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# Influence of corporate social responsibility on company performance

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**Abstract.** The paper aims to determine the Corporate Social Responsibility (CSR) effect on company performance. Condition of companies in Indonesia nowadays that implementing CSR, contributes business to sustainable development, and corporate behaviour must not only ensure returns to shareholders, wages to employees, and products and services to consumers but also respond to social and environmental concerns and values. CSR based on the life philosophy of Indonesian people, namely mutual cooperation. With this system, the company does not implement it by itself, but with the support of all parties. Given the philosophy of life in Indonesia, the implementation of CSR is an excellent program and helps the company, especially its relationship with the communities around the company. The data was collected using a questionnaire and analysed using simple linear regression. The results of this study indicate that the value of  $Y = 5.833 + 0.686 x$  shows that if there is a change in the dimensions of social responsibility of 0.05, it will cause a difference in corporate performance of 68.6%. The significant t point ( $\text{sig} = 0.00 < \alpha = 0.05$ ) indicates influences of CSR for the company performance on simple regression analysis. The R-value of the correlation coefficient of 0.809 means that the correlation between the independent variables of Corporate Social Accountability (X) and Performance (Y) is positive. It shows that the better the implementation of CSR by the company, the better the performance of the company.

## 1. Introduction

Corporate social responsibility (CSR) is not a new topic in the business world, including the context of the operations of multinational companies. [1] in 1970 the issue of CSR was brought about by Milton Fridmen's writing about the single form of social responsibility from business activities. However, the attitudes and opinions of the pros and cons are always part of the history of the company's life and the development of the CSR concept itself.

In the context of the CSR debate, [2] it cannot be denied that the primary purpose of business activities is to obtain optimal profits to maximize the value for shareholders. Liberal economist Milton Friedman firstly suggested the concept that sole social responsibility for the business world is to increase profits. Along with the times, growing pressures emerged that the company also played a more real social role to improve the welfare of the community and other stakeholders. Companies are required to



carry out their social obligations more to stakeholders, more than just economic responsibility to shareholders, namely in and through direct interaction with workers and consumers.

The company for the government [3] has an essential meaning because the company, even it is small, is part of the economic power that produces goods and services to meet the needs of the community. The company is a useful source and means and carries out national income policies. Therefore the government has an interest and is responsible for the sustainability of the company's success. The development of industrialization has been able to create changes in Indonesian society, ranging from physical changes and changes in values. Changes that occur in the community have created various conditions in society, but the changes that occurred can also lead to culture lag, namely unpreparedness for the citizens to accept new ideas in the process of change.

In the era of industrialization that was successfully created by the development of these technologies, various businesses emerged in improving the economy and community welfare. Multiple forms of corporate companies, both large and small, run by families are the manifest of the development [4, 5]. In the past, corporate organizations felt enough to only pursue profits for company shareholders (corporate organizations), while the effects of organizational actions on the external environment were less noticed and skewed [6]. The development of economic philosophy furtherly strengthens this condition, especially corporate organizations in countries with a liberal capitalist ideology which states that "with the smallest capital trying to obtain maximum profits." Therefore, departing from the philosophy of economics, making companies are reluctant to implement corporate responsibility for their workforce and environment. All parties, including the government [7], employers, and workers/laborers directly or indirectly have an interest in the course of each company. Driven by the same interests between employers and workers/laborers on the way the company works and with the involvement of both in the production process, the relationship between employers and workers arises called industrial relations (industrial relations).

Labor problems in Indonesia [8] have similarities with other developing countries where there are various obstacles and challenges faced and require thought, research, review and problem-solving. One prominent problem is the gap between the abundance of the workforce that will enter and need work, while on the other hand, the ability to absorb the workforce is limited [9]. The labor market in Indonesia is a reflection of a dualistic economy characterized by massive employment in the traditional or informal sector, which reflects a surplus of labor. The transfer of labor surpluses out of the informal sector to more productive and more productive modern sector jobs is the primary goal of the cycle of development, economic growth and poverty reduction.

The development of various forms [10] of the company triggered the emergence of multiple issues in the community, especially in the company or workers' environment, namely concerning the organizations of industrial companies that lacked attention to social and environmental conditions. In this case, the company is perceived to have ignored the rights of labor, social environment, and the physical environment to produce an adverse effect in the form of a reduction in the collective trust of the company.

The development of social responsibility [11] of companies in developed countries encourage companies in developing countries such as Indonesia to do the same. Various unbalanced conditions between the state of the company with the terms of the workers and the community environment influence this condition. Furthermore, CSR will also provide positive benefits for the community.

