

Corporate Social Responsibility, Financial Performance, and Risk in Indonesian Natural Resources Industry

by Josua Tarigan

Submission date: 10-Jul-2019 11:19AM (UTC+0700)

Submission ID: 1150666122

File name: Manuscript_ID_SRJ-06-2018-0155_Clean.docx (187.45K)

Word count: 8855

Character count: 50783

Corporate Social Responsibility, Financial Performance, and Risk in Indonesian Natural Resources Industry

Abstract

Purpose - With an attempt to give a deeper explanation regarding the manifestation of socially and environmentally responsible cultures among Indonesian natural resources industry, this paper highlights the empirical confirmation on the correlation of corporate social responsibility (CSR), corporate financial performance (CFP), and risk. Likewise, corporate risk's role as a mediating variable in the indirect effect of CSR on CFP is also examined.

Design/methodology/approach - Kinder, Lydenberg, and Domini's (KLD) measurement approach is used as a basis to assess social responsibility activities as it gives more social rating transparency. CFP captures both accounting- and market-based measurements, whereas volatility of stock return is adopted as a proxy of firm's risk. Partial Least Squares (PLS) analysis is conducted on 40 Indonesian listed firms in natural resources sector, with observation years from 2008 until 2016.

Findings - It is revealed that CSR positively affects CFP although the correlation is stronger in the long run. Significant negative influence to risk is also discovered. However, risk has a significant adverse correlation with CFP when 2-years lagged value is used. Hence, CSR affects CFP through risk in the long-term, both directly and indirectly.

Practical implications - The empirical result suggests that CSR serves as a tool in managing the risk of enterprises and performance, especially in the long-term. Accordingly, firms should incorporate CSR as a strategic investment and manage a strong relationship with stakeholders.

Originality/value - This report expands further prior works and contributes to CSR and financial management literature by discovering the true nature of CSR effects as an investment in the future. This is the first study which tests and proves that CSR in Indonesian natural resources industry plays a significant role as a strategic risk management instrument that leads to a sustainable and long-lasting financial performance.

25 words Corporate Social Responsibility, KLD, Corporate Financial Performance, Firm's Risk, Natural Resources Industry
Paper type Research paper

1. Introduction

For the past few decades, natural resources industry has been experiencing a tremendous growth (Pan et al., 2014), followed by occurrences of social and environmental contraventions. It is suspected that natural resources business risk is comparatively high where some Chinese and sub-Saharan African organizations cut off their operation due to their large hazardous pollution or deficiency (Ackah-Baidoo, 2013). Nonetheless, their management team is less likely to adopt economic, social, and environmental practices unless it could result in financial advantages. Consequently, disputes and conflicts continue to arise, impacting entities stability and performance. Accordingly, enterprises are starting to establish efforts in order to manage risk and pursue a sustainable performance, by adopting social responsibility policies.

Corporate social responsibility (CSR) has grown tremendously in emerging markets like Asia, including Indonesia. Indonesian government has passed government regulation number 47 year 2012 (PP No. 47 Tahun 2012), in order to protect and enforce business operations, especially in the field of natural resources, to do social endeavor. Nevertheless, CSR may not have been applied effectively in Indonesia compared to other countries in Asia region (Cheung, 2010), due to some poor and inconsistent misperception that CSR is an additional cost rather than future investment (Waagstein, 2010). On the other side, the insubstantial law only gives limited clarity regarding the objective, direction, and implementation of CSR. Executing social practice needs particular proficiency, system, and resource to understand this broad and ambiguous concept, which many Indonesian firms do not possess. Aside from that, there is growing existence of social and legal problems like poor legal enforcement and corruptive action. These two issues result in a weak CSR implementation, legal uncertainties, and bureaucracy in Indonesia. The same CSR issues are also seen in extractive industries globally; integrated system is highly required to handle the complexities of CSR across all parties responsible. Additionally, there are growing pressure for resources benefit sharing through regulations, fiscal assertiveness, and some prohibitions that impact organization's business strategies and social license. On top of that, cumulative sustainability effects result in different approaches of corporates to establish relationship with government and civil society for their sustainable development. Correspondingly, mandatory companies dealing with mining, agriculture, and basic sectors would be the main focus of the analysis as they are most likely to create negative

environmental and societal impact and risk. Practicing CSR policies is consequently expected to compensate their controversial business operations.

By implementing CSR, entities may benefit from better positioning as they have a good reputation by doing good deeds to the society and public, even if it requires them to sacrifice some profits. Having good corporate image might drive the workers to work more efficiently and achieve higher productivity and performance, as well as attract qualified employees (Stuebs and Sun, 2010). Good CSR policies could lead to higher stock return as there is a positive association between the return of the adjusted market in the subsequent period. Likewise, investors are now attracted to invest not only in companies with short-term profit but also those with long-term and sustainable profits. Consequently, engagement in CSR enhances firms' ability to perform better in short and long terms, as suggested by prior studies like Yu and Choi (2014) and Cheng, Ioannou, and Serafeim (2014).

As businesses are now facing rising complicated risk, CSR could further act as a risk management tool in corporate strategies (Jo and Na, 2012) by minimizing and creating an "insurance-like" shield to preserve performance when facing probable occurrences of future crisis financially, socially, or environmentally. Information transparency, strategies, as well as philanthropy could be improved, hence firm's risk would eventually be scaled down and level of profitability could be gradually upgraded (Mwelu et al., 2014). In a business environment with a high risk that the entities are operating, CSR may be an instrument to increase reputation and create value, hence leading to a sustainable survival for entities (Irwin, 2017).

Accordingly, even though many parties believe that CSR may possess a meaningful impact towards firm's performance and risk, some still debate whether the investment in CSR actions can really add value or it is just a trend that everyone pursues. As stated by Park (2017), CSR begins to be viewed as having an indirect association to CFP instead of direct, thus, deeper examination on the mediating or moderating variables needs to be done. Consequently, despite numerous studies regarding CSR and corporate financial performance, this examination explores further and deeper by combining new variable, risk, into account as a mediator. In this competitive environment, the capability to prevent and mitigate risk then becomes a crucial aspect for a firm's continuity and survival due to the repercussion on firm's economic value. Enterprises that do not engage in CSR as their extensive risk management program may become more vulnerable. As stated in a study by Palmer (2012), in the late 1990's, Nike faced reducing reputation as New York Times blamed the company for not being ethically responsible as they operated sweatshops to minimize production costs. As a result, they hired accounting firms and conducted audits to assure stakeholders regarding their adequate labor policies. This caused them to immediately establish social responsibility programs focused on labor and employment issues. Even more, they seriously tried to answer labor needs by interviewing almost 10 thousand Indonesian young labors. In the end, they could regain their reputation by mending the relationship with stakeholders. This is done by answering their opinions and needs in their CSR schemes. Nike's example proves that CSR implementation as business strategies could develop a corporate image, reduce business risk, as well as acquire economic prosperity.

Even so, CSR as a risk management tool to mitigate risk which boosts firm's performance has not yet been studied in Indonesia. Prior studies also examined the relationship of CSR to performance and risk separately. Hereinafter, this script is the first that attempts to give a deeper explanation regarding the manifestation of CSR cultures in relation to firm's performance with risk as a mediator. Insights obtained supposedly contribute to both theory and practice. It might be done by enriching CSR and management literature as well as answering the questions pondered by many responsible organizations and would like to have a balance between its CSR, risk and financial performance. By testing CSR simultaneous implication as well as long-term effect, this work also augments the stakeholder theory that asserts a long-term along with prompt impacts could be derived. The result hopefully is useful for both internal and external parties of the company, such as managers, investors, and financial analysts, as well as CSR policymakers.

Relevant literature is reviewed and hypotheses regarding CSR, CFP and risk are articulated in Section 2. It is followed by broader explanation of sample, measurement, and research model in Section 3. Section 4 discusses the research results where Section 5 concludes.

