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THE PREDICTIVE ABILITY OF CORPORATE SOCIAL RESPONSIBILITY ON MARKET PERFORMANCE

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Abstract

There have been quite a lot of previous studies related to corporate social responsibility activities. However, the impact on company performance still shows inconsistent results. The different concept and measurement of social responsibility could be the reason. This study aims to evaluate the ability of corporate social responsibility in predicting the performance of manufacturing sector companies listed on the Indonesia Stock Exchange. Company performance was measured by price to book value, while social responsibility was measured by the cost of corporate social responsibility activities, plus firm size, age, and leverage as control variables. By analyzing 57 sample companies with 114 observations over two years (2018-2019), the results of the study showed that simultaneously the costs of social responsibility, size, age, and leverage had a significant effect on company performance with a *p-value* (*F*) of 0.004 < 0.05. However, partially the cost of social responsibility as an independent variable had a significant negative effect on company performance. The cost of corporate social responsibility could predict market performance where the greater the cost of social responsibility, the lower the market value of the company. This implied that corporate social responsibility practices were viewed negatively by the market which indicated investors' distrust of the utilization of costs incurred by Indonesian manufacturing companies. The result indicated that, the market needs to be convinced by showing the implementation results of utilizing corporate social responsibility costs, and that cost of corporate social responsibility must be considered as a long-term investment, not a cost.

Keywords: Corporate Social Responsibility, CSR Cost, Manufacturing Companies, Market Performance.

INTRODUCTION

Corporate Social Responsibility and Manufacturing Company Market Performance

The challenges being faced by companies are not only how companies can generate as much profit as possible, but the existence of social and environmental issues are factors that companies need to consider, to survive and be sustainable. Putra and Wirakusuma (2015) stated that to achieve its goals, companies should not only focus on profits, but must care about the surrounding environment in carrying out their operational activities, for example by protecting the environment as a social responsibility. Therefore, Sari (2012) added, when carrying out production activities, companies must consider the impact not only on the company, but also on the surrounding community.

The findings of the Research Center for Governance, Institutions, and Organizations of the National University of Singapore (NUS) Business School show that the low level of understanding of companies regarding corporate social responsibility practices, causes the low quality of operations related to social responsibility. These results were found after conducting research on 100 companies in four countries, namely, Indonesia, Malaysia, Singapore, and Thailand. These finding states that the sample companies have a high level of corporate social responsibility reporting, but it is not in accordance with its practices. Thailand and Singapore are much better at implementing corporate social responsibility compared to Indonesia and Malaysia.

The findings show that Thailand is the country with the highest quality of corporate social responsibility (CSR) implementation with a percentage of 56.8% out of 100%, followed by Singapore 48.8%, Indonesia 48.4% and finally Malaysia 47.7% (CNN Indonesia, 2016). The report on these findings motivated this research on the costs of social responsibility on company performance.

Furthermore, the findings of the DKI Jakarta Environmental Service show that there are 47 companies out of 114 manufacturing industrial companies in Jakarta that pollute the environment. Sanctions have been given to companies that violate environmental regulations, but sanctions have not been imposed for revoking environmental permits and environmental protection and management permits given to these 47 companies (Suara.com, 2019). This phenomenon also motivated the conduct of this research on social responsibility and market performance of the Indonesian manufacturing industry.

The manufacturing industry was chosen in this study because it is one of the industries that contributes to environmental problems, both having a direct and indirect impact on the surrounding environment. Not a few of these companies neglect their social responsibility towards the environment so that environmental problems will have an impact on the company's image in the eyes of investors and the surrounding community. As stated by Gunawan (2015), corporate social responsibility is very important to create trust, build good relationships, and to show the company's good faith towards stakeholders. Likewise, Barnett and Solomon (2012) stated that a company's success in maintaining sustainable profits is greatly influenced by how the company maintains good relationships with its stakeholders. When running a business to gain profit, it should not be at the expense of stakeholders and society in general.

