Corporate Social Responsibility and Good Corporate Governance Toward to Equity Return in Banking: Empirical from Indonesia

by Tetra Hidayati

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Abstract

Assessment of companies (eg banks) from an external perspective, are those who have concern through CSR and collaboration with the government. This study explores to know the effect of corporate social responsibility and corporate governance consists of the director's board, commissioners board, commissioner independent, and audit committee size both simultaneously and partially toward to the performance of general non-foreign exchange banking on the ISE. The number of samples in this research were 7 banking companies from 2014-2019. The study findings show that corporate social responsibility and corporate governance have a simultaneous effect on company performance, but partially corporate social responsibility does not give influence to the company performance and corporate governance. The commissioner's board and commissioners independent partly influence on company performance, but does not either director's size and the audit committee size affect company performance.

Keywords: *CSR, GCG, Banking performance, Indonesia*

1. Introduction

The integration of corporate social responsibility in an operating organization and stakeholder interaction on the environment and social exceeds the organization responsible in the legal matter [1]. Corporate governance can improve the efficiency economical, which includes among relationship series, a board of commissioners banking, the shareholders and other stakeholders. In the application of its management good corporate governance is a concept which stresses the importance of shareholder rights to get information properly, accurate, timely and transparent, also show the bank obligation reveal all the information, financial performance hence all the company public or closed must look good corporate governance is not just as a mere, accessories but an effort to improve the performance and company value.

The relationship between corporate governance, the accurate disclosure of the time in the delivery of financial reports and the company performance. The research results get the absence of a significant relationship between GCG with financial disclosure reports and the delivery of timeliness financial report. But, GCG has effected significantly to company performance. The research results were obtained, disclosure and timeliness of the delivery of financial statements do not have a significant relationship with. The relationship between corporate governance as variable moderating of against the company value proves that corporate governance has effected significantly on the company value with a variable independent commissioner and possession of institutional, but the ownership of it.

To date, there are many studies on corporate governance partially with another variable toward performance firm including banking performance [1-7]. But not any inequity return in banking and there are many studies on corporate social responsibility partially with another variable toward to performance firm including banking performance [8-17]. But not any inequity return in banking.

Referring to the previous phenomena and problems, we are interested to present the extent of the influence of Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG) on Equity Return in Banking listed on the Indonesia Stock Exchange (ISE). The contribution of the study as reference material in the future, especially for the government and banks in making decisions.

2. Review of Literature

The application of good corporate governance is either not only produce information that more transparent to investors and a creditor also reduce asymmetry information, and also helps the company to increase operational activities company. The company with good corporate governance is either not have the best company performance with good corporate governance bad which measured by the independence of the commissioner independent board. Members of the board of commissioners independent have served very long as independent commissioner so along with the time passing, step by step of land into less independently, and be softer in monitoring. Hence, although members of commissioner independent board can act more sprightly in handling it, they might commit a wrongful act without the complete information [18, 19].

In a bank was more focused on the function of monitoring policy implementation of the director board. The commissioner role is expected to minimize the problem arising between the agency directors board and shareholders. Hence board of commissioners should be watching the director's board performance so that the performance produced in accordance with the interests of shareholders [20].

A director board in banks will be determined policy that will be taken or strategies bank in question in the manner of a short term as well as the long term. The importance of the board (essentially and perfectly morally good the board of directors as well as of commissioners) then gave rise to a new question, how many a directors board is a need for the company?. Whether from the increasing number of the board means a sense of ownership allows firms to employ minimize the agency problem between the shareholders and the board of directors? The number of the council give a large benefit to a company, the whole point of resources dependence is that Indonesian and global companies operating will be dependent with the board to be able to manage income sources with a better understanding of to make a slip, that had been more effectively of the external relationship of then it would be larger the level of the council needs in an enterprise [21-23].

Independent commissioner of the board of commissioners which has no affiliati on with management, other members of the board of commissioners and holder controlling shares, free from a business relation or any other connection that can affect its ability to act independently or act is in the interest of company eyes [24, 25].