2. Literature review and hypothesis

2.1 Corporate social responsibility

62
CSR is generally referring to company's voluntary actions to integrate environmental and social concerns into the business and towards stakeholders in order to achieve sustainability (ACCA, 2015). Substantial care and considerable debate have been drawn regarding sustainability issues, CSR, and its practical implementation (Jain, Vyas, and Chalasani, 2016). This triple-bottom-line concept of "People, Planet, and Profit" (Žak, 2015) takes into account essential values to weigh firm's success, such as economic, environmental and social. Furthermore, social responsibility policies could act as a guideline and corporate strategy to deliver responsible actions according to business environment and risk.

14
Academics like Montiel, Husted, and Christmann (2012) have used signaling theory in order to explain further potential benefits when a firm adopts CSR practices. Those enterprises are dominated by a sense to give signals about the management quality. On the other hand, believers in agency theory argue that managers (agents) may not act on behalf of investors (principal), thus creating a conflict of interest by undertaking things management (Agustina et al., 2015). On top of that, stakeholder theory says that an entity should not function for its own interests but should provide benefits and be accountable to stakeholders as well. According to Oeyono, Samy, and Bampton (2011), the survival of the company depends on the stakeholders' support that must be sought. Stakeholders' practices carried out by managers would result in a more profitable performance, especially when they take a chance to develop such differentiation with the use of CSR (Chtourou and Triki, 2017). Social disclosure is considered as a part of the social contract dialogue as seen by legitimacy theory. When the firm fulfills the contract, the organization is legitimized, resulting in strengthened corporate reputation and competitive advantage (Usman and Amran, 2015).

Social investors and stakeholders put great interest in enterprises with several motivations that drive them to value social ratings. They seek ratings that accommodates clarity regarding past social attainments and prevailing management procedures that determine prospective social completion. Notwithstanding that, despite numerous approaches are available to measure CSR, no standard has been established due to missing conclusions of its inherent significance and considerably heterogeneous dimensions (Galant and Cadez, 2017). Following prior studies (Sun, 2012; Jo and Na, 2012), this paper utilizes a widely used and the most influential approach, Kinder, Lydenberg and Domini's (KLD) method. It rates companies within some specific areas, taking into account both strengths and concerns of sustainability issues. KLD concern ratings were then found to be an adequately acceptable sketch of firm's past environmental performance, hence offer transparency to related parties (Stubbs and Rogers, 2013).

2.2 Corporate social responsibility and corporate financial performance

39
Plenty studies have been conducted worldwide to examine meanings of CSR, including towards corporate financial performance (CFP). Corporate performance is a specific measurement used to assess the success of a company in managing and allocating resources in order to generate profits. Companies, investors, and academics have one prime question regarding whether it pays off to engage in social responsibility. Although evidence gathered still inconsistent for both developed and developing countries, there are generally three-dimensional (positive, negative and neutral) debates on the association between CSR and CFP (Crisóstomo, Freire, and Vasconcellos, 2011). According to Park (2017), these inconclusive outcomes are due to different scholars tend to focus on different factors, like the characteristics or external determinants.

The positive association could be found in stakeholder theory where firms in which the management team preoccupies actions that elevate social performance, would reap better financial performance than other organizations in the long run. When CSR and CFP correlation is analyzed using accounting-based, market-based, and investor-based measures, commitment to CSR is likely to raise the firm's performance (Alikaj, Nguyen, and Medina, 2017). It has been studied that CSR builds a good reputation and has a positive predictive power for company's valuation (Cheung, 2010). It may become a sustainable competitive advantage for the firm, as long-lasting relationships between the firm and its stakeholders are being developed (Alikaj, Nguyen, and Medina, 2017). Nevertheless, some argued that stakeholder theory could result in opportunism and selfish justification by the manager, different and inequitable interests of stakeholder, as well as hard decision making to bring fairness into stakeholder representation (Iwu-Egwuonwu, 2010).

1
The negative association is commonly found in the neoclassical economic school of thought and utility theory that argues that CSR is not able to enhance the value of an organization (Sun, 2012). CSR induce charges that could be retrained or relocated to other agents (e.g., customers or the government) (Famiyeh, 2017) so that they are hardly any economic advantages from spending large expenditures to become socially responsible. Lastly, the neutral association between CSR and financial performance is found where additional costs incurred by implementing social responsibility are covered by gains arising from it (Oeyono, Samy, and Bampton, 2011).

Among these studies, most findings are related to the positive relationship that being socially responsible could lead to a rise in entity's performance (Yu and Choi, 2014; Oeyono, Samy, and Bampton, 2011; Cheung, 2010). Resembling late studies, hypothesis below is then introduced:

H1. Corporate social responsibility has a positive impact on corporate financial performance.

2.3 Corporate social responsibility and firm's risk

Risk profiles of responsible companies are argued to be different (El Ghoul et al., 2011). CSR may encourage managers' ethical behavior that could positively influence the firm reputation and indirectly build up the firm value and decrease financial risk. According to Jo and Na (2012), under the risk-reduction hypothesis, there are 5 main factors that lead to improvement in risk management when entities do CSR. They suggested that socially responsible companies could create insurance-like effect of goodwill and moral capital that leads to preservation of financial performance; decrease cost of equity, cost of debt, and cost of capital; enhance market appeal and corporate shared value; increase transparency; and promote access to market, which eventually help managers to mitigate risks. However, in order to do this, valuable resources could be redirected from other projects as it leads to lesser competitiveness and more vulnerability to market shocks. Being responsible also requires trade-off between fulfilling claim and creating cost for stakeholders.

Particularly, most studies showed that CSR is negatively correlated with business risks, for both systematic and unsystematic risk, and can assist the firms in mitigating firms' risks by eradicating the information asymmetry of internal and external stakeholders (Jo and Na, 2012). The major study also noted that organizations with the high level of risks intentionally engage in CSR conducts to lower their risk (Iwu-Egwuonwu, 2010). Accordingly, the second hypothesis made for this research study is:

H2. Corporate social responsibility has an adverse impact on firm's risk.

2.4 Corporate social responsibility, firm's risk and corporate financial performance

CSR could be seen as activities that can create value for a firm by influencing reputation, risk profile, and cost of debt, which lead to improvement in economic performance. A recent study by Mwelu et al. (2014) found out that advancement in risk management of manufacturing firms could gradually escalate the profitability levels so that it is recommended for them to manage risk to make sure that the profitability levels are not negatively affected. Both internal and external aspects may affect the firm's performance, where such changes may possess a risk to firm's performance and its sustainability. This inherent risk in the firm's operation may affect a firm's profitability. Additionally, business risk or the uncertainty related to the firm's functioning environment is contemplated in the fluctuations of operating income and thence have a negative impinge on the profitability (Vakilifard and Oskouei, 2014).

Environmental disclosures may lessen risk and a firm's cost of debt which can affect the firm's structure and relevantly affect its strategy and profitability as well (Magnanelli and Izzo, 2017). By managing risk, shareholder's value could be improved. However, this only applied under a circumstance where agency cost, flaws in the market, and any asymmetric information disturb the performance of a perfect capital market (Pagach and Warr, 2011). In addition to this, by managing risk and reduce stock price volatility, organizations may expect steadier earnings as the possibility of inferior outcome could be minimized. Consequently, reducing risk could enhance the performance of the firm. As stated in previous hypotheses, CSR could improve the financial performance of entities and mitigate the risk of companies, therefore, a third hypothesis is constructed for this study:

H3. Firm's risk could mediate the relationship between corporate social responsibility and corporate financial performance.

3. Research methodology

3.1 Sample

To achieve the aim of this study, a Partial Least Squares (PLS) analysis is done through a collection of secondary data, testing of hypothesis, and identification of correlation. The sample firms involve listed entities in Indonesia Stock Exchange from 2008 until 2016. The companies are running their business in the natural resources industry sector, specifically mining, agriculture, and basic industries. This study uses all secondary data sufficiently provided by annual reports, sustainability reports, Bloomberg, and other reliable sources.