This study aims to predict the influence of social responsibility costs on the market performance of Indonesian manufacturing companies. Company performance can be analyzed from the company's ability to manage existing resources. Companies can build and create good relationships with stakeholders by carrying out social responsibility activities for parties who are directly related to the company (for example: employees, customers, suppliers, and creditors), as well as parties who can indirectly influence the company (for example: general public, media, and social institutions). However, whatever the mechanism, whether direct or indirect, dissatisfaction with one of the stakeholders can have an impact on company performance (Delmas & Toffel, 2008).

To maintain its business, companies need to respond to the expectation of stakeholders such as employees, customers, suppliers, and the government as well as communities affected by companies' operations, in addition to paying attention to the interests of shareholders (Hong & Gerab, 2017). Corporate social responsibility is one of the efforts that can be conducted to improve its performance. In Indonesia there are several regulations related to corporate social responsibility, such as Law of the Republic of Indonesia Number 40 of 2007 concerning limited liability companies, which explains that corporate social responsibility is a form of company commitment to play an active role in sustainable economic development, through improving the quality of the environment and the life in the company and outside the company. Law of the Republic of Indonesia Number 47 of 2012 stated that companies with operations related to the natural resources must carry out social responsibility.

The importance of corporate social responsibility has encouraged several agencies or organizations to give awards to companies that carry out corporate social responsibility activities. As reported by Kompas.com, there are several companies that have received awards related to implementing social responsibility activities. Four companies from Indonesia are on the 2017 Asean Responsible Entrepreneurship Award (AREA) award list. AREA is an annual event with the award criteria being corporate social responsibility or CSR program innovation. Awards were given in 6 categories, namely social empowerment, investment in people, health promotion, green leadership SME CSR, and responsible business leadership. Four companies from Indonesia received awards in the health promotion and social empowerment categories, namely PT. Combiphar with the "COMBI Hope Healthy Living Education" program since 2014. Then, PT. Japfa Comfeed Indonesia Tbk. through the "JAPFA4KIDS" program since 2008. PT. Pembangkit Jawa Bali (PJB) with the "PJB Community Academy" program. Then finally PT. Bhimasena Power Indonesia received the "Community Empowerment through Social Mitigation Program" award. Through this award, the company's image could be better in the eyes of stakeholders and the public, thereby making the company's products will still be the people’s choice, and consequently increasing its net income. Thus, corporate social responsibility can be an innovative strategy for companies to improve performance and strengthen competitiveness. Establishing harmony between the company and its stakeholders can be a factor in improving company performance. Choi et al. (2013) also explained that customers will support companies that carry out CSR, and conversely customers will not support companies that do not carry out CSR.

This study was also motivated by the inconsistent results of previous studies. Several studies have been conducted on corporate CSR on company performance (Galant & Cadez, 2017; Hou, 2019; Maqbool & Zameer, 2018). Several previous studies found that CSR has a positive impact on company performance (Busch & Friede, 2018; Erhemjamts et al., 2013; Kim & Kim, 2014; Marti et al., 2015; Martinez-Ferrero et al., 2015; Rodgers et al., 2013) . While Baird et al. (2012), and Peng and Yang (2014) found that CSR has a negative impact on company performance. There are also other studies that find no relationship between CSR and company performance (Soana, 2011; Sun et al., 2010).

In Indonesia, research on the influence of CSR on company performance still finds mixed results. According to Candrayanthi and Saputra (2013), Dewi and Sudana (2015), Dwi and Handayani (2018), as well as Gantino (2016), Septiadi (2016), Setiawan et al. (2018), Putra (2016), Uy and Hendrawati (2020), Yudharma et al. (2016), Yustiara et al. (2020), CSR has a positive effect on company performance. Daniri (2017) stated that when a company carries out CSR activities in line with business strategy, it will have a positive impact on the company's performance. Meanwhile, Septiana and Dp (2012) found that CSR had no effect on company performance. Soewignyo (2022) found that there was a significant negative influence of social responsibility on the market value of companies listed on the Indonesian Stock Exchange. Ningtyas and Aryani (2020), Hutabarat and Siswantaya (2017), Lestari et al. (2021), Mustofa and Suaidah (2020), Octaviani and Rosa (2020), and Tjipto and Juniarti (2016) and Wijaya et al. (2021) also found that CSR has a significant negative effect on company performance. The differences in findings regarding the impact of CSR on company performance are caused by differences in the concept and measurement of CSR (Galant & Cadez, 2017). Company performance can be

