International Journal of Social and Local Economic Governance (IJLEG) **E-ISSN: 2477-1929**
Vol. 5, No. 1, April 2019, pages 1-11 http://ijleg.ub.ac.id

CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE: MODERATING ROLE OF INTELLECTUAL CAPITAL

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Abstract

This study aims to examine the impact of corporate social responsibility (CSR) on corporate performance in Indonesia and examine the role of intellectual capital as a moderating variable that can increase the influence of CSR on company performance. Hierarchical regression analysis is used to test the effect of CSR on performance and test intellectual capital as a moderating variable that can increase the influence of CSR on corporate performance. This study uses 147 samples of observation data from manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the year 2013-2015. The results showed that CSR has an effect on company performance as measured by Return on Asset (ROA). The higher CSR disclosures made by the company then can improve the company's performance (ROA). The results of this study also show that intellectual capital as a moderation variable is proven empirically able to increase the influence of CSR on company performance. These results indicate that the improvement of intellectual capital of the company including human capital, relational capital, and structural capital can increase the influence of CSR on company performance (ROA).

Keywords: *Corporate Social Responsibility (CSR), Intellectual Capital, Return on Assets (ROA)*

1. INTRODUCTION

Maintaining and improving the achievement of profit is one-way companies maintain sustainability in tight competition. Operational companies that seek to produce the optimal performance of course to face various problems. The problems faced by companies, especially in Indonesia, are reflected in data released by Nikkei Indonesia Manufacturing PMI. Over the past 15 months the manufacturing industry has contracted or decreased performance (www.finansial.bisnis.com).

Company performance can be improved through various strategies that can increase legitimacy and maintain good relationships with stakeholders. The current social and environmental issues have led to public demand for companies considered responsible for environmental damage. Corporate responsibility is known as Corporate Social Responsibility (CSR).

Several previous studies have shown that CSR is able to improve company performance. Research such as that conducted by Oeyono et al. (2011), Adeneye and Ahmed (2015), and Cornett et al. (2016). The findings indicate that companies that conduct CSR activities will improve the performance of the company. However, contradictory results are found by Aupperle et al. (1985), Smith et al. (2007), and Crisóstomo et al. (2011) that empirically proves that CSR actually negatively affect the company's performance.

This research uses intellectual capital as moderation variable. A variable that are included in the model because they have a contingency effect from the relationship between the independent and dependent variables The moderation variables are added in the study because of conflicting results of previous studies, so there may be other variables that can moderate the causal relationship between the variables studied (Hartono, 2014:171).

Using resource-based views, Russo and Fouts (1997) mention there are two reasons why CSR can affect company performance. First, resource-based focus on performance as the outcome measure. Second, resource-based explicitly considers intangible assets such as knowledge, corporate culture, and company reputation. Intangible assets such as intellectual capital become one of the company's resources that can create the competitive advantage of the company. Therefore, intellectual capital is one of the assets that companies need to consider in creating their competitive strategy.

This research has several contributions. First, theoretically, this study examines the theory of legitimacy and stakeholder theory that is widely used for research that aims to examine the relationship between CSR and corporate performance. By adding intellectual capital as a moderating variable, this study also tries to prove resource-based views that require a combination of corporate resources including tangible assets, intangible assets, and capabilities. Secondly, this study provides empirical evidence that in corporate practice, when wanting CSR is done to improve the performance of the company, it increases the intangible assets such as intellectual capital into the need of the company.

2. LITERATURE REVIEW

2.1. Corporate Social Responsibility (CSR)

Corporate Social Responsibility is the process by which a company or business unit can have a positive impact on its environment (Hossain dan Al-Amin, 2016). With this definition, companies are required to provide positive benefits to their environment. The environment in this case, not only the natural environment but also the social environment.

CSR is also defined as a voluntary activity concerning social and environmental concerns in company operations that are used as corporate interactions with its stakeholders (*European Commision*, 2002). By this definition, CSR is considered as a means of corporate communication to its stakeholders.

Based on the theory of legitimacy, the disclosure of corporate social responsibility is the company's efforts to gain legitimacy from stakeholders. Legitimacy is the response that society gives to a company and the company really wants and seeks that response. In this perspective, legitimacy can be viewed as a potential resource for companies in their going concern.

