ANALYSIS OF THE INFLUENCE OF CSR ON FINANCIAL INCLUSION, FINANCIAL PERFORMANCE, FINANCIAL STABILITY AND COMPANY VALUE IN THE BANKING SECTOR IN INDONESIA

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Abstract

The influence of globalization, increasingly fierce competition and the availability of adequate access to information forces companies to rethink appropriate business strategies to compete. Of the many existing strategies, companies need to consider CSR as one of the business strategies. This research analyzes the impact of implementing CSR as independent variable on financial inclusion, financial performance, financial stability and company value as dependent variables in the banking sector in Indonesia. We use the data of 20 companies from 2018 to 2022. Method used in this research is linear data regression. The result shows that CSR only have a significant influence on financial inclusion and firm value while for control variables, only tangibility that has no impact on all four factors.

Keywords: CSR, Financial Inclusion, Financial Performance, Financial Stability, Firm Value

INTRODUCTION

The reality of globalization and increasingly fierce competitive conditions, as well as the growing influence of companies, puts pressure on companies to assess their social obligations and implement responsible practices into their commercial operations (Adams, 2008; UNCTAD, 2011). One of the implementation of responsible practices is Corporate Social Responsibility. Corporate Social Responsibility is a strategic choice made by organizations that want to dedicate themselves to paying society's social debt with the aim of helping resolve environmental and social challenges and providing a positive influence on members outside the organization (Ness, 1992).

The implementation of CSR practices is no longer limited to social responsibility in society but has experienced a shift in the realm of the business world. Awareness of the importance of financial and non-financial capabilities (such as CSR) in the business world, makes companies consider CSR as an investment rather than a cost (Wibisono, 2007) so that business organizations are expected to be able to increase investment in this area of CSR. Investments in CSR can generate profits, according to research by Ramzan et al., 2021 companies that disclose CSR data benefit both financially and non-financially because good news about the business and financial rewards can be seen in increased financial performance (Financial Performance), stability financial stability, company value, and better access to finance.

This research focuses on finding out the impact of CSR on financial inclusion, financial performance, financial stability and company value in the Indonesian banking
industry. This research includes CSR as an independent variable, financial inclusion, financial performance, financial stability, and company value as dependent factors, as well as other control variables. The research method uses panel data regression and the samples used are banking companies listed on the Indonesia Stock Exchange in the period 2018 to 2022.

LITERATURE REVIEW

CSR

Various reasons such as external and internal factors underlie how CSR policies should be implemented by companies. According to (Frynas., 2009) companies have several considerations regarding the implementation of CSR as follows: (i) to comply with applicable laws, regulations and provisions; (ii) It is a social investment in society so that the company has a good brand image; (iii) is part of the company's business policy; (iv) obtain operating permits from surrounding communities; (v) as part of company risk management to reduce and avoid social conflicts.

The consideration that needs to be reviewed regarding the implementation of CSR is the impact it has, according to (Johnson., 2006) in his book entitled Corporate Culture and Governance Social Responsibility, states that CSR is a way of running a business both in part and in its entirety so that it can have a positive impact on itself, and environment. This is logical because businesses must be able to contribute positively to the communities and environments in which they operate.

CSR plays an important role for corporations, especially in banking because corporations carry out their business activities in the community and their activities can have social and environmental impacts. So this makes researchers believe that banking corporations can create positive direct relationships with society by providing access to affordable financial services (Cutcher, 2014).

Financial Inclusion

The term financial inclusion became popular after the crisis in 2008. Financial inclusion is an effort so that all levels of society can be connected to financial systems and products so that they can encourage economic growth and reduce poverty. It also implies that it consists of a regulated institutional structure that provides affordable financial services, payment and remittance facilities, savings, insurance, and credit services (Zhang & Posso, 2019).

Financial inclusion seeks to integrate the "unbanked" population into the official financial system so that they have the opportunity to utilize financial products such as savings, credit payments and transfers, insurance, and can be measured by frequency of use (Hannig & Jansen, 2010). However, financial inclusion is not just about opening a bank account or something else, but is related to banking education in order to utilize banking facilities and products so that ultimately they are able to manage their own finances better (Kumari, 2014).

Financial inclusion plays an important role as a tool for inclusive growth because it can help people invest, plan their finances and streamline household consumption, all of which can contribute to reducing poverty and inequality (Arandara & gunasekara, 2020).
Financial performance is a direct definition of a company's capacity to perform business performance over a certain period of time. According to (Fahmi, 2018) financial performance is analyzed to see how well the company uses implementation guidelines to finance company operations. The company's financial success is strong evidence that the applicable standards have been implemented accurately and completely. Excellent financial performance is useful for achieving the company's main goal, namely increasing the wealth of its shareholders, so according to (Munawir, 2012) understanding the level of liquidity, solvency, profitability and stability of the company is one of the goals of financial performance. If the goal is the company's financial performance if it is not met, it will have a negative impact on its operational success and may even pose a risk to the company's long-term survival.