ISSN 1462 2815

measured by profitability or other ratios, in contrast to CSR measurements which are more problematic. For the reason that there are no provisions and agreements regarding operational concepts (Dahlsrud, 2008). Companies in Indonesia in implementing CSR programs follow their respective rules and policies, so the level of success of implementation is difficult to measure. Therefore, the market still doubts about the effectiveness of socially responsible investment in generating profits (Gayo & Yeon, 2013). Then, there is no agreement regarding CSR measurement, because information related to the CSR concept is non-financial information for which there are no reporting standards (Tscopp & Nastanski, 2013). Devie et al. (2019) stated that the implementation of CSR activities in Indonesia has not been carried out effectively because companies in Indonesia do not yet have a system and understanding of the concept of corporate social responsibility. Therefore, this study was conducted to examine the social responsibility costs incurred by companies and their impact on the company's market performance.

These costs are costs incurred by the company to carry out corporate social responsibility activities. In this study, these costs include all costs incurred by the company for CSR activities for both internal and external purposes. Septiana and Dp (2012) added that in general, corporate social responsibility costs include employee welfare costs, community costs, environmental development costs, and partnership costs.

It is expected that this study can provide contributions to the academic field, investors, and company management regarding the costs of corporate social responsibility on company performance. The next section of this study discusses the literature review and research hypotheses. This is then followed by the research methodology, then the results and discussion, and the last section is the conclusion and limitations of the study.

Legitimacy Theory

The legitimacy theory by O'Donovan (2002) states that, an organization or company must continuously ensure that it operates in accordance with the norms upheld by society and ensures that the company's activities are acceptable to society. According to Choi et al. (2013), interdependence between companies and society is something that cannot be avoided which is a social contract. The success of a company depends on its ability to produce goods and services in accordance with the expectations of the society, and must be able to provide economic benefits to the community. If there is a failure in the social contract, it could have a negative impact on the company. Deegan and Rankin (1996) and Longenecker et al. (2007) stated that if a company fails to fulfill the social contract, it may experience difficulties difficulties such as increasing capital costs, decreasing share prices, tightening regulations by the government, and even ending in bankruptcy. Therefore, the company will demonstrate its business practices in accordance with norms that are acceptable to society so that the company's activities remain sustainable and can generate profits.

Legitimacy from the community can have a positive impact on the sustainability of company operations. According to Ashforth and Gibbs (1990), something that society gives to a company is legitimacy. Public trust can be increased when companies pay attention to problems in the surrounding environment. Increasing public trust will have an impact on the company such as positive support for the company's operations. Devi et al. (2019) added that when companies become more socially responsible, companies can reduce risk levels, which can increase the growth of reputation and value of companies with superior financial performance. Social responsibility activities are a way that companies can gain legitimacy from all stakeholders.

Corporate Social Responsibility (CSR) and Corporate Performance

Corporate Social Responsibility is a company's commitment to the environment and society, therefore, in its operational activities it prioritizes a balance between social, environmental and economic aspects to create a good environment (Lestari, 2014). Companies carry out CSR activities in terms of providing donations, grants and activities without expecting a direct impact on company profits but provide financial benefits for the company through the process (Choi et al., 2013). As stated by Weber (2008), there are several reasons why companies carry out CSR activities, including, (1) it can have a positive effect on the company's image and reputation, where the image can change quickly, while the reputation can be developed over time, influenced by performance. Image and reputation can influence a company's competitiveness; (2) it can have a positive effect on employee motivation, retention, and recruitment; (3) make it easier to obtain resources that can save costs; (4) increasing sales to expand market share; (5) to reduce risks related to CSR, such as avoiding boycotts from customers. All of these reasons will ultimately have a positive impact on company performance.