Table I Summary of the sample observed

Sampling Criteria	No. of Companies
Companies in the area of natural resources as in accordance to government regulation no. 47 year 2012 in IDX from 2008 to 2016	129
Listed companies which did not consistently publish their annual reports from 2008 to 2016	(30)
Companies which do not have sufficient financial and CSR information in their annual report and/or sustainability reports	(59)
Number of companies which fulfill the criteria	40
Total sample used in model 1 (40 x 9)	360 firm-year
Total sample used in model 2 (long-term effect testing) (40 x 7)	280 firm-year

Eventually, as seen in Table I, total sample observed that meets the criteria in this research is 40 companies for 9 years, which is 360 firm-year. Besides, second testing is done to examine the long-term effect of using 40 companies for 7 years.

3.2 Measures

Measurement of CSR. KLD method is chosen as a basic proxy of CSR level as it has been widely used in previous leading management journals (Nguyen and Nguyen, 2015; Alikaj, Nguyen, and Medina, 2017; Price and Sun, 2017). Also currently known as environmental, social, and governance (ESG), this approach portrays multi-dimensional measure of CSR by capturing both strengths and concerns of social issues. Due to publicly available data, this social rating method enables researchers to access it easily and compare results with different kinds of literature. Following prior studies, this work employs 5 areas of CSR issues relevant to Indonesia, including community, diversity, employee relations, environment, and products. Any activities conducted by the firm in correspondence to the issue areas are given score 1, otherwise, 0 is given when the firm does not meet the criteria stated. Next, the score of total strengths is deducted by total concerns in order to get Net CSR, as used by former KLD indices (Lin, Wang, and Wu, 2017). The detailed explanation of each strength and concerns in KLD issue areas could be seen in the Appendix.

Measurement of Corporate Financial Performance (CFP). Accounting and market-based measures are utilized to measure financial performance as the independent variable. This is aimed to give broader and clearer picture that captures both short-term and long-term performance of an entity. As an outcome reflection of managerial actions, accounting-based measures catches historical part of the financial performance. It may also address market performance concern like market inefficiencies (Eccles, Ioannou, and Serafeim, 2011). However, it may be biased due to influence from management's manipulation and different accounting function. In contrast, market-based measures center upon organizations' forward-looking aspect so is less susceptible to management's misappropriation (Al-Matari, Al-Swidi, and Fadzil, 2014). Due to its contemporariness, it also captures long-term performance, intangible asset utilization, and variability in CSR faster. Nevertheless, it is only available for publicly listed companies. Consequently, to address both concerns and capture better view on the performance of Indonesian enterprises, both measures are utilized in this study. Comprehensive measures like ROE, NPM, and EPS are used as accounting-based measures while share price and firm's value expressed by Tobin's Q are used to reflect market-based measures.

Measurement of risk. Firm's risk is reflected using total risk that represents the total of systematic and unsystematic risk. Systematic or market risk may alter a tremendous number of assets and pinpoints market aspects (like country's economic growth rate and interest rate) which commonly provoke returns to move in parallel. It is directed by the variability of organizations' cash flows to the operation that is not under management's authority (Nguyen and Nguyen, 2015). Subsequently, this risk cannot be diversified away as it prevails in all portfolios (Duan, Hu, and McLean, 2010). On the other hand, the firm-specific risk only gives impact to at most a limited asset size and portrays the price volatility in relation to organization's management and operational efficiency.

Measurement of firm's size, leverage, and age. This research is done by controlling some variables that may be affected by dependent variables, incorporating firm's size, leverage, and age of long-term assets (Sun, 2012; Jo and Na, 2012; Crisóstomo, Freire and Vasconcelos, 2011). Those variables are selected due to its proven significant influence towards CFP. Table II presents all variable definitions and data source used.

Table II Variable definitions and data source

Variable(s)	Definitions	Data Source
Net CSR	Difference between total strengths score and total concerns score	Annual and Sustainability Report, Reliable Websites
Return on Equity (ROE)	Percentage of net income over total equity	Annual Report and Bloomberg
Net Profit Margin (NPM)	Percentage of net income over net sales	Annual Report and Bloomberg

57	Earnings per Share (EPS)	Profit of the year divided by the number of issued shares	35	Annual Report and Bloomberg
	Share Price (SP)	Market value of common stock over the number of issued shares	22	Bloomberg
	Tobin's Q (TOBQ)	Market value of assets over book value of assets		Bloomberg
	Total Risk (VOL)	34	Standard deviation of daily stock return	Bloomberg
	Firm Size (SIZE)	Natural log of total assets		Annual Report and Bloomberg
	Leverage (LEV)	Total liabilities over total assets		Annual Report and Bloomberg
	Age of Long-term Assets (AGE)	Ratio of net value of PPE to gross value of PPE		Annual Report and Bloomberg

3.3 Model

This study would like to show whether CSR influence firm's financial performance and risk in a positive, negative, or neutral way as well as the role of risk as the intervening variable that alters CFP. An additional analysis is done to examine the direct and moderating effect of control variables, such as firm size, leverage, and assets' age in strengthening the relationship of CSR towards CFP or not. A thorough examination is conducted to see the existing correlation not only in short-term but also long-term. This is to give a better understanding of the longer-term influence of social responsibility investment. For short-term, this paper uses contemporaneous indicators of CSR, CFP, and risk. Whereas for long-term, lagged values of CSR is used instead, with 2 years of a time difference. Model 1 of CSR impacts towards CFP and risk is expressed in the equation below,

$$CFP_{it} = \alpha + \beta_1 \times CSR_{it} + \beta_2 \times RISK_{it} + \beta_3 \times SIZE_{it} + \beta_4 \times LEV_{it} + \beta_5 \times AGE_{it} + \beta_6 \times CSR_{it} \times SIZE_{it} + \beta_7 \times CSR_{it} \times LEV_{it} + \beta_8 \times CSR_{it} \times AGE_{it} + \varepsilon_{it} \quad (1)$$

$$RISK_{it} = \alpha + \beta_1 \times CSR_{it} + \varepsilon_{it} \quad (2)$$

Where i and t denote firms and time periods respectively. Additional testing using Model 2 is carried on to examine the long-term effect with 2-years lagged value of CSR. It is suggested by Magnanelli and Izzo (2017) that CSR does not generate immediate impact as stakeholders require time to absorb new disclosure which may alter their decisions.

Validity and Reliability

According to Kock (2015), a multivariate statistical model must involve validity, reliability, and multicollinearity tests but not the normality test. Further, Rönkkö et al. (2016) said that Partial Least Squares (PLS) has been recommended for handling non-normal data. Many recent work on PLS urges researchers to drop the normality test. Validity in this study including convergent and discriminant validity is analyzed from the correlation coefficient between indicator score and the latent variable score, represented by the factor loading value. When factor loading value is greater than 0.5, then the convergent validity criteria are fulfilled. Moreover, discriminant validity test is passed when the cross loading value for each indicator is bigger than the loading value of other latent variables (Kock, 2015). A variable with one indicator has factor loading of 1 which fulfills the criteria. As observed in Table III, indicators of variable CFP fulfill convergent and discriminant validity.