O'Donovan (2002) explains that legitimacy strategies can be used to reduce the legitimacy gap. Reduction of the gap can be done by increasing and expanding the disclosure of social responsibility. Improvement and extension of social responsibility are carried out as a form of corporate responsibility and transparency of the impacts.

In addition to enhancing legitimacy, corporate social responsibility disclosures are also able to maintain good relationships with stakeholders. Stakeholder theory requires companies to maintain good relationships with stakeholders. Good company relations can affect the company's reputation. Initially, the company is only seen as a profit-oriented company with the objectives measured only by economic measurement toward stakeholder orientation as a form of corporate concern towards social and environmental issues.

2.2. Intellectual Capital

Based on the view of resource-based view (RBV), a company in creating its competitive advantage, the company needs to develop valuable, rare, imitable, and not easy resources in substitution (Wang & Chang, 2005). Company resources are grouped into three main resources, namely tangible assets, intangible assets, and capabilities.

Modern companies must be able to do renewal in thinking. So as to produce a strategic advantage for the company. Companies are required to turn a work-based business strategy into a science-based business strategy (Daud dan Amri, 2008). Companies that implement knowledge-based management, capital such as natural resources, finance and other tangible assets become less important than innovation and technology. This is caused by using science and technology, the company can use various types of capital with efficient and economical which ultimately can improve company performance.

Stewart (1997) in David and Amri (2008) defines intellectual capital as an intangible asset owned by a company including knowledge, information, and experience possessed by human and enterprise resources. Intellectual capital is also defined as a collection and synergy between knowledge, experience, invention, innovation, market share, and society that can affect the environment (Akpinar dan Akdemir, 2014).

Intellectual capital can be grouped into three groups, namely 1) Human Capital, 2) Relational Capital (Customer Capital), and 3) Structural Capital. Regarding the measurement of intellectual capital, Pulic (1998) introduces indirect measurements but tries to provide measures that can be used to assess the efficiency of the added value created by intellectual capital, the concept is called Value Added Intellectual Coefficient (VAIC^{TM}). In VAIC^{TM} measurement, intellectual capital is measured by value added generated by capital employed (VACA), human capital (VAHU), and structural capital (STVA).

3. CONCEPTUAL MODEL AND HYPOTHESES DEVELOPMENT

To understand deeper about CSR relationships and company performance, this study adds intellectual capital as a moderating variable. Researchers believe that CSR can affect corporate performance (H1). Increased CSR will improve company performance. In addition, researchers also believe that intellectual capital as a key factor in exploiting and managing company resources will be able to improve CSR relations and firm performance (H2). Based on this, this study uses the following conceptual framework which is then described in the next section in preparing the research hypothesis.

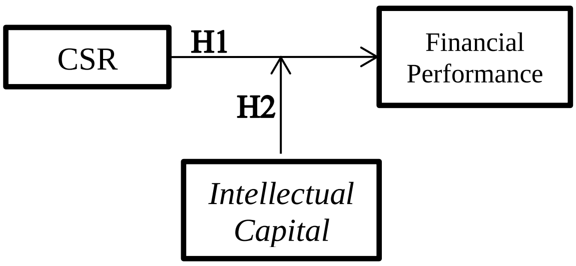

Figure 1. Conceptual Framework

3.1. CSR and Corporate Performance

CSR is a concept of corporate social responsibility to society. According to stakeholder theory, the company if it wants to maintain its existence in a high competition should strive to not only pay attention to the interests of shareholders but also pay attention to the interests of its stakeholders. In addition, according to the theory of legitimacy, companies are expected to continue to seek legitimacy from parties interested in the company either directly or indirectly. CSR is present as a means of maintaining corporate legitimacy and good relationships with its stakeholders.

Previous research has tested relationships CSR and company performance. Oeyono et al. (2011) examine the effect of CSR on social performance in Indonesia, finding that there is a positive relationship. This positive relationship means that the more companies perform CSR activities then the activity can improve the performance of the company.

Furthermore, research conducted by Wang and Hsu (2011) proves a positive relationship between CSR and company performance. Congruent with the results of research conducted by Wang and Hsu (2011), research Lin et al. (2015) also showed similar results that CSR is positively associated with the performance of firms that are proxied using ROA. The results of research on CSR relationship and positive performance give the understanding that by doing CSR, The company has tried to be a good citizen (corporate citizenship) and answer the demands of various stakeholder interests as well as companies also benefit from CSR activities with the improvement of company performance.