Research on the relationship between CSR activities and company performance still provides mixed results. This difference is likely due to differences in the CSR concept being implemented. Measuring CSR is not easy because of the lack of consensus and the complexity of the CSR concept, resulting in many different approaches to measuring CSR. Several approaches to measuring CSR include: (1) reputation index; (2) survey results based on questionnaires; (3) content analysis; (4) uses a single dimensional measure. Overall, these measures can be used to measure CSR activities by companies (Galant & Cadez, 2017).

CSR activities are currently very important. Law of the Republic of Indonesia Number 40 of 2007 explains social and environmental responsibility which is a form of company commitment in the role of economic development and can improve the quality of life and the environment. The circular from the Financial Services Authority also explains that the contents of the annual report prepared by the companies must be open, and one of the contents of the report must explain CSR activities in one year. CSR activities not only need to be disclosed in the annual report, but must actually be implemented, which in this case of course requires costs for the company. This is an interesting phenomenon to study. Therefore, this study was conducted to evaluate whether the costs used by the company for these activities could have a positive impact on company performance.

The existence of CSR costs incurred by the company can convince investors that the CSR activities are actually carried out by the company. Yunita (2013) explains that the existence of CSR costs can indicate that the company has social and environmental concerns. Having expenditure related to CSR can provide a positive image for the company, hence, investors will have more confidence in investing in the company, which will in turn improve the company's performance. For the community, conducting CSR activities can increase trust in supporting company activities.

ISSN 1462 2815

The measurement of CSR in this study uses the costs incurred by the company for CSR purposes. Previous research results found that CSR costs incurred by companies had a positive effect on company performance (Yudharma et al., 2016; Dwi & Handayani, 2018; Sari, 2012; Putra, 2016). Meanwhile, according to Ningtyas and Aryani (2020), CSR costs have a negative impact on company performance. Thus, the following hypothesis can be formulated:

***Ha*1: Corporate social responsibility costs can significantly predict market performance**

METHOD

The research design used is descriptive causality to analyze the ability of the CSR cost as independent variable to predict the company's market performance as the dependent variable. Multiple linear regression was used to test the hypothesis. Regarding the classical assumption test, the normality test was not carried out because the number of observations was 114 > 30, namely consisting of 57 company samples for a two-year period. The variance inflation factors (VIF) shows the value < 1.6, thus, there is no multicollinearity problem in the regression model. The heteroscedasticity test using scatterplots shows that there are no problems with the distribution of data that forms patterns. The Durbin Watson test results show that there is no autocorrelation problem in the regression model.

Data and Samples

This study used secondary data obtained from the annual reports of manufacturing companies listed on the Indonesia Stock Exchange for the period 2018-2019. Manufacturing companies were chosen in this study referring to the statement of Cherian et al. (2019) that companies under this sector are contributors to environmental damage such as land, water and air due to the high levels of pollution they cause. Sampling used was a purposive sampling technique by determining the following criteria: (1) companies that have annual reports during observation period; (2) companies that have CSR cost information, (3) companies whose financial reports used the rupiah currency.

Table 1: Sample Selection

Criteria	Total
Manufacturing companies listed on IDX 2018	166
Companies without annual reports	(27)
Companies without complete CSR cost information	(67)
Companies with foreign currency report	(15)
Total	57

The data obtained was from 57 companies over a period of two years, hence, there were 114 observation data.

