Journal of Global Business and Management Review

e-ISSN: 2685-3426

https://journal.uib.ac.id/index.php/jgbmr/

Implementation of CSR in Increasing Company Performance in the Banking Sector in 2016-2020

Hery Haryanto[1*], Ivana Metta Noviany[2]

[1,2] Economy, Universitas Internasional Batam, Indonesia

Article's Information

DOI: 10.37253/jgbmr.v5i1.7416

e-ISSN:
2685-3426

EDITORIAL HISTORY:
SUBMISSION: 19 January 2023
ACCEPTED: 27 July 2023

CORRESPONDENCE*:
hery.haryanto@uib.ac.id

AUTHOR'S ADDRESS:
Batam, Indonesia

ABSTRACT

The current era of globalization has triggered fierce competition in the business world. This competitive situation makes companies try to be the best in their sector by improving their performance, this also applies to the banking sector. A good company is a company that upholds high morality. A company can be judged on the success of its social responsibility by prioritizing moral and ethical principles, the best results can be achieved without any loss from other community groups (Suaryana, 2011). One of the strategies that companies can take to improve their performance is to implement corporate social responsibility or what is commonly known as social responsibility. Social responsibility is a basic theory where a company needs to build harmony with the community and the environment in which it operates.

Keywords: *CSR, ROA, ROE, Banking, Profitability.*

INTRODUCTION

Many companies have not contributed positively to the society, some even had an unfavorable impact on the society and surrounding environment for the activities carried out by company. Social responsibility needs to be implemented by considering stakeholder claims, so that all the company's focus is not only on the stakeholder's interests but also the benefit of stakeholders consisting of workers, consumers, organizations, government and the social environment.

In 2007, the disclosure of social responsibility was regulated through the Limited Liability Company Law no. 40 of 2007, regarding Limited Liability Companies Chapter IV article 66 paragraph 2(c) and Chapter V article 74 begin to require this reporting. Article 66 paragraph 2(c) states that apart from social responsibility regarding financial reporting, it is mandatory for companies to also report on the implementation of social and environmental responsibilities. Thus, social responsibility is an obligation that must be fulfilled by the company, no longer a voluntary activity.

RESEARCH METHODS

Seen from the nature of the problem, this research can be categorized as causal - comparative research. Which is causal-comparative research has the intention between the variables and objects studied are cause and effect, in the other way of experiments carried out through an observation on data from a cause that is suspected to be a fact as a comparison (Sugiyono, 2014). This study serves to examine the reciprocity of the relationship between social responsibility variables on profitability with board size, firm size, firm age, leverage, and asset growth as control variables.

Based on the activities carried out during this research, it can be seen that this research has a quantitative paradigm. The definition of quantitative research proposed by Sugiyono (2017) is a research method based on a positive philosophy, used in studying certain populations and samples, where data collection techniques use measuring instruments, and the resulting data analysis is quantitative or statistics, by testing the hypotheses that have been set previously. Data testing is using the panel regression method which is processed by using Stata application version 13.

RESULTS AND DISCUSSION

The object of this study refers to the banking sector companies listed on the IDX in period of 2016 - 2020. while the sample studied is 39 banks that focus on the commercial bank sector with total 195 data.

The test results on the CSR variable on CFP in banking companies show the results of the t test which have a significant positive effect on the BOOK 1 and BOOK 4 categories, while the BOOK 2 and BOOK 3 results show results that are contrary to the previous category, not significant. These results are supported by research by Devie et al., (2019) and research by Javaid and Al-Malkawi (2018) with research results in the form of CSR having a significant positive effect on CFP. Meanwhile, the statement of results that are not significant is supported by the research of Oware and Mallikarjunappa (2020) with the results of the research that CSR has no significant effect on ROE and SPR. Therefore, the results can be concluded that CSR can have an effect on different categories.

CONCLUSION

This research was conducted to measure CSR on CFP using the return on equity ratio with control variables such as board size, company size, leverage, and asset growth. In the research method used, the CSR variable on ROE for the BOOK 1 and BOOK 4 categories has a significant effect, while CSR did not have a significant effect on ROE for the BOOK 2 and BOOK 3 categories.

ACKNOWLEDGEMENTS

Lot of things have happened to complete this research report to be done properly. There were so much experiences and events that will always be remembered by the author. For this, the author would like to thank:

1. God, for the blessings and mercy, author could complete this work report well.
2. Author's parents who have raised, protected and taught all the knowledge and always provide support.
3. Mr. Dr. Iskandar Itan S.E., MM as the honorable chancellor of Batam International University.
4. Mrs. Dr. Evi Silvana.M, SE., M.Sc. as Chair of the Batam International University Management Study Program.
5. Hery Haryanto, SE., MM. who have provided advice and suggestions so that the work report in a timely and in the right manner.
6. The lecturers and library staff of Batam International University who have provided a lot of assistance to the author in process of finishing this practical work report.
7. The writer's friends who have also supported and always encouraged and helped the writer in making and completing practical work reports

Hopefully the good services that have been given to the author get a good reward from God Almighty. Hopefully this practical work report can also be useful for all parties.

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