In contrast to the theory and results of previous research, another view that CSR will harm the company economically is delivered by Friedman (1970) stating that CSR activity can reduce the company's opportunity in maximizing profit. Friedman's (1970) view also supports the neo-classical economic outlook. Empirically there are several studies such as Aupperle et al. (1985), Smith et al. (2007), and Crisóstomo, et al. (2011) which proves there is a negative relationship between CSR and CFP. A recent study conducted for SOEs in China was conducted by Rutledge et al. (2014) also shows that there is a negative relationship between CSR and CFP.

Based on stakeholder theory, and some existing empirical research, researchers believe that CSR activities will improve the company's performance. The opinion is also based on the opinion of Wang et al. (2015) who found that in general the results of research and meta-analysis performed in CSR relations and firm performance showed positive results. Thus the hypothesis regarding CSR relationship and company performance is

H_1: CSR has a positive effect on company performance

3.2. Moderating Role of Intellectual Capital

Company performance is a description of how the achievement of the company in a certain period. Various factors can affect the company's performance. CSR is one of the activities that can affect company performance. Based on stakeholder theory, CSR is considered able to improve the relationship between the company and its stakeholders. This good relationship indicates that the interests of each stakeholder are met with the company's activities. Oeyono et al. (2011) find empirically that CSR can improve company performance in Indonesia.

Company performance can also be enhanced through the creation of competitive advantage for the company. Resource-based theory suggests that competitive advantage can be generated through three major combinations of tangible assets, intangible assets, and firm-owned capabilities (Pearce & Robinson, 2008:215). Any company that develops the three major resources well, will have competencies that can be a source of competitive advantage. Tan, Plowman, and Hancock (2007) found that intellectual capital can improve the company's current performance as well as its future performance. In accordance with the opinion of Bontis (2001) which states that when compared with other resources, the intellectual capital is one of the main resources that become the source of corporate competitive advantage.

Several previous studies have found that there are different outcomes in the direct relationship between CSR and firm performance. Research showing negative results from CSR relationships and firm performance such as Aupperle et al. (1985), Smith et al. (2007), and Crisóstomo et al. (2011). This finding refutes claims that companies that engage in CSR activities will gain more profit than companies that do not engage in CSR activities. Previous research showing a positive relationship between CSR and performance such as research conducted by Oeyono et al. (2011), Adeneye and Ahmed (2015), and Cornett et al. (2016). The findings indicate that companies that conduct CSR activities will improve the performance of the company.

The differences in the results of the study indicate that there may be variables that may affect CSR relations and firm performance. If CSR activity is seen as a burden to the company so that it can not improve the performance of the company, then the efficiency and effectiveness of CSR activities need to be supported with the resources of the company. Intellectual capital as an important asset in the company can play a role in realizing the efficiency and effectiveness of CSR activities.

CSR activities must be able to create efficiencies in the company's operations that will ultimately improve the company's performance. Intellectual capital plays a role in increasing the efficiency. For example, companies conducting CSR activities should pay attention to efficiency in energy use (electricity and water), capable of managing waste production, and able to create environmentally friendly products for their customers. Intellectual capital plays a role in realizing it.

Bontis et al. (2000) divide intellectual capital into three types, namely human capital, relational capital, and structural capital. Human capital is a skill, knowledge, talent and capability of the company. Relational capital is a firm relationship with stakeholders. While structural capital is everything that supports the work of every individual in the company including buildings, software, patents, and image. The synergy between human capital, relational capital, and structural capital is the company's intellectual capital that creates a competitive advantage for the company. In other words, Improvement of intellectual capital in a company can strengthen CSR's relationship to company performance.

H_2: Intellectual capital enhances the relationship between CSR and Corporate Performance.

4. METHODOLOGY

4.1. Sample and Data Collection

This study uses a population of all manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the year 2013-2015. The reason for the selection of manufacturing companies is that manufacturing companies have experienced a slowdown in performance or contraction over the past few years. Whereas the manufacturing industry has a contribution of 43% investment in Indonesia in 2015.

Purposive sampling is used to determine the sample in the study. The company sampled must meet the specified criteria. So that obtained by 147 data observation research.

The data used in this research are secondary data in the form of the financial report, annual report, sustainability report of manufacturing company listed on Indonesia Stock Exchange from 2013 until 2015 which is done by archive data collection technique (archival). Source of data obtained through the website of Indonesia Stock Exchange (BEI)www.idx.co.id.