Variable Measurement

Price to Book Value (PBV)

This study used price to book value (PBV) to measure company performance as the dependent variable which is often used as a reference by investors in making decision. This ratio can show whether a company's share price is cheap or expensive. Information regarding PBV was obtained from company annual report. The PBV calculation according to Subramanyam (2014) is as follows:

ISSN 1462 2815

$$\text{PBV} = \frac{\textit{Market price per share}}{\textit{Book value per share}}$$

Corporate Social Responsibility (CSR)

This study used corporate social responsibility costs as the independent variable. Information on corporate social responsibility costs was obtained from the company's annual report. CSR costs were used in this study to measure a company's commitment in carrying out social responsibility activities. The measurement is carried out using the natural logarithm (Ln) of the total corporate social responsibility costs incurred by the company.

$$\text{CSRC} = \text{Ln (CSRC)}$$

Control Variables

Firm size, leverage, and company age were used in this study as control variables. Firm size can be used as an indicator to measure future profit levels (Putra & Lestari, 2016). Firm size can be considered by investors who want to invest because investors assume that large and growing companies have good performance. Firm size measured by the natural logarithm of total assets (Kamil & Herusetya, 2012). Leverage was used to compare debt with capital. When a company has high leverage, the investment risk will be higher. On the other hand, if the company has small leverage, the investment risk will also be smaller. In this study, leverage was measured using the debt to equity ratio, using the Subramanyam (2014) formula, namely, total debt divided by total equity. Furthermore, companies that have been established for a long time can convince investors of their ability to maintain business continuity. Company age can be calculated using the formula from Halim and Christiawan (2017), namely, the year of observation minus the year the company was founded.

Tabel 2: Variables and Their Proxy Measure Determination

Variable	Description	Formula	Variable Type
PBV	Price to book value ratio	$\frac{Market\ price\ per\ share}{Book\ value\ per\ share}$	Dependent
CSRC	Corporate Social Responsibility Costs	Ln CSR Costs	Independent
FS	Firm Size	Ln Total Asset	Control
DER	Debt-to-Equity ratio	$\frac{Total\ liabilities}{Shareholder's\ equity}$	Control
AGE	Company Age	Observation year-Establishment year	Control

Technical Analysis

Multiple linear regression analysis was used in this study, to test the predictive ability of the independent and control variables on the dependent variable with the following equation:

$$\text{PBV} = \beta 0 + \beta 1\text{CSRC} + \beta 2\text{FS} + \beta 3\text{DER} + \beta 4\text{AGE} + \varepsilon$$

where :

$\beta 0$ = constant

$\beta 1, \beta 2, \beta 3, \beta 4$ = regression coefficient

ε = random error

RESULTS AND DISCUSSION

Descriptive Result

Table 3 shows that the average PBV of manufacturing sector companies is 2.35, which states that the average level of company ability to create value for invested capital is 2.35 times. With the highest PBV is 40.56 and the lowest is 0.09. For CSR costs, it is shown that manufacturing sector companies for two consecutive years have committed to carrying out corporate social responsibility programs with an average natural logarithm value of 20.87 or IDR 9,156,585,289, - (nine billion one hundred and fifty-six million five hundred and eighty-five thousand two hundred and eighty-nine rupiah). The highest CSR costs with a value of 25.89 or IDR 174,650,300,000, - (one hundred and seventy-four billion six hundred and fifty million three hundred thousand rupiah), can be associated with the largest firm size in natural logarithm, which is 32.01 or IDR 79,807,067,000,000 (Seventy-nine trillion eight hundred seven billion sixty-seven million rupiah). Meanwhile, the lowest CSR costs are with a value of Ln = 16.12 or IDR 10,000,000 (Ten million rupiah) which is the same as the firm size in this case Ln (total assets) have a minimum value of 24.49 or IDR. 43,083,855,372 (forty-three billion eighty-three million eight hundred and fifty-five thousand three hundred and seventy-two rupiah). Firm size (FS) measured by Ln (total assets) in the manufacturing sector has an average of 28.44 or IDR. 6,351,471,483,360 (Six trillion three hundred fifty-one billion four hundred seventy-one million four hundred eighty-three thousand three hundred and sixty rupiah). The average value of the debt-to-equity ratio (DER) is 1.45, indicating that for every one point of equity there is 1.45 debt. The largest DER value is 17.21, and the lowest is 0.07. Company age (AGE) has an average value of 41.23, which means that manufacturing sector companies in the observation period were on average 41 years old since they were established with the highest age is 101 years and the lowest age is 10 years.