Table III Combined loadings and cross-loadings

Indicator	CSR	CFP	Risk	Size	Lev	Age	Size*CSR	Lev*CSR	Age*CSR
Model 1 (same year)									
ROE	0.267	(0.817)	0.052	-0.564	0.111	0.154	-0.123	0.096	0.019
NPM	0.253	(0.804)	0.067	-0.395	-0.072	0.115	-0.062	0.092	0.016
EPS	-0.239	(0.659)	0.020	0.408	0.010	-0.288	0.083	-0.135	-0.048
SP	-0.284	(0.654)	0.023	0.508	0.009	-0.208	0.076	-0.104	-0.003
TOBQ	0.083	(0.763)	-0.179	-0.080	-0.079	0.318	0.008	0.092	0.026
Model 2 (lag-2)									
ROE	0.282	(0.814)	0.084	-0.57	0.05	0.197	-0.144	0.091	-0.001
NPM	0.224	(0.812)	0.058	-0.405	-0.044	0.069	-0.076	0.114	-0.06
EPS	-0.219	(0.664)	-0.039	0.421	-0.001	-0.339	0.137	-0.121	-0.088
SP	-0.286	(0.646)	-0.05	0.523	0.005	-0.226	0.118	-0.108	0.021
TOBQ	0.069	(0.780)	-0.047	-0.09	-0.021	0.392	-0.07	0.061	0.142

After passing validity test, reliability and multicollinearity of variables must be ensured by looking at composite reliability, Cronbach's Alpha, and full collinearity variance-inflation factor (VIF) values. Composite reliability test is conducted where the value must be greater or equal to 0.70. As a second reliability criterion, Cronbach's Alpha value should be bigger than 0.6. To fulfill the collinearity test, VIFs must be lesser than 3.3 or 10 in a more relaxed criterion (Kock, 2015). As portrayed in Table IV, all variables have passed the reliability and multicollinearity tests.

Table IV Reliability and collinearity values

	CSR	CFP	Risk	Size	Lev	Age	Size*CSR	Lev*CSR	Age*CSR
Model 1 (same year)									
R ²		0.334	0.079						
Adj. R ²		0.319	0.077						
Composite reliability	1.000	0.859	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cronbach's alpha	1.000	0.794	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Avg. variance extraction	1.000	0.552	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Full collinearity VIFs	1.617	1.383	1.249	1.885	1.258	1.271	1.192	1.142	1.225
Model 2 (lag-2)									
R ²		0.352	0.110						
Adj. R ²		0.333	0.107						
Composite reliability	1.000	0.862	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cronbach's alpha	1.000	0.798	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Avg. variance extraction	1.000	0.557	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Full collinearity VIFs	1.684	1.401	1.320	1.884	1.282	1.326	1.289	1.184	1.235

4. Research results and analysis

4.1 Sample description

Table V provides the descriptive statistics of each variable, comprising of the minimum, maximum, mean, and standard deviation value. It reports the values for both models where Model 1 uses contemporaneous values of CSR, CFP, and risk with 360 firm-year investigations. Model 2 uses 2-years lagged value of CSR with a sample of 280 firm-year.

Table V Descriptive Statistics

Indicators	Minimum		Maximum		Mean		Std. Deviation	
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2
Net CSR	-2.000	-2.000	14.000	13.000	7.558	7.504	2.808	2.891
ROE	-1.342	-1.342	0.703	0.703	0.114	0.099	0.159	0.159
NPM	-2.819	-2.819	0.501	0.446	0.074	0.068	0.185	0.200
EPS	-786.111	-786.111	4,212.977	4,212.977	213.006	217.841	487.470	494.466
SP	37.25	50	50,750	41,550	3,344.662	3,308.239	6,832.948	6,531.503
TOBQ	-0.028	0.148	7.353	7.353	1.301	1.339	1.084	1.107
VOL	0.0893	0.089	2.508	2.508	0.5788	0.516	0.3438	0.307
SIZE	24.850	25.083	32.112	32.112	28.909	29.028	1.597	1.602
LEV	0.037	0.037	0.948	0.816	0.441	0.438	0.197	0.196
AGE	0.148	0.148	0.915	0.915	0.575	0.573	0.160	0.158

For instance, minimum and maximum values for Net CSR are -2 and 14 respectively (13 in Model 2), where according to KLD score used in this study, the value ranges between -17 until 17. This signifies that natural resources companies in Indonesia have undertaken ethical and social policies quite well. This might be due to the prerequisite regulation imposed by the government.

In seeing the CSR trend more closely, the CSR performance of the largest Indonesian mining corporation, Medco Energi Internasional, is taken as an example and displayed in Figure I. Exceptional performance is seen in the improved community strength as this firm continuously contributes to education and infrastructure in Indonesia. In addition to this, Medco has been successfully enhancing their Safety Leadership program to ensure a good health and security management system and culture that it received several Safety Awards in 2016. In environment area, Medco also managed greenhouse gas emission well that it received Best Disclosure Award in 2015 and Environmental Achievements from Indonesian Government in 2016 (Medco Energi Internasional, 2016). A low concern is seen across all issue areas which means Medco could mitigate social and environmental disputes while enforcing CSR policies successfully.

In contrast, Figure II portrays low CSR scores for PT Ratu Prabu Energi Tbk, especially in 2008 and 2009. This company has quite high concerns in community and employee relation issue areas due to several adverse effects to the community regarding investment and economic practices. Despite having their profitability increasing, they did not give dividends to shareholders (Achmad, 2013). Besides that, workforce treatment and health and safety schemes were not so good. Moreover, it is shown that they do not really enforce CSR practices in almost all issue areas, shown by the rather low scores in their CSR strengths.

