrying out CSR activities. As a result, there is no stimulus for foreign investors to demand that company management become more involved in CSR activities. In the Capital Market Law No. 25 of 2007, it is explained that all companies both companies with and without foreign investors must be responsible for preserving the environment so that the disclosure of CSR activities in companies with foreign ownership is not necessarily better than companies that do not have foreign investors. The presence of foreign investors in Indonesia is only limited to the pursuit of profit and does not pay attention to the social conditions of the communities around the company (Sari and Suaryana (2013). Quality and quantity in CSR disclosure are only considered as a formality tool in gaining community legitimacy so that the company's business activities can operate in a long period of time.

Table 5: Multiple Linear Regression – Model 3

Model	Unstandardised Coefficients		Std. Coefficients	T	Sig.
	B	Std.Error	Beta		
(Constant)	0.066	0.033		1.978	0.049
CSRDI	0.028	0.037	0.052	1.914	0.027
FOWN	0.018	0.017	0.085	1.988	0.047
CSRDI*FOWN	0.017	0.074	0.129	1.441	0.150
SIZE	0.007	0.002	0,158	3.061	0,002
QR	0.010	0.002	0.324	6.168	0,000
DAR	-0.045	0.017	-0.327	-6.370	0,000
R		0.546	Adjusted R^2		0.284

Conclusion

This study examines the effect of corporate social responsibility disclosure on corporate financial performance and foreign ownership which is allegedly able to moderate the relationship between the two variables. Based on the results of the analysis with statistical tests, we draw several conclusions. First, disclosure of corporate social responsibility has a positive and significant impact on financial performance. This informs that the more extensive CSR information is disclosed, the financial performance that is proxied by ROA is followed. That is because CSR disclosure can be a media in maintaining consumer loyalty and stimulating increasing levels of sales and profits. Second, foreign ownership as an independent variable has a positive and significant influence on financial performance. This indicates that the greater the percentage of ownership of companies controlled by foreign investors, the financial performance that is proxied by ROA will also increase. Finally, foreign ownership as a moderating variable has no significant effect and is not able to strengthen the relationship between CSR disclosure and financial performance. That is because there are no specific regulations that require companies with foreign ownership to be more involved in CSR activities. In addition, foreign investors are more oriented to improving financial performance and only use CSR disclosure as a tool in gaining legitimacy from the public.

Based on the results obtained in the study, we propose several suggestions for the company and further research. Companies always increase CSR activities each year because based on research results, it has been proven that CSR disclosure has a positive and significant effect on improving financial performance. Evaluation of CSR disclosure by content analysis produces subjective information so that it affects the results of the study. Therefore, it is expected to use other instruments that are more objective, thereby reducing the ambiguity of research results. In the next research, it is expected to use other variables to moderate the effect of the relationship of CSR disclosure and financial performance because there is no significant influence of foreign ownership on the relationship between the two variables.

Acknowledgement

This paper is derived from Dwi Bagus Priambodo's Undergraduate Thesis at the Faculty of Economics and Business, Universitas Airlangga, Surabaya, Indonesia. We are also grateful for the comments and insight from Yuanita Intan Paramitasari and Nadia Klarita Rahayu.

REFERENCES

Arouri, Houda, M. Hossain, dan M.B. Muttakin. (2014). Effects of Board and Ownership Structure on Corporate Performance: Evidence from GCC Countries. Journal of Accounting in Emerging Economies. Vol.4 No.1: 117-130.

Bhardwaj, Pradeep et al. (2017). When and How is Corporate Social Responsibility Profitable. Journal of Business Research. Vol.84:209-219.

Bhatt, M. R. (2002). Corporate Social Responsibility and Natural Disaster Reduction: Local Overview of Gujarat. London: Benfield Hazard Research Center of University College.

Boubakary, Doumagay. (2016). The Influence of the Implementation of CSR on Business Strategy: an Empirical Approach based on Cameroonian Enterprises. Arab Economic and Business Journal:162-171.