4.2. Corporate Social Responsibility (CSR)

The CSR in this study was measured using the guidelines of Global Reporting Initiatives (GRI) version 3.1 (G3) and 4.0 or commonly known as G4. The G3 in this study is used in measuring CSR in 2012. While G4 is used for CSR measurement in 2013 and 2014. This study uses two CSR measurement guidelines because the new G4 was released in 2013 for Southeast Asia. Aspects of GRI disclosure G3.1 consists of 34 aspects while G4 consists of 46 aspects.

The calculation of disclosure index aims to measure the level of CSR disclosure of a company. Due to the number of aspects in GRI G3.1 and GRI G4 different, then after CSR disclosure score on each aspect is known, then divided by total aspect in GRI G3.1 and GRI G4. The formula for CSR index calculation is as follows:

$$CSRI_j = \frac{\sum CSR_{aj}}{aj} \quad (1)$$

$CSRI_j$= Corporate CSR disclosure index; CSR_{aj}= Score aspects of corporate CSR disclosure; aj= Number of aspects of GRI disclosure.

4.3. Financial Performance

Company performance is a measure of performance that describes the effectiveness of the company that includes operational results and corporate finance. Company performance in this research use Return on Asset (ROA) as the proxy. ROA can be calculated using the following formula:

$$\text{ROA} = \frac{\text{Net profit}}{\text{Total Assets}} \quad (2)$$

4.4. Intellectual Capital

The intellectual capital in this study is measured by the added value of human capital, structural capital, and customer capital. Pulic (1998) developed a measure called Value Added Intellectual Coefficient (VAIC™) By combining the three added values of value added capital employed (VACA), value-added human capital (VAHU), structural capital value added (STVA). Previous research using VAIC™ models such as Tan et al. (2007) and Lin et al. (2015). This research uses VAIC™ calculation procedure based on Nuhuyanan (2015), as follows:

a. Value Added calculation (VA)

VA represents the difference between total sales and other income with expenses and expenses (other than personnel expenses).

$$\text{VA} = \text{OUT} - \text{IN} \quad (3)$$

VA (*Value Added*): Difference between output and input; OUT: Total sales and other revenue; IN: expenses (other than personnel expenses)

b. *Value Added Capital Employed* (VACA)

VACA is a ratio that shows the contribution of each unit of capital used against the added value of the company. VACA is calculated by comparing the added value with available funds (equity).

$$\text{VACA} = \frac{\text{VA}}{\text{CE}} \quad (4)$$

CE (*Capital Employed*): Funds available (Equity + Net income)

c. *Value Human Capital* (VAHU)

VAHU is a ratio that shows the contribution of the company's investment in human capital towards the creation of added value company. VAHU is calculated by comparing value added with human capital.

$$\text{VAHU} = \frac{\text{VA}}{\text{HC}} \quad (5)$$

HC (Human Capital) is the Salaries of Employees

d. *Structural Capital Value Added* (STVA)

STVA is a ratio that measures the contribution of structural capital to the creation of corporate value. STVA is calculated by comparing structural capital (SC) with value added (VA).

$$\text{STVA} = \frac{\text{SC}}{\text{VA}} \quad (6)$$

SC (*Structural Capital*) = VA-HC

e. Calculating intellectual capital (VAIC™)

The calculation of intellectual capital is done by adding Value Added Capital Employed (VACA), Human Capital (VAHU), and Structural Capital Value Added (STVA).

4.5. Control Variables

The control variables used in this study consist of leverage and firm size. Leverage in a company shows the company's ability to pay its obligations in the form of debt by using assets owned by the company. One way to measure leverage is Debt to Total Asset Ratio (DTA). DTA is measured by comparing total liabilities and total assets.

The size of the company shows the amount of wealth owned by the company. Company size can be calculated by the natural logarithm (Log) of total assets.