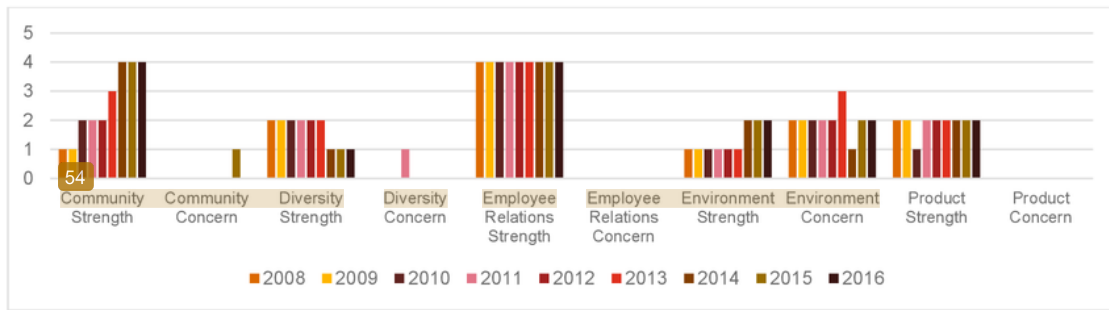


Figure I Medco Energi Internasional CSR Profile from 2008 to 2016

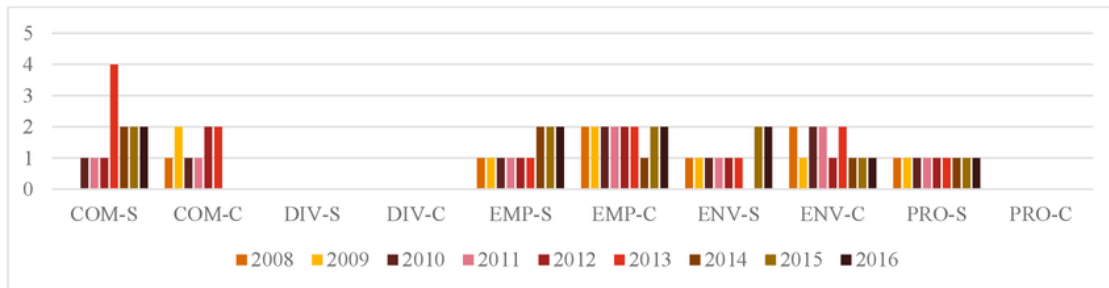


Figure II Ratu Prabu Energi CSR Profile from 2008 to 2016

4.2 Hypothesis and research result

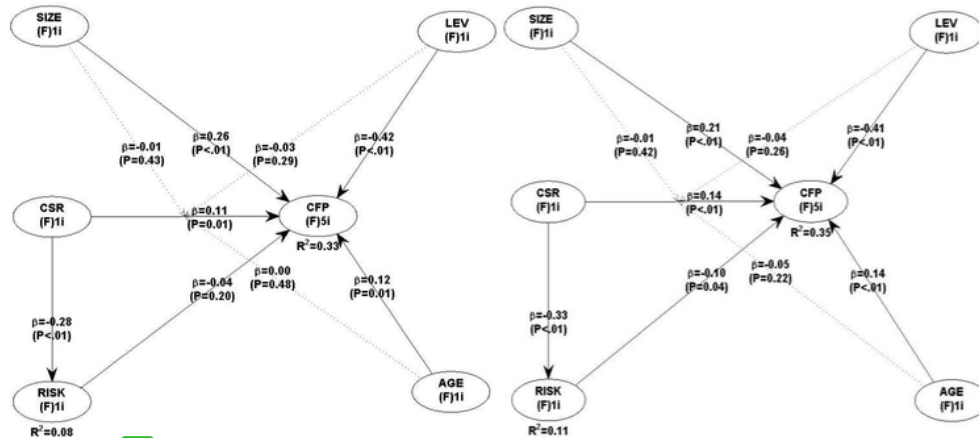


Figure III Structural model 1 results

Figure IV Structural model 2 results

It is hypothesized that CSR is positively related to financial performance and negatively related to firm's risk. The analysis resulted supports the hypotheses constructed, consistent with the prior affirmation that CSR could significantly improve firm's financial performance and lower risk. Similar results are found in Figure III or Table VIII when 2-years lagged value of CSR is used instead. This implies that organizations may also experience enhancing performance, especially in the long run when they are responsible to stakeholders. Additionally, the lesser p-value implies that long-term relationship is proved to be more significant. Doing socially good and disclosing responsibility information may boost up a strong reputation that may become a sustainable competitive advantage in the long run. This is due to the long-lasting connection with the parties who have interest in the entity (Alikaj, Nguyen, and Medina, 2016). Price and Sun (2017) argued that CSR's reputation is positively linked to firm value. Generally, investors positively notice and perceive an entity's social or environmental efforts, thus, the firm's financial health and market value may be enhanced. This is also supported by the value-enhancement hypothesis that entities could strategically utilize a chance to aim at

customers by employing CSR actions to improve the value of the companies. Over and above that, stakeholder and legitimacy theory claims that when an organization respond and answer the expectations of various stakeholder, they could cultivate trust and lift corporate reputation. CSR participation with stakeholders could signal a long-term value which raises future's financial performance (Gregory, Tharyan, and Whittaker, 2014).

Table VI Profile of CFP

Model	ROE		NPM		EPS		SP		TOBQ	
	1	2	1	2	1	2	1	2	1	2
Factor loading	0.817	0.814	0.804	0.812	0.659	0.664	0.654	0.646	0.763	0.780
Indicator weight	0.296	0.292	0.291	0.291	0.239	0.238	0.238	0.232	0.277	0.280

By means of accounting and market-based measurements, it turns out that accounting-based measures are more relevant to reflect the financial performance of the ethical organization. The correlations detected are stronger especially for ROE and NPM, evidenced by greater factor loading and indicator weight than other indicators, shown in Table VI. This is also coherently recommended by Ahamed, Almsafir, and Al-Smadi (2014) that the relationship with accounting-based measures is stronger and more significant.

Additionally, CSR practices have prompt and sustaining financial repercussion. The immediate effect is suggested by the positive relationship in the first model tested using contemporaneous variables. Simultaneously, it could also be seen in the relation between CSR and accounting-based measures which are ROE, NPM, and EPS that capture short-term performance. It is proposed that consumers notice and encourage responsibility practices hence the return and profit are greater, growing quicker than the expenditures incurred. In addition to this, besides looking at the highly significant correlation in the long-term effect model, the continuing financial effect can be seen from the improved market measures such as stock price and firm's value. Firm's value indicated by Tobin's Q may assess the expected long-run performance by indicating the organization's future and growth opportunities (Bozec, Dia, and Bozec, 2010).

Table VII Correlation among latent variables (model 1)

		CSR	RISK	SIZE	LEV	AGE	SIZE*CSR	LEV*CSR	AGE*CSR
Direct Effect	CFP	0.113**	-0.045	0.262***	-0.419***	0.117**	-0.010	-0.030	0.002
	RISK	-0.282***							
Indirect Effect	CFP	0.013							
	RISK	-0.282***							
Total Effect	CFP	0.126**	-0.045	0.262***	-0.419***	0.117**	-0.010	-0.030	0.002
	RISK	-0.282***							

* p<0.10 (weakly significant); **p<0.05 (significant); ***p<0.01 (highly significant)

Table VIII Correlation among latent variables (model 2)

		CSR _{t-2}	RISK	SIZE	LEV	AGE	SIZE*CSR	LEV*CSR	AGE*CSR
Direct Effect	CFP	0.138***	-0.102**	0.212***	-0.412***	0.141***	-0.013	-0.038	-0.047
	RISK	-0.332***							
Indirect Effect	CFP	0.034							
	RISK	-0.332***							
Total Effect	CFP	0.172***	-0.102**	0.212***	-0.412***	0.141***	-0.013	-0.038	-0.047
	RISK	-0.332***							

* p<0.10 (weakly significant); **p<0.05 (significant); ***p<0.01 (highly significant).

The adverse association between CSR and risk found in this research is supported by risk-reduction hypothesis (Jo and Harjoto, 2011; Jo and Na, 2012). It is proposed that by being socially responsible, an enterprise could raise information transparency and access to the financial market, offer good charm to attract consumers, and accordingly enhance risk management. Accordingly, the business environment entities are currently operating the risk faced by companies, hence management utilizes CSR as a new tool as to manage the risk. This is due to the framework offered by CSR including stakeholder engagement and risk protection. CSR conducted by an entity may enhance the viability of their operational performance even when bad issues happen. In this way, CSR is a good shield to preserve the risk faced by corporations.

As the association is stronger for CSR and risk 2 years ahead, it is suggested that a tremendous development in the socially responsible investing lead to enhancement in investors and society's awareness (El Ghoul et al., 2011). Hence, time difference indeed strengthens the relationship as suggested by some other paper as well (Price and Sun, 2017). Price and Sun (2017) investigates the long-term impact of using panel data and autoregressive model to understand the time-series structure. They found out that the influence of CSR on risk is more enduring. It is highly assumed that entities could generate insurance-like advantages especially for adverse conditions on share prices due to CSR prolonged and everlasting trait in the long run (Shiu and Yang, 2016). Ultimately, investors are offered greater confidence on the stable stock price (Price and Sun, 2017).

As seen in Table VII and VIII, CSR has no indirect effects to CFP in both models. As a consequence, risk is not acting as a mediator between CSR and CFP, but as an independent variable. CSR and CFP association will still prevail though the variations are not dominated by risk. Despite having a negative correlation coefficient of -0.045, the relationship between risk and financial performance in model 1 is contrastingly insignificant. Notwithstanding that, the result of the second test shows a significant negative correlation between those two.

This observed negative correlation is conclusively shown by other investigators who report that higher firm value could be enjoyed when firms have lower risk consequences (Florio and Leoni, 2016; Pagach and Warr, 2011). It is investigated that when corporations implement an effective risk management system within the operations, a lesser risk is presented and higher performance in terms of ROA and Tobin's Q is verified (Florio and Leoni, 2016). The adverse relationship occurs in the result is in accordance with the initial aim of enterprise risk management which is to boost entities' short and especially long-term value to its stakeholders as well as enlarge opportunities to grow (Shiu and Yang, 2016). It is suggested that by reducing and managing risk better, enterprises in natural resources sector could benefit in an improvement in their future's financial performance. Likewise, it is revealed that CSR-risk and risk-CFP associations are related in long-term. Both adverse associations between CSR to firm's risk and firm's risk to CFP will consequently result in a positive effect of CSR towards CFP. CSR could serve as a tool in mitigating risk where it leads to incrementing corporate performance.