The topic audit committee constituting is a topic significantly in literature accounting for years. These last years, is important because of the surveillance professionally can be trusted their reliability in guaranteeing disclosure reports - financial statements that will increase the bank value and the bank credibility in the investors' eyes. The audit committee when it is accepted as part of good corporate governance mechanism [26].

3. Empirical Approach

The population used in this research is 29 non-foreign exchange commercial bank registered in ISE 2014-2019, the period up to this study using purposive sampling: on a basis as follows:

Table 1. Research populations and samples criteria

Bank Commercial Bank non Foreign Exchange Registered	Total
Indonesia Stock Exchange (ISE)	29
Bank made GCG report	14
Bank made CSR report	21
Bank made annual report	21
Bank made annual report since 2014-2019	7
Bank Sample Amount	7

Source: IDX (2020)

The relation between one dependent variable with more than one variable can be done by multiple, linear regression analysis where ROE as variable dependent and CSR and GCG. as the independent variable equally regression used is as follows:

$$ROE_t = a + b1CSR + b2\ GCG + e$$

Where: ROE is Return on Equity, t is Observation, a is Constant, CRS is Corporate Social Responsibility, GCG is Good Corporate Governance, and e is Error term.

4. Result and Discussion

Table 2 explains that variable CSR have a range the value of 25.40 until 40.95. The average value of variable CSR 31.4110 and the standard deviation value is 5.23565. The average value of variable CSR. Variable of the size of the director board have a range the value of 3.00 until 9.51.

Table 2. Descriptive statistics

	N	Range	Minimum	Maximum	Sum	Mean		Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
CSR	42	15.55	25.40	40.95	1319.26	31.4110	.80788	5.23565
DK	42	3.00	3.00	6.00	178.72	4.2552	.14610	.94681
DD	42	6.51	3.00	9.51	181.45	4.3202	.31448	2.03807
KI	42	.44	.40	.84	24.79	.5902	.01871	.12128
KA	42	3.00	3.00	6.00	173.15	4.1226	.16991	1.10115
ROE	42	34.31	-2.27	32.04	480.59	11.4426	1.57831	10.22860
Valid N	42							

Source: Author calculations (2020)

The average value of its variable is 4.3202 standard deviation value is 2.03807. Variable commissioner board have a range the value of 3.00 until 6.00. The average value of its variable is 4.2552 standard deviation value is 0.94681. Variable independent commissioners have a range the value of 0.40 until 0.84. The average value of its variable is 0.5902 standard deviation value is 0.12128. The variable audit committee has a range the value of 3.00 until 6.00. The average value of its variable is 4.1226 standard deviation value is 1.10115. Variable Return on Equity has a range the value of -2.27 until 32.04 The average value of its variable is 11.4426 standard deviation value is 10.22860.

The Kolmogorov-Smirnov 0.977 and significantly by 0.295 ($p < 0.05$) greater than that normally distributed residual data can be concluded. The result of testing test multicollinearity of variable CSR, GCG (the size of a board of directors, the commissioner's board, commissioners independent and audit committee) and ROE from 2014-2019 is presented on Table 3.

Table 3. Normality test and colinearity test

Normality Test			Collinearity Test		
		Unstandardized Residual			Collinearity Statistics
N		42			VIF
Normal Parameters[a,b]	Mean	.0000000	1	(Constant)	
	Std. Deviation	547.421.202		CSR	3.786
Most Extreme Differences	Absolute	.151		DK	7.782
	Positive	.151		DD	6.331
	Negative	-.067		KI	3.494
Kolmogorov-Smirnov Z		.977		KA	4.390
Asymp. Sig. (2-tailed)		.295			

Source: Author calculations (2020)
Notes: (a) Test distribution is Normal, (b) Calculated from data.

Based on the results of the examination we know that VIF variables reach as high as CSR (3.786), VIF of the commissioner board variable (6.331), VIF of all variables reaches as high as audit committee (4.390), VIF of variable independent commissioner (3.494), VIF of variables reaches as high as a director board (7.782). Known that all the variables were independent of the government health they received a score of VIF and than any version was higher than 10, Which mean that the data of first outing since returning from multicollinearity.