Table 3: Descriptive Analysis

	N	Minimum	Maximum	Mean
PBV	114	0.09	40.56	2.35
CSRC	114	16.12	25.89	20.87
FS	114	24.49	32.01	28.44
DER	114	0.07	17.21	1.45
AGE	114	10	101	41.23
Valid N (listwise)	114			

Hypothesis Testing

Table 4 presents the results of multiple regression analysis with a total of 114 observations. Simultaneously, the independent (CSR costs), and control variables (firm size, debt to equity ratio and company age) are significant in explaining the price to book value of manufacturing sector companies listed on the IDX (F=4.034, $p < 0.05$). The Adjusted R^2 indicates that the variables examined in the regression model explain 80% of the variations of overall price to book value and the remaining 20% is explained by other variables not included in this study.

Tabel 4: Result of Multiple Regression Analysis

Variables	Coefficient	Std. Error	t-Statistic	Prob.
CSRC	-3.340			
FS	1.045			
DER	1.138			
AGE	1.133	0.260	-1.310	0.059**
		0.387	0.117	0.000***
R-squared	0.802	0.189	0.730	0.000***
Adjusted R-squared	0.800	0.034	3.950	0.000***
F-value	4.034			
Prob (F)	0.004			
No. of observations	114			
Dependent variable	PBV			

Note. a. Predictor: CSRC = corporate social responsibility costs. b. Control variables: FS = Firm Size; DER = Debt to equity ratio; AGE = Company age. c. ** Significant at the 0.1 level; *** Significant at 0.05 level.

CSR Costs, Firm Size, Debt to Equity Ratio, Firm Age on Price to Book Value Ratio

*Ha*1 predicts that CSR costs have a significant effect on company market performance. Consistent with the prediction, Table 4 shows that CSR costs has a significant negative effect on company market performance measured by PBV (β = -3.340, $p = 0.059 < 0.10$). Therefore, it can be concluded that *Ha*1 is accepted with a negative coefficient value. The result reveals that the CSR costs incurred can predict company market performance. However, every increase in CSR costs will reduce the PBV ratio by 3.340. This negative significant result indicates that CSR costs are viewed negatively by the market in Indonesian context. the greater the CSR costs will be viewed negatively by investors. This finding is in line with Hutabarat and Siswantaya (2017), Lestari et al. (2021), Mustofa and Suaidah (2020), Ningtyas and Aryani (2020), Octaviani and Rosa (2020), Soewignyo (2022), Tjipto and Juniarti (2016), and Wijaya et al. (2021) who found a significant negative influence of corporate social responsibility on company performance.

This finding supports Gayo and Yeon's (2013) statement that this could be due to a lack of investor and public trust in the implementation of CSR in Indonesian manufacturing sector companies. As reported by CNN Indonesia (2016) which states the results of GION NUS research, that Indonesian companies have a high level of corporate social responsibility reporting but it is not in accordance with its implementation. The results of this research can also indicate the possibility that investors are still less concerned with CSR activities carried out by companies which are seen as additional costs that can reduce investor prosperity. Apart from that, there is a possibility that the CSR activities carried out by the company are not optimal and have not yet become part of the company's strategy. As stated by Daniri (2017), if CSR activities are carried out in line with the company's business strategy, it will have a positive impact on company performance. Devie et al. (2019) added that companies must include CSR as a strategic investment in managing strong relationships with stakeholders. The results of this research are in line with Ningtyas and Aryani (2020) who measured CSR costs, then Hutabarat and Siswantaya (2017), Lestari et al. (2021), Mustofa and Suaidah (2020) measured using the Corporate Social Responsibility Disclosure Index (CSRDI). Soewignyo (2022) was measured using the CSRhub database, Tjipto and Juniarti (2016) were measured using the GRI CSR