Based on this thought means that a company must carry out its business activities in such a way that it does not harm certain parties (society). Positive means that a company must run its business in such a way that it ultimately contributes to creating a pleasant and prosperous nation. Even positively the company is expected to participate in carrying out specific activities that are not solely based on profit, but for the advancement and welfare of the community.

The concept of CSR [12] refers to the fact that the company is shaped by humans and consists of humans. This concept shows that just like humans, companies also cannot live alone, operate and gain business profits without other parties. This condition demands that the company also needs to be carried out while remaining responsive, caring and responsible for the rights and interests of many parties. Even

more than that, companies as part of society need to take part in thinking and contributing to something that is useful for the interests of living together with the community. Business people need environmental support. Therefore, responsiveness to ecological needs is imperative. In addition to the environmental demands stated in the regulations, the environmental requirements that are not directly mentioned in the public law are also necessary.

In Indonesia itself, the philosophy of life of the Indonesian people, namely cooperation, become the principles of social responsibility of the company [13]. With this system, the company does not implement it by itself, but with the support of all parties, given the Indonesian philosophy of life, the implementation of CSR is a program that is very possible. At the company level, both large and small, labor besides being one of the capital in the production process, is also a viable resource to improve work productivity. Therefore the output produced by the company cannot be separated from the influencing factors such as the level of education, skills, attitudes, work, the number of wages and welfare received by the workforce, the management system and the social security system that is specifically for workers. The realization of this is in the performance of the company's management in fulfilling its duties through the implementation of corporate social responsibility.

Enthusiasm or performance of the workers in the company determines the progress of a company [14]. So that the provision of wages in the form of basic salaries given by the company to employees is not enough to improve the performance of the workers, the efforts to improve the performance of the company continues to be carried out by the company. PT. Berkah Morindino is one of the private companies in North Buton District which is engaged in the trading business, many of whom recruit employees so that the authors are interested in seeing how the company's social responsibility is towards employee performance. With the importance of the Corporate Social Responsibility and performance issues, the researchers are interested in conducting research entitled "The Effect of Corporate Social Responsibility on Performance at PT. Berkah Morindino". Based on the background, this research formulates the main problem, namely how is the influence of corporate social responsibility on the company performance at PT. Berkah Marindino? The purpose of this research is to study the effect of corporate social responsibility on the company performance at PT. Berkah Marindino.

Corporate Social Responsibility (CSR) [15] is now increasingly widely accepted. The group that supports the discourse of Corporate Social Responsibility (CSR) believes that the company cannot be separated from the individuals involved in it, namely the owners and employees. But they should not only think about their financial benefits but also must have sensitivity and concern for the public. Corporate Social Responsibility (CSR) [16] is a mechanism for an organization to voluntarily integrate environmental and social attention into its operations and interactions with stakeholders, which exceeds organizational responsibilities in the legal field.

Performance is a universal concept of which is the operational effectiveness of an organization. The part of the organization and its employees are based on predetermined standards and criteria because humans run the organizations, then performance is human behavior in playing the role they do in an organization to meet predetermined standards of practice to produce the desired actions and results. Based on the theoretical foundation and thinking framework above, the hypotheses in this study was: "Allegedly there are Influences of Corporate Social Responsibility (CSR) on Performance at PT. Berkah Marindino".

## **2. Methodology**

The object of the research was PT. Berkah Morindino located in districts Kuli Susu, Regency Buton Utara. The sample is a part or representative of the population under study [9]. The members of the population are constant, so the technique of taking from the population is carried out as a whole without regard to the strata in the population [17]. The sample in this study were 18 respondents consisting of employees and leaders of PT. Berkah Morindino. In completing the results of this study, the authors collected data in the following ways [18]: (1) Preliminary Survey, which is the first step to find thesis titles and problems that can be used as research material by reading the Journal. (2) Literature Study, which is a method to get information from theories by studying and recording from literature books, as

well as other information materials related to the content discussed by the author. (3) Field Survey, which is a method of collecting data because the researcher makes observations directly to the place of the object under study. (4) The questionnaire is a set of questions compiled by researchers to be filled in by respondents in the form of written questions. As for data elaboration techniques [19, 20] used in this study are (1) Editing, namely checking the completeness of the respondent's answers, examining the concentration of responses, and selecting the integrity of the questionnaire so that the data is ready for processing. (2) Coding, which is coding or separating data based on variable classification. (3) Tabulation, which is identifying, counting on each question item in the form of the frequency distribution. The simple linear regression analysis model used to test the hypothesis is as follows  $Y = \alpha + \beta X$ , where:  $Y$  = performance,  $\alpha$  = constant (intercept value),  $\beta$  = regression coefficient,  $X$  = social responsibility,  $\epsilon$  = estimated error rate / Error. In the classification of variables, Social Responsibility ( $X$ ) was determined as the independent variable and Performance ( $Y$ ) as the dependent variable while the other variables outside the two variables were denoted by ( $\epsilon$ ) which is variables that are not measured.