Clarkson, M., (1995). A Stakeholder Framework for Analysing and Evaluating Corporate Social Performance. Academy of Management Review, Vol. 20 No.1: 92- 117.

Deegan, C. (2002). Introduction: The Legitimising Effect of Social and Environmental Disclosure - a Theoretical Foundation. Accounting, Auditing, and Accountability Journal, Vol.5 No.3: 282-311.

Feng, Mingming, Xiaodan Wang, dan Jerry G. Kreuze. (2017). Corporate Social Responsibility and Firm Financial Performance: Comparison Analyses Across Industries and CSR Categories. American Journal of Business. Vol. 32, No. 3-4: 106-133.

Ghazali dan Chariri. (2007). Accounting Theory. Semarang: Badan Penerbit Undip. (in Bahasa)

Ghazali, Nazli A.Mohd. (2010). Ownership Structure, Corporate Governance and Corporate Performance in Malaysia. International Journal of Commerce and Management. Vol. 20 No. 2: 109-119.

Gray, Rob. (2001). Social and Environmental Disclosure and Corporate Characteristics: a Research Note and Extension. Journal of Business Finance and Accounting, Vol. 28: 327- 356.

Han, Jae-Joon, Hyun J.K., Jeongmin Yu. (2016). Empirical Study on Relationship between Corporate Social Responsibility and Financial Performance in Korea. Asian Journal of Sustainability and Social Responsibility. Vol. 1: 61-76.

Hossain, Md Moazzem. (2016). Contributing Barriers to Corporate Social and Environmental Responsibility Practices in a Developing Country: a Stakeholder Perspective. Sustainability Accounting Management and Policy. Vol. 7, No. 2: 319-346.

Isnalita,. and Narsa, I. (2017), CSR Disclosure, Customer Loyalty, and Firm Values (Study at Mining Company Listed in Indonesia Stock Exchange). Asian Journal of Accounting Research, Vol. 2 No. 2, pp. 8-14. https://doi.org/10.1108/AJAR-2017-02-02-B002

Karina, Lovink A. D. and Yuyetta. (2013). Analysis of Factors Affecting CSR Disclosure (Empirical Study of Manufacturing Companies Listed on the Indonesia Stock Exchange in 2011). Diponegoro Journal Of Accounting, Vol. 2 No. 1. (in Bahasa)

Khabir, Rezaul dan H.M. Thai. (2017). Does Corporate Governance Shape the Relationship between Corporate Social Responsibility and Financial Performance. Pacific Accounting Review. Vol. 29 No. 2: 227-258.

Khan, Arifur, M.B. Muttaqin, dan Javed Siddiqui. (2013). Corporate Governance and Corporate Social Responsibility Disclosures: Evidence from an Emerging Economy. Journal of Business Ethics. Vol. 114: 207-223.

Kholis, A., Fatma, A., Maksum, A., Bukit, R. (2016). Determinants of Corporate Social Performance (CSP) through Corporate Social Responsibility (CSR) of Foreign Investment Companies (PMA) in Indonesia. International Journal of Economic Research, 13(5), 2003-2025

Kotler, P. and Nancy, L. (2005). Corporate Social Responsibility: Doing the Most Good For Your Company and Your Cause. New Jersey: Jhon Wiley & Sons, Inc.

Muda, I., Sidauruk, S.H., Siregar, H.S., Nurzaimah. (2018). The effect of corporate social responsibility on company's value with common effects model (CEM), fixed effects model (FEM) and random effects model (REM) approaches (empirical evidence in Indonesia stock exchange). Quality - Access to Success 19 (165), 79-90.

Munizu, M., Damangm K., Hamid, N., & Sumardi. (2017). Improvement of Firm Performance, Competitiveness, and Quality Culture through SCM practices and TQM practices at Manufacturing Industry in South Sulawesi, Indonesia. International Journal of Economic Research, 14(15), 529-538.