**Financial Stability**

According to (Kocabay, 2009), there are several variables that influence the resilience of the banking system, including the level of competition in the structure, economic conditions, regulatory rules, and supervisory policies. If a company is faced with poor financial management and financial instability it will certainly have a negative impact on the running of the company's activities which will result in losses or stop the company's activities itself so that for companies having stable finances is one of the important goals considering that financial stability is obtained by carrying out management. good finances.

To ensure that the company's financial stability can be achieved, the company needs to implement an adequate business strategy and one way is to utilize CSR. CSR has developed into a priority for companies, stakeholders and the financial community regarding the concept of sustainable business. According to research from (Chollet et al., 2018) who studied the influence of CSR on financial risk by using three categories of representation, including company-specific risk, systematic risk, and total risk for measuring financial risk, they came to the conclusion that a good corporate social performance reduce financial risk which leads to increased financial stability.

**Firm Value**

According to stakeholder theory, company value can be increased by synchronizing the business to meet stakeholder expectations through effective CSR programs (Jitmaneeroj, 2018). Enterprise value acts as a measure of job performance for management. An increase in business value indicates an increase in company performance, which indirectly has the potential to increase shareholder wealth, which is one of the company's main goals.

Research conducted by (Borghesi et al., 2019) explains that industries sometimes have to face varying degrees of economic uncertainty over time, ranging from occasional financial market volatility to less significant but more frequent economic policy changes, so planning appropriately for such uncertainties enabling companies to survive and thrive. Carrying out strong corporate governance practices is one component of readiness, and another requirement is the creation and preservation of social capital (e.g., corporate reputation, brand, and trust) that
can be accessed when needed, so the findings of this research indicate that CSR policies have a beneficial impact on company value in challenging conditions such as the global financial crisis.

**RESEARCH METHOD**

The technical approach to this research model is a type of descriptive quantitative research that attempts to explain the position of the variables studied and the relationship between one factor and another (Sugiyono, 2010).

In this research, empirical data is presented regarding the relationship between financial inclusion, financial performance, financial stability and company value in the Indonesian banking industry. The variables in this research are classified into three types: independent variables, dependent variables, and control factors.

In this article, CSR is the independent variable, while financial inclusion, financial performance, financial stability, and company value are the dependent variables. Finally, in this research, leverage, tangibility, company age, and company size are treated as control variables. This research data is quantitative, and uses an approach that uses data to explain the relationship between variables in accordance with the theory that has been proposed.

**Data Collection Method**

The data collection method used in this research uses a secondary data collection approach. According to (Cooper et al., 2014), secondary data is the result of studies conducted by other people for various reasons. Books, journal papers, websites, and other sources are used to obtain secondary data. This research data was obtained from the Indonesia Stock Exchange website in the form of annual financial reports, annual review reports from each company's website and Refinitiv Eikon as complementary data.

Meanwhile, regarding the population and sample, purposive analysis techniques were used with the following criteria:

- Banking institutions with active status and registered on the Indonesian stock exchange.
- Banking institutions that publish their complete annual reports for the period 2018-2022.
- Banking institutions that have other annual data required by researchers and complete for the 2018 – 2022 period.

**Research Design**

Based on the research design model, a multiple linear regression approach is used to analyze the relationship between the independent variables and their control variables on the dependent variable. The research model can be seen below:

\[
IK = a + \beta_1 \log CSR_{it} + \beta_2 \text{Leverage}_{it} + \beta_3 \text{Tangibility}_{it} + \beta_4 \text{Age}_{it} + \beta_5 \text{Size}_{it}
\]

Based on research, multiple linear regression calculations can be made as follows:

I. \[IK = a + \beta_1 \log CSR_{it} + \beta_2 \text{Leverage}_{it} + \beta_3 \text{Tangibility}_{it} + \beta_4 \text{Age}_{it} + \beta_5 \text{Size}_{it}\]

Source: Researcher (2023)
II. \[ KK = a + \beta_1 \log CSR_{it} + \beta_2 \text{Leverage}_{it} + \beta_3 \text{Tangibility}_{it} + \beta_4 \text{Age}_{it} + \beta_5 \text{Size}_{it} \]

III. \[ SK = a + \beta_1 \log CSR_{it} + \beta_2 \text{Leverage}_{it} + \beta_3 \text{Tangibility}_{it} + \beta_4 \text{Age}_{it} + \beta_5 \text{Size}_{it} \]