The contribution of risk management in long-term performance in terms of accounting performance and market evaluation is found to be consistent with a study in Italian context by Florio and Leoni (2016). This rather contradictory result in the first test may be due to the nature of CSR which has the longer effect on both risk and performance. Hence, the true nature of the influence of CSR could be experienced when organizations could maintain continuous CSR effort. Arguably, CSR activities requires long-term efforts in order to uncover its value (Shiu and Yang, 2016). The insignificant impact of risk to CFP in short-term could mark that risk influenced by CSR is not significantly a predictor of firm's performance. There is an increasing significance of continuously being good to society and community as CSR requires time to fully establish and fulfill social values expected by stakeholders (Price and Sun, 2017).

Findings in this study are followed by several implications. It is suggested that firms' goal must not just to increase profits, but organizations should also focus on how they make them. Relationship with stakeholder plays a critical role in the increment of overall business. Firm could depend upon stakeholders' trust which would help to alleviate the asperity in times of critical situation (Nguyen and Nguyen, 2015). Natural resources companies must not only do CSR as required by the government regulation. They should go beyond that by continuously and actively integrating CSR as long-term investment and business strategies, instead of a burden. CSR engagement gradually develops to have more long-term and enduring nature where organizations merely notice recent advantages and improvements. In addition to this, it takes longer to build a strong and trustworthy relationship with stakeholders than to break their trust. Hence, market and other stakeholders will react later after they have obtained more confidence on the socially responsible firms. As a consequence, the enduring effect of CSR could only be enjoyed when enterprises could establish a long-lasting effort in CSR engagement. Moreover, for investors, it would be beneficial and safer for socially responsible investors to inject capital in socially responsible organizations, because they could generate incrementing returns in the future with lower risk. Ultimately, for Indonesian government, they might also promote the regulation in relation to CSR violations in terms of legal consequence followed by regulated sanctions. CSR policies should be promoted to all Indonesian organizations as well, so that disputable social and environmental issues could be scaled down. Corporate law definition, objectives, and direction must be clearly drawn out as well to encourage the application of CSR.

4.3 Control variable analysis

Furthermore, the research model also takes into account 3 other variables to control for size, financial risk, and long-term assets' age. Findings from the control variable analysis illustrated in Table VII and VIII suggests that:

- As shown by highly significant ($p < 0.01$) positive impact of size towards CFP, bigger corporations may conduct CSR schemes better than the smaller ones, resulting in better firm's performance (Sun, 2012). Entities with different sizes may take part in CSR engagement with the same motivation. Even so, the level of financial performance could vary due to the better resource allocation and access, superior organizational visibility, and greater economies of scale for bigger enterprises (Chtourou and Triki, 2017).
- Strong significant ($p < 0.01$) adverse relationship is found between leverage and CFP. As a result, businesses with lower leverage ratio may handle its asset more efficiently, and therefore, their performance is more sustainable

(Crisóstomo, Freire, and Vasconcellos, 2011). When an entity cut off their debt, they could save some certain cost that is extracted out of future earnings that would lift profitability. In this way, lower level of leverage may cause companies to demonstrate better social and environmental responsibility enforcement.

- It is indicated that age and CFP in model 1 is positively and significantly ($p < 0.05$) related where the association is more significant ($p < 0.01$) in model 2. Organizations that have younger assets are more responsive and reactive in doing social and environmental responsibility actions. They could better handle strict regulations imposed by government agencies to protect environment. This is due to the nature of newer assets that is basically planned to fulfill the regulation whereas older assets need to be upgraded gradually to answer regulative needs. Furthermore, younger assets work more efficiently than the older ones, which save more cost on maintenance and upgrade.
- Firm's size, leverage, and age of long-term assets are revealed to significantly affect CFP more directly rather than as moderating variables. Even though combined with CSR, these control variables have an insignificant impact to CFP. Therefore, these control variables are neither strengthening nor weakening the relationship of CSR to CFP.

5 Conclusion and limitation

This paper aims to scrutinize the association between corporate social responsibility and corporate financial performance that is mediated by firm's risk. To present more reliable view, CSR is measured using KLD ratings while CFP proxies capture both accounting- and market-based measures. Short-term and long-term effects are both examined to give a deeper understanding of CSR as an investment in the future. Eventually, CSR is proven to be significantly associated with CFP and firm's risk, as presented in H1 and H2. Risk should be treated as a predictor variable instead of a mediator since the direct significant correlation to CFP exists especially in the long-term. This proves that risk does not completely explain the relation of CSR and CFP, leaving the prevailing CFP altered by CSR although the risk is not dominating. Besides, CFP is also better portrayed using accounting-based measures.

The positive association to CFP, which is coherent with previous findings (Sun, 2012; Park, 2017), supposedly answers and clarifies the stakeholder theory as well as the almost 5 decades of debate between experts and researchers. The contribution in this investigation has been to confirm the significance of CSR engagement to financial performance through risk. While previous scholars only constructed a model to investigate the direct relationship of CSR to CFP and CSR to firm's risk, this study suggests that the two relations are actually correlated with each other especially in long-term. As firms become more socially responsible, they can manage to mitigate risks which may lead to superior financial performance, enhancement in firm value, and growth in reputation. It might be done by enhancing capital efficiency, cutting down costs on immaterial uncertainties, encouraging risk-based developments, as well as building investor trust so that organizations could enjoy more stable earnings. Besides, lowering risk by utilizing CSR may add value to investors who have the tendency to be risk averse as well as decreasing the costs of financial distress.

The generalizability of results in this paper is subject to certain limitations. Limited to the sample, different results may be obtained when different companies in other sectors are used. Over and above that, future research may examine the comparison of companies who are legally required to do CSR with those organizations that have free decisions to behave socially responsible or disclose their CSR-related policies and implementations to the public, whether in the same or different countries. KLD dimensions may not be significantly relevant for Indonesian organizations and may be subject to author's judgment and subjectivity. Limited to the proxies used for the variables, further research may use other indicators, making the measurement more specific and using other alternative indicators for financial performance or combining other indicators for firm's risk like market risk (beta) or firm-specific risk. Lastly, limited to the publicly available data, information not disclosed in other sources might have another effect towards the relationship of CSR, CFP, and firm's risk.

References

- ACCA (2015, February 17). *The European commission's multi stakeholder forum on corporate social responsibility*. Available at: <http://www.accaglobal.com/sg/en/technical-activities/technical-resources-search/2015/february/ec-forum-on-csr.html> (Accessed 23 March 2018)
- Achmad (2013). *Pendapatan melonjak, ARTI tak bagi dividen ke pemegang saham | merdeka.com*. Available at: <https://www.merdeka.com/uang/pendapatan-melonjak-arti-tak-bagi-dividen-ke-pemegang-saham.html> (Accessed 23 Jun. 2018)
- Ackah-Baidoo, A. (2013), "Fishing in troubled waters: oil production, seaweed, and community-level grievances in the Western Region of Ghana", *Community Development Journal*, Vol. 48 No. 3, pp. 406-420.