4.6 Analysis Method

This study uses hierarchical regression analysis to analyze regression moderation. This study examined the effect of CSR on company performance with intellectual capital as a moderation variable. The following regression equation in this research:

$$ROA_{it} = \alpha + \beta_1.CSRI_{it} + \beta_2.Lev_{it} + \beta_2.Size_{it} + \varepsilon \quad (7)$$

$$ROA_{it} = \alpha + \beta_1.CSRI_{it} + \beta_2.VAIC_{it} + \beta_3.Lev_{it} + \beta_4.Size_{it} + \varepsilon \quad (8)$$

$$ROA_{it} = \alpha + \beta_1.CSRI_{it} + \beta_2.VAIC_{it} + \beta_3.CSRI_{it}.VAIC_{it} + +\beta_4.Lev_{it} + \beta_5.Size_{it} + \varepsilon \quad (9)$$

ROA_{it}= *Return On Assets* (ROA) i company in t period; α = Constanta; β= Regression coefficient; $CSRI_{it}$= *Corporate Social Responsibility Index*; $VAIC_{it}$= *Value Added of Intellectual Capital*; Lev_{it}= *Leverage*; $Size_{it}$= Company Size.

Equation (7) is used to test the first hypothesis (H1), whereas the second hypothesis (H2) is a test of the moderating variables using equations (8) and (9).

5. EMPIRICAL RESULT

5.1. Descriptive Statistic

Overall, each of the variables studied has a standard deviation value smaller than the mean (average) so that it can be said that the research data has a relatively low data deviation. Furthermore, a classical assumption test was performed on the regression model.

The classical assumption test in this study consisted of normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test. Based on the classical assumption test, the model that has been produced yields the best linear unbiased estimator (BLUE).

5.2 Hypotheses Testing

Hypothesis testing in this study using t-test whose purpose is to test the influence of independent variables in explaining the dependent variable. The conclusion of hypothesis testing is supported or not by looking at the significance value of t-test. The significance value obtained from the t-test results should be divided in two to perform hypothesis testing. The reason is that SPSS output is the result of a two-tailed test, whereas this study uses a one-tailed test. If the value of significance is less than 0.05, then it can be concluded that the hypothesis is supported.

Testing of hypothesis 1 is done by looking at the coefficient and significance in the regression model or equation (7). Hypothesis 2 was tested by looking at the coefficients and the significance of the regression model or equation (8) and (9).

The first hypothesis (H1) which states that social disclosure (CSR) has a positive effect on company performance (ROA). Based on regression analysis results known that the regression coefficient of CSR variable is 0,510 with a significance value of 0.000 (less than 0.05). Thus the first hypothesis (H1) is supported. This means that CSR has a positive effect on company performance with ROA as the proxy. The higher the CSR in a company will increase the ROA achieved by the company.

Furthermore, the second hypothesis (H2) states that intellectual capital strengthens CSR relations and firm performance. Regression analysis used to know the role of moderation variable in the form of intellectual capital using equation (8) and (9).

Based on the results of multiple regression analysis is known that for intellectual capital (IC), the regression coefficient and its value t is 1.189 and 7.449 with significance at the 0.05 level. Based on the results of multiple regression analysis also known that the interaction between CSR and intellectual capital showed regression coefficients and t values of 0.861 and 6.578 with significance at the 0.05 level. The results of this study indicate that intellectual capital variable is a quasi-moderation variable that strengthens the relationship between CSR and firm performance (ROA). Intellectual capital becomes quasi-moderation due to the significant influence of intellectual capital (IC) on corporate performance (ROA) and the interaction between CSR and intellectual capital (CSR * IC) is also significant. The regression analysis results also show that empirically proven that intellectual capital strengthens CSR relations and firm performance. The higher the company's intellectual capital, this will strengthen the CSR relationship and company performance. The conclusion of the regression result is the second hypothesis (H2) is supported.

6. DISCUSSION

6.1. CSR and Financial Performance

The results of the analysis show that the regression coefficient of CSR variable is 0,510 with a significance value of 0.000 (less than 0.05). This shows that CSR has a significant effect on company performance (ROA).

Corporate Social Responsibility (CSR) is a process whereby a company or business unit can have a positive impact on its environment (Hossain dan Al-Amin, 2016). With this definition, companies are required to provide positive benefits to their environment. The environment, in this case, not only the natural environment but also the social environment. Rusdianto (2013: 7) explains that the concept of CSR is a concept that is not easy to be interpreted. The difficulties arise as a result of the existence of different perspectives so that there are various formulations and elements of CSR.