IV. \[ NP = a + \beta_1 \log CSR_{it} + \beta_2 \text{Leverage}_{it} + \beta_3 \text{Tangibility}_{it} + \beta_4 \text{Age}_{it} + \beta_5 \text{Size}_{it} \]

Explanation
- IK = Financial Inclusion
- KK = Financial Performance
- SK = Financial Stability
- NP = Company Value
- \( \beta_1 \log CSR_{it} \) = Corporate Social Responsibility
- \( \beta_2 \text{Leverage}_{it} \) = Leverage
- \( \beta_3 \text{Tangibility}_{it} \) = Tangibility
- \( \beta_4 \text{Age}_{it} \) = Company Age
- \( \beta_5 \text{Size}_{it} \) = Company Size

Based on the model formula, four hypotheses are formulated as follows

**Relationship between CSR and Financial Inclusion**

The phenomenon of studies on CSR in banking mostly focuses on increasing the company's financial capabilities (Platonova et al., 2018) so there is a need for further research on the influence of CSR on financial inclusion. According to Singh et al., 2021) CSR has a positive impact on financial inclusion in banking in India by using income as a moderator, and banks must carry out CSR activities for economically disadvantaged communities so that they can easily access banking products and services. In a comparable way (Ramzan et al., 2021) investigated CSR and its impact on financial performance, financial stability, and financial inclusion, and found a beneficial relationship. However, financial inclusion and financial stability are reduced at high levels of leverage. Apart from that, financial inclusion has a negative effect on asset tangibility. Based on previous studies, it can be concluded that CSR has a positive influence on financial inclusion.

**H1:** There is a positive and significant relationship between CSR and Financial Inclusion in the banking sector in Indonesia.

**Relationship between CSR and Financial Performance**

For decades, CSR has been a major topic in the financial literature. The majority of previous research concentrates on the influence of CSR on company performance. (Maqbool & Zameer, 2018) conducted research on CSR and its implications for financial performance at banks identified on the Bombay Stock Exchange, India, which resulted in a favorable relationship between CSR and financial performance (FP), which was supported by (Szegedi et al., 2020), which states that CSR has an optimistic impact on the financial health of businesses. Based on previous research, the following hypotheses were tested:

**H2:** There is a positive and significant relationship between CSR and Financial Performance in the banking sector in Indonesia.

**Relationship between CSR and Financial Stability**
In the context of financial literature, financial stability is very important for business. (Orazalin et al., 2023) investigates the impact of CSR on financial stability in the insurance, banking and investment banking sectors. Researchers obtained results in the form of CSR initiatives contributing positively to overall financial stability and three sub-sectors in the financial sector. Other research was also carried out by (Chollet & Sandwidi, 2018) about the influence of corporate financial risks and their involvement in corporate social responsibility (CSR). The research results indicate that good corporate social performance reduces its financial risk, which leads to increased financial stability. This research proposes the following hypothesis to study the relationship between financial stability and CSR activities.

**H3:** There is a positive and significant relationship between CSR and Financial Stability in the banking sector in Indonesia.

**Relationship between CSR and Firm Value**

Company value is very crucial for business because a high company value will increase the wealth of share owners. (Hendratama & Huang, 2021) conducted research with findings indicating a good relationship between CSR and company value. This research looks at the impact of company life cycle stages on the relationship between CSR and company value.(Tarjo et al., 2022) conduct research to determine whether financial fraud can offset the direct impact of Corporate Social Responsibility (CSR) on company value. According to the findings of this research, financial fraud can reduce the influence of CSR on company value. Based on the findings of previous investigations, the following hypotheses are proposed in this study.

**H4:** There is a positive and significant relationship between CSR and Firm value in the banking sector in Indonesia.

**Data Processing**

The data collected was 20 companies with a research period of 5 years so that the total data was 100 items. Next, the data is processed using the following technique:

**Multicollinearity Test**

The multicollinearity test was carried out to determine whether there was a very significant relationship or a perfect linear relationship. It can also be said that the independent variables do not show any interdependence. The method used for this research is the Tolerance and VIF (Variance Inflation Factor) method. If the tolerance value is > 0.1 and VIF < 10.00, then there are no symptoms of multicollinearity.

**Heteroskedasticity Test**

The heteroscedasticity test is used to determine whether there is unequal distribution of residual deviations caused by variations in the value of one observation to another or if there is unequal distribution as the observation value increases. Data is said to not have heteroscedasticity when the significance value is greater than 5% (0.05).

**F-Test**

The F test is carried out to determine whether all the independent variables in the research model that have been determined have a simultaneous influence on the dependent variable. The F test is carried out by stating that if the Sig value is smaller
than 0.05 then the independent factors influence the dependent variable together or the research hypothesis results are accepted.