- Agustina, Linda, Suryandari, D., Oktarina, N., and Arief, S. (2015), "The influence of good corporate governance mechanisms to financial performance with corporate social responsibility as an intervening variable", *International Journal of the Computer, the Internet, and Management*, Vol. 23 No. 1, pp. 24-29.
- Ahamed, W., Almsafir, M., and Al-Smadi, A. (2014), "Does corporate social responsibility lead to improve in firm financial performance? Evidence from Malaysia", *International Journal of Economics and Finance*, Vol. 6 No. 3, pp. 126-138.
- Alikaj, A., Nguyen, C. N., and Medina, E. (2017), "Differentiating the impact of CSR strengths and concerns on firm performance: An investigation of MNEs and US domestic firms", *Journal of Management Development*, Vol. 36 No. 3, pp. 401-409.
- Al-Matari, E., Al-Swidi, A., and Fadzil, F. (2014), "The measurements of firm performance's dimensions", *Asian Journal of Finance and Accounting*, Vol. 6 No. 1, pp. 24-49.
- Bozec, R., Dia, M., and Bozec, Y. (2010), "Governance - performance relationship: a re-examination using technical efficiency measures", *British Journal of Management*, Vol. 21 No. 3, pp. 684-700.
- Cheng, B., Ioannou, I., and Serafeim, G. (2014), "Corporate social responsibility and access to finance", *Strategic Management Journal*, Vol. 35 No. 1, pp. 1-23.
- Cheung, Y. (2010), "Does corporate social responsibility matter in Asian emerging markets?", *Journal of Business Ethics*, Vol. 92 No. 3, pp. 401-413.
- Chtourou, H. and Triki, M. (2017), "Commitment in corporate social responsibility and financial performance: a study in the Tunisian context", *Social Responsibility Journal*, Vol. 13 No. 2, pp. 370-389.
- Crisóstomo, V., Freire, F., and Vasconcellos, F. (2011), "Corporate social responsibility, firm value and financial performance in Brazil", *Social Responsibility Journal*, Vol. 7 No. 2, pp. 295-309.
- Duan, Y., Hu, G., and McLean, D. (2010), "Costly arbitrage and idiosyncratic risk: evidence from short-sellers", *Journal of Financial Intermediation*, Vol. 19 No. 4, pp. 564-579.
- Eccles, R. G., Ioannou, I., and Serafeim, G. (2011), "The impact of a corporate culture of sustainability on corporate behavior and performance", Working Papers – Harvard Business School Division of Research.
- El Ghoul, S., Guedhami, O., Kwok, C., and Mishra, D. (2011), "Does corporate social responsibility affect the cost of capital?", *Journal of Banking and Finance*, Vol. 35 No. 9, pp. 2388-2406.
- Famiyeh, S. (2017), "Corporate social responsibility and firm's performance: empirical evidence", *Social Responsibility Journal*, Vol. 13 No. 2, pp. 390-406.
- Florio, C. and Leoni, G. (2016), "Enterprise risk management and firm performance: the Italian case", *The British Accounting Review*, Vol. 49 No. 1, pp. 56-74.
- Galant, A. and Cadez, S. (2017), "Corporate social responsibility and financial performance relationship: a review of measurement approaches", *Economic Research-Ekonomska Istraživanja*, Vol. 30 No. 1, pp. 676-693.
- Gregory, A., Tharyan, R., and Whittaker, J. (2014), "Corporate social responsibility and firm value: disaggregating the effects on cash flow, risk and growth", *Journal of Business Ethics*, Vol. 124 No. 4, pp. 633-657.
- Irwin, Rodney (2017, January), *Sustainability and enterprise risk management: the first step towards integration*, WBCSD, Switzerland.
- Iwu-Egwuonwu, R. C. (2010), "Does corporate social responsibility impact on firm performance? A literature evidence", *SSRN Journal Electronic Journal*, pp. 1-31.
- Jain, P., Vyas, V., and Chalasani, D. (2016), "Corporate social responsibility and financial performance in SMEs: a structural equation modelling approach", *Global Business Review*, Vol. 17 No. 3, pp. 630-653.
- Jo, H., and Harjoto, M. (2011), "Corporate governance and firm value: the impact of corporate social responsibility", *Journal of Business Ethics*, Vol. 103 No. 3, pp. 351-383.
- Jo, H., and Na, H. (2012), "Does csr reduce firm risk? Evidence from controversial industry sectors", *Journal of Business Ethics*, Vol. 110 No. 4, pp. 441-456.
- Kock, N. (2015), *WarpPLS 5.0 User Manual*, ScriptWarp Systems, Laredo, Texas, pp. 1-108.
- Lin, H., Wang, C. and Wu, R. (2017), "Does corporate ethics help investors forecast future earnings?", *Social Responsibility Journal*, Vol. 13 No. 1, pp. 62-77.
- Magnanelli, B. S. and Izzo, M. F. (2017), "Corporate social responsibility and cost of debt: the relationship", *Social Responsibility Journal*, Vol. 13 No. 2, pp. 223-234.
- Medco Energi Internasional. (2016). *2016 annual report*. Available at: http://www.medcoenergi.com/download/download_file?id=2517 (Accessed: 22 April 2018)
- Montiel, I., Husted, B., and Christmann, P. (2012), "Using private management standard certification to reduce information asymmetries in corrupt environments", *Strategic Management Journal*, Vol. 33 No. 9, pp. 1103-1113.
- Mwelu, N., Rulangaranga, D. M., Watundu, S., Kaberuka, W., and Tindiwensi, C. K. (2014), "Risk management and profitability of manufacturing firms in Uganda", *Industrial Engineering Letters*, Vol. 4 No. 2, pp. 49-54.
- Nguyen, P. and Nguyen, A. (2015), "The effect of corporate social responsibility on firm risk", *Social Responsibility Journal*, Vol. 11 No. 2, pp. 324-339.
- Oeyono, J., Samy, M., and Bampton, R. (2011), "An examination of corporate social responsibility and financial performance," *Journal of Global Responsibility*, Vol. 2 No. 1, pp. 100-112.

- Pagach, D. P. and Warr, R. S. (2011), "The characteristics of firms that hire chief risk officers," *The Journal of Risk and Insurance*, Vol. 78 No. 1, pp. 185-211.
- Palmer, H. J. (2012), "Corporate social responsibility and financial performance: Does it pay to be good?" *CMC Senior Theses*. Paper 529.
- Pan, X., Sha, J., Zhang, H., and Ke, W. (2014), "Relationship between corporate social responsibility and financial performance in the mineral industry: evidence from Chinese mineral firms", *Sustainability*, Vol. 6 No. 7, pp. 4077-4101.
- Park, S. (2017), "Corporate social responsibility, visibility, reputation and financial performance: empirical analysis on the moderating and mediating variables from Korea", *Social Responsibility Journal*, Vol. 13 No. 4, pp. 856-871
- Peraturan Pemerintah No 47. Tahun 2012. (2012, March 1). *Peraturan Pemerintah Republik Indonesia Nomor 47 Tahun 2012 Tanggung Jawab Sosial dan Lingkungan Perseroan Terbatas*. Republik Indonesia, Jakarta, West Java, Indonesia.
- Price, J. M. and Sun, W. (2017), "Doing good and doing bad: the impact of corporate social responsibility and irresponsibility on firm performance", *Journal of Business Research*, Vol. 80 No. 1, pp. 82-97.
- Ronkko, M., McIntosh, C., Antonakis, J., and Edwards, J. R. (2014), "Partial least squares path modeling: time for some serious second thoughts", *Journal of Operations Management*, Vol 5 No 2, pp. 1-19
- Shiu, Y.-M., and Yang, S.-L. (2016), "Does engagement in corporate social responsibility provide strategic insurance-like effects?" *Strategic Management Journal*, Vol. 38 No. 2, pp. 455-470.
- Stubbs, W. and Rogers, P. (2013), "Lifting the veil on environment-social-governance rating methods", *Social Responsibility Journal*, Vol. 9 No. 4, pp. 622-640.
- Stuebs, M., and Sun, L. (2010), "Business reputation and labor efficiency, productivity, and cost", *Journal of Business Ethics*, Vol. 96 No. 2, pp. 265-283.
- Sun, L. (2012), "Further evidence on the association between corporate social responsibility and financial performance", *International Journal of Law and Management*, Vol. 54 No. 6, pp. 472-484.
- Usman, A. and Amran, N. (2015), "Corporate social responsibility practice and corporate financial performance: evidence from Nigeria companies", *Social Responsibility Journal*, Vol. 11 No. 4, pp. 749-763.
- Vakilifard, H. R and Oskouei, M. M. (2014), "The effect of risk on firm performance: evidence from automobile companies listed in Tehran stock exchange", *Middle-East Journal of Scientific Research*, Vol. 19 No. 6, pp. 740-746.
- Waagstein, P. (2010), "The mandatory corporate social responsibility in Indonesia: problems and implications", *Journal of Business Ethics*, Vol. 98 No. 3, pp. 455-466.
- Yu, Y., and Choi, Y. (2014), "Corporate social responsibility and firm performance through the mediating effect of organizational trust in Chinese firms", *Chinese Management Studies*, Vol. 8 No. 4, pp. 577-592.
- Żak, A. (2015), "Triple bottom line concept in theory and practice," *Prace Naukowe Uniwersytetu Ekonomicznego We Wrocławiu*, No. 387, pp. 251-264.