### 3. Results and Discussion

PT. Berkah Morindino founded in 2011, by renting a place on the street Imam Bonjol North Buton. In developing its business, PT. Berkah Morindino North Buton began to add other products such as sandals, shoe polish, snacks and others and cooperated with other distributors that related to the product. This development is indicated by the increasing number of customers using PT. Berkah Morindino Buton Utara. As one of the companies engaged in the sale of various products, PT. Berkah Morindino hopes that with the establishment of this company, it can provide more convenience and benefits to the community. In this case, see from the increase in population and the level of people's needs for the present.

Validity test was carried out using the statistical method of product moment Pearson with criteria if  $r$  is  $> 0.30$ , at 95% confidence level, then the instrument (questionnaire) is declared to be valid. It means that all indicator items that measure each indicator variable produced coefficient numbers validity more than 0.3 ( $r > 0.3$ ). Thus, it can be stated that the data collection instrument used in this study is valid. Instrument reliability test at 95% confidence rate ( $\alpha = 0.05$ ) concluded that all indicator items used to measure each indicator variable had a coefficient number higher than 0.60. Therefore, the instrument used in collecting data can be declared to be reliable at a 95% confidence rate or  $\alpha = 0.05$ .

Research on Corporate Social Responsibility for Performance obtained research results using simple linear regression analysis tested with the SPSS 19 program presented in table 1.

**Table 1.** Results of Simple Linear Regression Analysis

Independent Variable	Regression coefficient (B)	Standard Error	T cal <sub>(Stat)</sub>	Sig	R Correlation
Y	0.686	2.314	2.521	0.000	0.809
Constant	= 5.833				
Adjusted R Square	= 0.632				
R Square	= 0.654				

Results of simple Linear Regression Analysis at table 1. The effect of Corporate Social Responsibility on Performance is  $Y = 5.833 + 0.686 X$ . The equation can be interpreted as follows: (1) Correlation coefficient (R) of 0.809 indicated that the correlation between the independent variables of Corporate Social Responsibility ( $X$ ) and Performance ( $Y$ ) was positive; (2) The coefficient of determination ( $R^2$ ) of 0.654 means that 65.4% in the variation of the Corporate Social Responsibility increase was influenced by Performance ( $X$ ), and the remaining 34.6% was influenced by other variables outside the model. Therefore, it can be concluded that the influence of the Responsibility Corporate Social Responsibility towards Performance has a substantial impact; (3) Estimation of error level of

independent variables Performance of 2.314 shows a relatively small lift, which means that the regression model was more accurate to predict CSR.

The results of the inferential analysis show that Corporate Social Responsibility affects performance which can be seen from the significance t value in a simple regression analysis that is  $\text{sig } t = 0.00 < \alpha = 0.05$ . This result proves that the implementation of Corporate Social Responsibility is carried out by the company will have a positive and significant influence on the company's performance. It Therefore, efforts to improve CSR are needed to enhance Performance at it. The regression coefficient of 0.686 shows the amount of impact of CSR on Performance. This indicates that if there is a change in the dimensions of Corporate Social Responsibility by 1 unit, it will cause a difference in performance of 68.6%. Based on the description above, it will apply if it is asserted that other independent variables in this study are considered to be fixed. This fact can indicate that Corporate Social Responsibility will cause a tendency to improve the Company's Performance with the assumption that other variables are considered to be fixed.

#### 4. Conclusion

Based on the analysis of research results and discussion in this study, it can be concluded that CSR significantly influenced the Company's Performance at PT. Berkah Morindino. This influence can be seen from the regression equation  $Y = 5.833 + 0.686 X$  This shows that if there is a change in the dimensions of Corporate Social Responsibility by 1 unit, it will cause a difference in performance by 68.6%. Corporate Social Responsibility affects Performance indicated by the significance value t in a simple regression analysis that is  $\text{sig } t = 0.00 < \alpha = 0.05$ . The correlation coefficient (R) of 0.809 means that the correlation between the independent variables of Corporate Social Responsibility (X) on Performance (Y) is positive.

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