Mustafa, Cut Chintya. (2014). The Effects of Corporate Social Responsibility Disclosure on Financial Performance of Manufacturing Companies. Jurnal Ilmu & Riset Akuntansi. Vol.3, No.6: 1-14. (in Bahasa)

Nasih, M., Harymawan, I., Putra, F. K. G. & Qotrunnada, R. (2019). Military experienced board and corporate social responsibility disclosure: an empirical evidence from Indonesia. Entrepreneurship and Sustainability Issues, 7 (1). DOI: 10.9770/jesi.2019.7.1(39).

Prabowo, M.A., Iswaningtyas, A., Syofyan, E., Mulazid, A.S., Habbe, A.H. (2017). Board of Directors and CSR disclosure in Indonesian Banking Industry: Does Education Matter. International Journal of Trade and Global Markets, 10(4), 322-338

Prabowo, M. A., Jamin, M., Saputro, D. J., Mufraini, A. & Agustia, D. (2017). Female executive officers and corporate social responsibility disclosure: evidence from the banking industry in an emerging market. Journal for Global Business Advancement, 10 (6), 631-651. DOI: 10.1504/JGBA.2017.091944.

Pramana, I Made dan Agung Artha Kusuma. (2016). The Effect of Corporate Social Responsibility on Word of Mouth Behavior and Aqua Brand Image. E-Journal Manajemen Unud. Vol. 5, No. 12:8107-8133. (in Bahasa)

Rahman, Fathoni dan Ruth T. Norman. (2015). The Effect of Firm Scale and CSR Geographical Scope of Impact on Consumers' Response. Journal of Retailing and Consumer Service:189-198.

Rashid, Azfalur. (2018). Does Corporate Social Responsibility Reporting Enhance Shareholders' Value: a Simultaneous Equation Approach. Journal of Financial Reporting and Accounting. Vol. 16, No.1:158-178.

Republic of Indonesia. Law Number 25 of 2007 concerning Investment. (2007). Jakarta: State Secretariat. (in Bahasa)

Rofiqkoh, Esti dan M.P. Priyadi. (2016). The Effect of Profitability, Leverage, and Company Size on Disclosure of Corporate Social Responsibility. Jurnal Ilmu dan Riset Akuntansi. Vol. 5 No. 10: 1-17. (in Bahasa)

Sari, N.L.K Merta dan Suaryana, (2013). The Influence of CSR Disclosures on Financial Performance with Foreign Ownership as a Moderator Variable. E-Journal Akuntansi Universitas Udayana. Vol. 3, No. 2:248-257. (in Bahasa)

Servaes, H. dan Tamayo A. (2013). The impact of Corporate Social Responsibility on Firm Value: the Role of Customer Awareness. Academy of Management Journal. Vol. 40: 1045-1061

Siegel, D.S. and Vitaliano, D.F. (2007). An empirical analysis of the strategic use of corporate social responsibility". Journal of Economics and Management Strategy, Vol. 16 No.3: 463-490

Siregar, Ivana, Lindrianasari, dan Komarudin. (2013). Relationship between Environmental Performance and Audit Committee Performance with the Quality of Corporate Social Responsibility Disclosure. Jurnal Akuntansi dan Keuangan.Vol.4 No.1: 63-81. (in Bahasa)

Sudana, I Made. (2011). Corporate Financial Management Theory and Practice. Jakarta: Erlangga. (in Bahasa)

Ulum, I. (2009). Intellectual Capital: Concept and Empirical Study. Yogyakarta: PT. Graha Ilmu.(in Bahasa)

Widiastuty, E & Soewarno, N. (2019). CSR Expenditure and Company Performance: Charity or Signal? Evidence from Indonesia. Quality Innovation Prosperity / Kvalita Inovácia Prosperita 23 (3). DOI: 10.12776/QIP.V23I3.1273.

Widiyanti, M., Sadalia, I., Zunaidah, Irawati, N., Hendrawaty, E. (2019). Determining firm's performance: Moderating role of csr in renewable energy sector of Indonesia | [Określenie wydajności firmy: Moderowanie roli csr w sektorze energii odnawialnej indonezji]. Polish Journal of Management Studies 19 (2), 432-441.