Issues concerning climate change that are sweeping the earth give impact to the awareness to preserve the natural and social environment that ultimately led to demands from the public against the company as one contributor to environmental damage. The company's investment in CSR activities gets various points of view from the company. Companies view investments in CSR activities as a corporate expense so that ultimately will affect the financial health of the company. Another view of CSR is in accordance with the theory of legitimacy and stakeholder theory. Both theories explain that CSR activities undertaken by the company will create legitimacy and good relationships with stakeholders which will ultimately improve the company's performance.

In accordance with the theory of legitimacy and stakeholder theory, the results of this study indicate that if companies increase CSR disclosure it will have a positive impact on improving company performance as measured by ROA. Based on the theory of legitimacy, CSR disclosure made by the company in accordance with the wishes of stakeholders who want the company not only concerned about the increase in profit but also care about the environment.

The level of corporate social responsibility disclosure is still relatively low where only an average of 20.97% of manufacturing companies have disclosed their social responsibility activities in accordance with the Global Reporting Initiative (GRI). The average disclosure of social responsibility is known to increase compared to 2014 as Jamali's (2014) study found only that the average disclosure of corporate social responsibility was 17.42%. These findings indicate that the company's awareness in reporting its social responsibility is increasing although not significant. The small average corporate social responsibility disclosure in Indonesia can occur because of the traditional stigma that disclosure of social responsibility will result in additional costs for companies that may reduce the profitability and competitiveness of firms (Ambec & Lenoie, 2008).

The results of this study also confirm previous studies such as Wang & Hsu (2011), Uadiale & Fagbemi (2012) who found a positive influence between CSR on ROA. The study also supports recent research results such as Lin et al. (2015) that empirically proves that CSR can improve ROA on companies categorized in companies that are sensitive to environmental issues.

Rusdianto (2013) mentions that CSR provides some that can improve company performance such as, build and maintain company reputation, enhance corporate image, CSR can reduce business risk, make wider business scope, maintain brand positioning, maintain quality resources, Provide easy access when companies need capital, improve decision making for things that are critical, facilitate the management risk. Kotler and Lee (2005) also emphasize that CSR activities conducted by a company will increase sales and market share, strengthen brand positioning, enhance the image, attract, motivate and retain employees, lower operating costs, and increase attractiveness for investors.

However, this study does not support some of the previous research results such as Lioui and Sharma (2012) and Sadeghi et al. (2016) that empirically proves that CSR has a negative effect on ROA. This is because CSR is a burden for the company so that with a large cost of CSR will reduce ROA. These negative results indicate the company is thinking and rearranging the strategy and implementation of CSR within the company.

6.2. Moderating Role of Intellectual Capital

Based on the view of resource-based view (RBV), a company in creating its competitive advantage, the company needs to develop valuable, rare, imitable, and non-easy resources in substitution (Wang & Chang, 2005). RBV is based on the assumption that basically, every company has different characteristics in utilizing its resources. Corporate resources are grouped into three main resources, namely tangible assets, intangible assets, and capabilities. If the company is really competent in utilizing resources well, then it can create the competitive advantage for the company.

The results of this study indicate that intellectual capital is able to act as a moderating variable in the relationship between CSR and firm performance. The result of research proves that the higher intellectual capital owned by the company, hence increasingly strengthen the influence of CSR on company performance as measured by ROA. The assumption of intellectual capital as a moderating variable indicates that the research results confirm the theory of resource-based view (RBV).

Based on RBV, companies can combine resources owned in some form of combination (Russo & Fouts, 1997). 1) Companies can combine tangible assets, technology, and skills (skill) using the technology. CSR requires the existence of environmentally friendly products. To produce environmentally friendly products, the company utilizes production machinery (tangible assets) and human resource expertise (intellectual capital) to use the machine. When the combination is able to create environmentally friendly products and resource efficiency, then it can improve the performance of the company. 2) The combination of human resources and corporate capabilities includes how corporate communications, corporate culture, and commitments. The CSR reported in the annual report as well as the company's sustainability report is a way of corporate communication to stakeholders. When companies have human resources who are able to communicate CSR reports well, then the expectations of stakeholders for the company's operations in accordance with the values adopted by the community to be fulfilled. Fulfillment of stakeholder expectations can enhance legitimacy and good relationships so as to improve the company's performance. 3) The combination of intangible resources and political intelligence. Improved company performance can be achieved with a specific strategy. CSR as a strategy in maintaining reputation, legitimacy, and good relationships with stakeholders will materialize when intangible resources such as enhanced intellectual capital. In other words, the increase of intellectual capital as an intangible asset of the firm will increase the influence of CSR on the performance of the company.