Score. In testing the control variables, three control variables were found, namely firm size (β = 1.045, p = 0.000), debt to equity ratio (β = 1.138, p = 0.000), and age (β = 1.133, p = 0.000) with coefficient values positive states that the three control variables have a significant positive effect on PBV with a significant value of 0.000 < 0.05 each. These results state that investors consider the size of the company when making an investment, where the greater the value of the assets owned by the company, the higher the market value will be. Likewise, the debt to equity ratio and company age are indicators in investment decisions. The higher the debt to equity ratio and the longer the life of the company, the more attractive it is for investors to invest. The results of this research are in line with previous research by Dwi and Handayani (2018) that firm size and age have a significant positive effect on company performance as control variables. Likewise, the research results of Ningtyas and Aryani (2020) found that DER as a control variable had a significant positive effect on company performance.

CONCLUSION

This study measures the importance of corporate social responsibility costs in predicting the market performance of companies in the manufacturing sector listed on the Indonesia Stock Exchange. Motivated by previous findings which stated that Indonesia is one of the four Southeast Asian countries studied and has a high level of corporate social responsibility reporting, but its implementation is not in accordance with its reporting. This study uses CSR costs incurred by companies in social responsibility activities and company market performance using price to book value in the manufacturing sector listed on the Indonesia Stock Exchange, with 114 total observations during the 2018-2019 period.

The results of this study show that CSR costs as an independent variable, firm size, debt to equity ratio, and age as a control variable simultaneously have a significant effect on the performance of manufacturing sector companies. However, partially CSR costs can predict company performance by showing negative significant effect on market performance, while firm size, debt to equity ratio, and age show positive significant effect on company performance as control variables. These findings contribute to the literature where corporate social responsibility practices are viewed negatively by the market, indicating investors' distrust of the utilization of costs incurred by Indonesian manufacturing companies. Therefore, the greater the costs of social responsibility, the smaller the company's market value. This result can also indicate that investors do not care about CSR activities by considering that these activities are additional costs that can reduce the level of investor prosperity. Likewise, there may be an opinion that the CSR activities carried out are not optimal.

This study provides information to investors, policy makers, regulators, and corporations about managing the social responsibility of public companies in Indonesia. Investors must be convinced of the importance of CSR activities as stated by the legitimacy theory that companies and society are bound by a social contract where the success of the company is not only to obtain profits but has social responsibility also by providing economic benefits to society, and vice versa society can contribute to the sustainability of company operations. By increasing the level of public trust in the company, positive support could be obtained. Ultimately, social responsibility activities can increase company value. However, Indonesian manufacturing companies need to convince the market by showing the results of the implementation of the utilization of social responsibility costs which are in line with the company's strategy, and that social responsibility costs must be considered as a long-term investment, not a cost. In this way, it can increase investors and public's trust because according to the results of this study, investors consider the CSR activities carried out by the company when making investment decision.

Policy makers and regulators need to re-evaluate the regulations governing CSR implementation, especially in relation to the costs incurred. Thus, implementation, sanctions and control mechanisms are needed. Regulators can assist in bridging the communication between companies and society by disseminating the CSR programs and ensuring that both parties benefit in this activity, through supervision and control.

This study has limitations by simply using manufacturing sector companies on the Indonesia Stock Exchange with the observation period of two years before pandemic COVID-19. Thus, it is still insufficient to conclude the company's commitment to CSR activities in the long term. Furthermore, this study used one independent and one dependent variable only. It is expected that future study can expand the sector to other than manufacturing sector since each sector could have different social responsibility implementation, and it is recommended to add other market measures such as price to earnings, earnings yield, dividend yield, and dividend payout rate as dependent variable. Comparative study can also be conducted to compare the predictive ability of corporate social responsibility costs on market performance of Indonesian companies and the companies in other Southeast Asian Countries. It is recommended also for future study by using observation period during pandemic COVID-19 to be compared with the result of this study.

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