Testing using the Durbin Watson is shown that the value is 0,743 DW, this value will be compared with the table using significance of 5%. For the total sample n = 42, the DL = 1,2546 and DU = 1,7814. Because the DW 0,743 and it, so there is no autocorrelation (Table 4).

Table 4. Autocorrelation test

Model	Change Statistics		Durbin-Watson
	df2	Sig. F Change	
1	36[a]	.000	.743

Source: Author calculations (2020)

Output test statistic obtained the probability (F-value) is 17.937 and significant in 0.000, that is simultaneously the independent variable have a significant effect on return on equity banking. From Table 5, t-value in the regression indicates the influence of the independent variable in partial to dependent variable of CSR having t-value of 0.007 with, 0.995 significant a director board has t-value of -0.995 with, 0.326 significance the commissioners' board is having t-value of 3.652 with, 0.001 significance committee of independent having t-value -4.032 with, 0.000 significance audit committee having t-value of -1.838 with 0.74. significance Based on the above we can conclude that the variable board of commissioners and independent commissioner influences ROE while variable, CSR board of directors, and audit committee will not affect to ROE.

The probability variable board of commissioners on the significance of ROE 3.652 0.001, the probability it means variable to influence the commissioners' board significant effect to return on equity banking. The probability variable independent commissioner for ROE of -4.032 (p = 0.000), the probability with the significance it means variable influence independent commissioner significant effect to return on equity banking.

From the testing note that disclosure CSR and GCG affect dependent on variables ROE with the significance of 0.000 this shows that CSR and GCG effect to ROE banking. The better bank will have higher an effect on ROE banking. The application of GCG bank will increase bank management systems, this will affect the bank decision, consumed bank purposes. One of them in GCG decision is a responsibility which means the bank responsibility not only for all stakeholders- shareholder and but also to the community and the environment.

Table 5. Testing the f test and t test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	51.596	20.617		2.503	.017
	CSR	.002	.339	.001	.007	.995
	DK	-2.676	2.688	-.248	-.995	.326
	DD	4.114	1.126	.820	3.652	.001
	KI	-56.685	14.061	-.672	-4.032	.000
	KA	-3.191	1.736	-.344	-1.838	.074
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.060.952	5	612.190	17.937	.000[b]
	Residual	1.228.647	36	34.129		
	Total	4.289.599	41			

Source: Author calculations (2020)

The results of the application of CSR and GCG in partial not directly affect ROE banking that ROE is positively correlated with CSR information but this relationship is not significant.

The Size of commissioner board affects ROE its significance of 0.001. This means more in the commissioner council of a bank, will better implementation good corporate governance a bank, and therefore increase ROE banking commissioner council which will supervise and provide guidance and the direction the bank management. This responsible management to increase efficiency and competitiveness due to bank, and commissioner council of responsible for overseeing management. The bank commissioner council increase ROE banking because the bank independence of them and has many capabilities being more diverse made decisions in helping better.

Based on the test results is known that the disclosure of independent commissioner influence over the ROE banking with the significance of 0.000. This research shows that the proportion of the independent variable commissioner board has negative effects significantly to ROE banking. It is undermined by the general guidelines GCG.

Indonesia which claims that the existence of independent commissioner should ensure that mechanisms of observation operating effectively. The addition of a council member of the independent commissioner may be just a formality for fulfilling the provisions of the bank in running GCG, while majority shareholder still holds an important role so that the performance of the independent does not improve, commissioners board besides surveillance activities undertaken by the commissioner has not been able to reduce the independent agency problem in the bank [27].

5. Conclusion

All variable independent corporate social governance and good corporate governance consisting of the commissioner board, a director board, independent commissioner, audit committee significant to ROE banking on commercial banks non-foreign exchange registered at the ISE. Good corporate governance consisting of the commissioner board and the independent commissioner had a significant impact on ROE non-foreign exchange public banking in the ISE. The good things that we have to consider simultaneous effect both of GCG and CSR towards equity return in banking not partially effect.

Optimal supervision and coordination is needed from the government, ISE and banks in handling financial allocations intended for CSR. The addition of time-lag from researchers in the future to make this study even more interesting. Variations of several objects (variables) are intended, so that the study can see the comparison as a whole.

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