The results of this study also confirmed the explanation Iamandi (2007) which explains that companies that do CSR have several reasons that one of them is a pragmatic or rational reason. The pragmatic reason is based on the self-interest motive of each company's behavior. In accordance with pragmatic reasons, companies in doing CSR due to the effort to get the image and increase profits. CSR, in this case can be a source of corporate competitive advantage. CSR as one source of competitive advantage will be able to improve corporate performance.

The source of competitive advantage will be strengthened by the utilization of resources owned by the company including the intangible resources such as knowledge and skills owned by individuals in the company. Intellectual capital as one of the company's intangible resources if utilized properly then able to increase the company's competitive advantage which then able to improve corporate performance.

The results of this study prove that today's companies that want to maintain going concern, then the company must be able to do renewal in thinking. Daud and Amri (2008) explain that companies should turn a labor-driven business strategy into a science-based business strategy. Companies that implement knowledge-based management, capital such as natural resources, finance and other tangible assets become less important than innovation and technology.

CSR activities can improve the performance of the company one of them through the use of technology. The technology needed is environmentally friendly technology. Utilization of technology is determined based on how well intellectual capital owned by employees (human capital). The higher the intellectual capital of the company then the use of environmentally friendly technology will be realized and produce energy efficiency.

CSR is an activity that can maintain good relationships with employees. Companies that have human capital will improve good relationships with employees generated by the improvement of corporate CSR. Good relationships with employees will be able to create efficiency in the company's operations that will ultimately strengthen CSR relationships and company performance. CSR is also an activity that aims to maintain good relationships with customers who are one of the key stakeholders for the company. Creation of environmentally friendly products is the company's business in fulfilling its product responsibility to customers. One aspect of intellectual capital is customer capital. Increased customer capital owned by the company, can strengthen or improve the relationship of CSR and company performance.

7. CONCLUSION AND SUGGESTION

This study shows that the disclosure of corporate social responsibility plays an important role in improving the company's financial performance. Awareness of corporate social disclosure today is very necessary given the changes and environmental damage increasingly paying attention. The triple bottom line concept becomes a common ground in the company's effort to take responsibility not only in generating profits, but also to take responsibility for the social welfare (people) and ensuring the sustainability of the environment (planet).

This study is in contrast to the neo-classical economic view which argues that disclosure of social responsibility is a burden to the company so that it can lead to disruption of the company's financial health. In accordance with the theoretical basis used, namely the theory of legitimacy and stakeholder theory, this study confirms that the disclosure of social responsibility empirically proven to improve corporate financial performance. Increased corporate financial performance indicates that disclosure of social responsibility is one source of corporate competitive advantage that can have a positive impact on legitimacy and good relationships with stakeholders. This legitimacy and good relationships are also needed to create effectiveness and efficiency in the company's operations resulting in improved financial performance.

In order for the disclosure of social responsibility to have positive implications for the financial performance of the company, this study proves that based on the theory of Resource Based View (RBV), intellectual capital as an intangible corporate resource can increase the effect of disclosure of social responsibility to corporate performance. The results of this study indicate that intellectual capital is able to act as a moderating variable in the relationship between CSR and firm performance. Intellectual capital can strengthen the competitive advantage gained from corporate social disclosure. Intellectual capital including the quality of the company's human resources, good corporate relations with consumers, and good management into factors that can create strategic corporate social responsibility activities are strategic and effective in creating the corporate competitive advantage.

Limitations in this study relate to certain obstacles when conducting research. Limitations of this study include: 1) This study only uses ROA as a proxy for measuring the company's financial performance. This is because this study defines performance as a picture of the effectiveness of the company using its assets in generating profit. 2) This study only analyzes the presence or absence of CSR disclosure of companies with GRI guidelines, so that the analysis may be influenced by the subjectivity of the researcher.

Subsequent research on the relationship of CSR and company performance is expected to overcome the limitations of this study. Further research can use the definition of a company's performance that is different from this research so that further research is expected to use other proxies from company performance such as ROI, Tobin's Q, and Economic Value Added (EVA). Further research can expand the research sample into all public companies in Indonesia listed on the Indonesia Stock Exchange (BEI) so as to describe the condition of all companies in Indonesia. Finally, further research can also use a more objective index in measuring CSR. This is to reduce the subjectivity of the researcher.

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