Appendix

Table A1 KLD Strengths and Concerns

Issue Areas	Strengths	Concerns
Community	Charitable Giving Innovative Giving Volunteer Programs Support for Housing Support for Education	Negative Economic Impact Tax Disputes Investment Controversies
Diversity	Board of Directors Work/life Benefits	Non - Representativeness Major Controversies
Employee Relations	Strong Union Relations Retirement Benefits Strengths Health and Safety Strengths Employee Involvement	Poor Union Relations Retirement Benefits Concerns Health and Safety Concerns
Environment	Beneficial Products and Services Pollution Prevention Recycling	Hazardous Waste Substantial Emissions Regulatory Problems Ozone Depleting Chemical Agricultural Chemical Climate Change
Products	Quality R&D/ Innovation	Product Safety Marketing/Contracting Concerns Antitrust Problem

Corporate Social Responsibility, Financial Performance, and Risk in Indonesian Natural Resources Industry

ORIGINALITY REPORT

16%

SIMILARITY INDEX

10%

INTERNET SOURCES

10%

PUBLICATIONS

8%

STUDENT PAPERS

PRIMARY SOURCES

1

www.emeraldinsight.com

Internet Source

5%

2

Josua Tarigan, Saarce Elsy Hatane, Linneke Stacia, Deborah Christine Widjaja. "Corporate social responsibility policies and value creation: does corporate governance and profitability mediate that relationship?", Investment Management and Financial Innovations, 2019

Publication

2%

3

openaccess.leidenuniv.nl

Internet Source

<1%

4

www.emrbi.org

Internet Source

<1%

5

Submitted to Napier University

Student Paper

<1%

6

Submitted to University of Southampton

Student Paper

<1%

7

ro.uow.edu.au

<1 %

8

Mikko Rönkkö, Cameron N. McIntosh, John Antonakis, Jeffrey R. Edwards. "Partial least squares path modeling: Time for some serious second thoughts", Journal of Operations Management, 2016

Publication

<1 %

9

hydra.hull.ac.uk

Internet Source

<1 %

10

Submitted to Heriot-Watt University

Student Paper

<1 %

11

www.tandfonline.com

Internet Source

<1 %

12

Submitted to Erasmus University of Rotterdam

Student Paper

<1 %

13

arrow.latrobe.edu.au

Internet Source

<1 %

14

link.springer.com

Internet Source

<1 %

15

Raudzah Roslan, Muhd Kamil Ibrahim, Nor'azurah Md Kamdari. "Retirement benefits: Empirical evidence from Malaysia", 2010 International Conference on Science and Social Research (CSSR 2010), 2010

<1 %

16

Saurabh Mishra, Sachin B. Modi. "Positive and Negative Corporate Social Responsibility, Financial Leverage, and Idiosyncratic Risk", *Journal of Business Ethics*, 2012

Publication

<1 %

17

Submitted to UT, Dallas

Student Paper

<1 %

18

Submitted to University of Westminster

Student Paper

<1 %

19

Stephen Dobson, Carlyn Ramlogan-Dobson, Eric Strobl. "Convergence or divergence in cross-country growth?", *International Review of Applied Economics*, 2012

Publication

<1 %

20

www.sciedu.ca

Internet Source

<1 %

21

Albi Alikaj, Cau Ngoc Nguyen, Efrain Medina. "Differentiating the impact of CSR strengths and concerns on firm performance", *Journal of Management Development*, 2017

Publication

<1 %

22

www.scribd.com

Internet Source

<1 %

23

Submitted to Higher Education Commission Pakistan

<1 %

24

Submitted to Greenwich School of Management

Student Paper

<1 %

25

www.pls-institute.org

Internet Source

<1 %

26

Submitted to Singapore Institute of Technology

Student Paper

<1 %

27

Submitted to University Of Tasmania

Student Paper

<1 %

28

Sun Young Lee, Daniel Riffe. "Who sets the corporate social responsibility agenda in the news media? Unveiling the agenda-building process of corporations and a monitoring group", Public Relations Review, 2017

Publication

<1 %

29

Submitted to Trisakti University

Student Paper

<1 %

30

Submitted to University of Hull

Student Paper

<1 %

31

is.muni.cz

Internet Source

<1 %

32

unpas.id

Internet Source

<1 %

33	Submitted to Wageningen University Student Paper	<1 %
34	lup.lub.lu.se Internet Source	<1 %
35	Submitted to University of Cape Town Student Paper	<1 %
36	mba.yale.edu Internet Source	<1 %
37	Submitted to FAME International College Student Paper	<1 %
38	Submitted to University of Wales College, Newport Student Paper	<1 %
39	Submitted to University of Huddersfield Student Paper	<1 %
40	ijbmi.org Internet Source	<1 %
41	www.irbnet.de Internet Source	<1 %
42	Joseph M. Price, Wenbin Sun. "Doing good and doing bad: The impact of corporate social responsibility and irresponsibility on firm performance", Journal of Business Research, 2017 Publication	<1 %

43	www.emerald.com Internet Source	<1 %
44	Submitted to Newcastle College, Tyne & Wear Student Paper	<1 %
45	www.virtusinterpress.org Internet Source	<1 %
46	Martin Stuebs, Li Sun. "Corporate Governance and Environmental Activity", Emerald, 2014 Publication	<1 %
47	www.bluepenjournals.org Internet Source	<1 %
48	Kevin C. H. Chiang, Gregory J. Wachtel, Xiyu Zhou. "Corporate Social Responsibility and Growth Opportunity: The Case of Real Estate Investment Trusts", Journal of Business Ethics, 2017 Publication	<1 %
49	academic.oup.com Internet Source	<1 %
50	theses.gla.ac.uk Internet Source	<1 %
51	Submitted to University of Glamorgan Student Paper	<1 %
52	Submitted to University of Liverpool Student Paper	

<1 %

53

Thiago Borges Ramalho, Denis Forte.
"Financial literacy in Brazil – do knowledge and
self-confidence relate with behavior?", RAUSP
Management Journal, 2019

Publication

<1 %

54

Shantaram P. Hegde, Dev R. Mishra. "Married
CEOs and corporate social responsibility",
Journal of Corporate Finance, 2019

Publication

<1 %

55

Submitted to Udayana University

Student Paper

<1 %

56

Submitted to University of Bedfordshire

Student Paper

<1 %

57

Fayez A. Elayan, Jingyu Li, Zhefeng Frank Liu,
Thomas O. Meyer, Sandra Felton. "Changes in
the Covalence Ethical Quote, Financial
Performance and Financial Reporting Quality",
Journal of Business Ethics, 2014

Publication

<1 %

58

www.slideshare.net

Internet Source

<1 %

59

repositorio-aberto.up.pt

Internet Source

<1 %

60	scholarworks.waldenu.edu Internet Source	<1 %
61	Submitted to University of Strathclyde Student Paper	<1 %
62	Submitted to University of South Australia Student Paper	<1 %
63	dspace.tul.cz Internet Source	<1 %
64	Brian Bolton. "Sustainable Financial Investments", Springer Nature, 2015 Publication	<1 %
65	Submitted to RMIT University Student Paper	<1 %
66	Submitted to Cranfield University Student Paper	<1 %
67	Submitted to University of Stellenbosch, South Africa Student Paper	<1 %
68	Submitted to British University In Dubai Student Paper	<1 %
69	Submitted to Vaasan yliopisto Student Paper	<1 %
70	Feng Jui Hsu, Yu-Cheng Chen. "Is a firm's financial risk associated with corporate social	<1 %

responsibility?", Management Decision, 2015

Publication

Exclude quotes On

Exclude bibliography On

Exclude matches

< 5 words