**T-Test**

The T test is carried out to determine whether the independent variables in the research model that have been determined have a partial or independent influence on the dependent variable. The T test is carried out by stating that if the Sig value is smaller than 0.05 then the independent factor has a partial effect on the dependent variable or the research hypothesis results are accepted.

**Result and Discussion**

**Descriptive Statistics**

In the explanation of the descriptive statistics above, it can be seen if the variables of financial inclusion: total bank branches have a mean of 0.0189547, standard deviation of 0.0417989 and min of 0.00025 and max of 0.18628. Furthermore, for the second financial inclusion variable, the total bank atms are known to have a mean of 0.0330335, a standard deviation of 0.0588801 and a min of 0.00021 and a max of 0.24684. For the next variable, ROA is known to have a mean and standard deviation of 0.0129186 and 0.0088974 and min and max of 0.0001847 and 0.032508. The financial stability variable has a mean and standard deviation of 4.046791 and 0.6348905 and min and max of 2.904881 and 5.715779. For the last dependent variable, namely Y4 or company value, it is known to have a mean and standard deviation of 31.13055 and 1.742114, followed by a min of 27.71651 and 34.59137.

Then for the explanation of the independent variable starting from CSR which has mean, standard deviation, min and max values of 22.88783, 2.346577, 16.6714 and 26.37576. There are control variables in this study, the first is the leverage variable which has a mean of 0.8487676 then a standard deviation of 0.0482465 then min and max which are respectively 0.6865601 and 0.944664. For the tangibility variable has a mean and standard deviation of 0.054817 and 0.0299356 then for the min and max of 0.0166381 and 0.241083. The company's age variable has a mean and standard deviation of 3.926216 and 0.5175708 and for its min and max respectively has a value of 2.772589 and 4.844187. Finally, for the variable size of the company has a mean of 32.56589, followed by a standard deviation of 1.541882, then for the min and max values of 28.98018 and 35.22819.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Obs</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cabang</td>
<td>100</td>
<td>0.0189547</td>
<td>0.0417989</td>
<td>0.00025</td>
<td>0.18628</td>
</tr>
<tr>
<td>Total ATM</td>
<td>100</td>
<td>0.0330335</td>
<td>0.0588801</td>
<td>0.00021</td>
<td>0.24684</td>
</tr>
<tr>
<td>ROA</td>
<td>100</td>
<td>0.0129186</td>
<td>0.0088974</td>
<td>0.0001847</td>
<td>0.032508</td>
</tr>
<tr>
<td>Stabilitas Keuangan</td>
<td>100</td>
<td>4.046791</td>
<td>0.6348905</td>
<td>2.904881</td>
<td>5.715779</td>
</tr>
<tr>
<td>Kapitalisasi Pasar</td>
<td>100</td>
<td>31.13055</td>
<td>1.742114</td>
<td>27.71651</td>
<td>34.59137</td>
</tr>
<tr>
<td>CSR</td>
<td>100</td>
<td>22.88783</td>
<td>2.346577</td>
<td>16.6714</td>
<td>26.37576</td>
</tr>
</tbody>
</table>
Leverage | 100 | 0.8487676 | 0.0482465 | 0.6865601 | 0.944664  
Tangibility | 100 | 0.054817 | 0.0299356 | 0.0166381 | 0.241083  
Age Perusahaan | 100 | 3.926216 | 0.5175708 | 2.772589 | 4.844187  
Ukuran Perusahaan | 100 | 32.56589 | 1.541882 | 28.98018 | 35.22819  

(source : Researcher, 2023)

### Multicollinearity Test

The results of the multicollinearity test show that the overall tolerance value is greater than 0.1 or the value of VIF is smaller than 10. Therefore, it can be concluded that there is no multicollinearity between independent variables in this study.

<table>
<thead>
<tr>
<th>Model</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cabang - CSR</td>
<td>2.33</td>
</tr>
<tr>
<td>Total ATM - CSR</td>
<td>2.37</td>
</tr>
<tr>
<td>Financial Performance - CSR</td>
<td>2.37</td>
</tr>
<tr>
<td>Stabilitas Keuangan - CSR</td>
<td>2.37</td>
</tr>
<tr>
<td>Kapitalisasi Pasar - CSR</td>
<td>2.37</td>
</tr>
</tbody>
</table>

(sumber: Peneliti, 2023)

### Heteroskedasticity Test

Based on the table below, it can be concluded that if the prob value of chi2 > is above the significance value of 0.05, then there is no heteroskedasticity problem. Based on the output below, it can be concluded that there is no heteroskedasticity problem. For the financial stability research model on CSR, heteroschedality tests were not carried out because data processing uses a robust approach.

<table>
<thead>
<tr>
<th>Model</th>
<th>Ch2 (1)</th>
<th>Prob &gt; Chi2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total branches - CSR</td>
<td>1.01</td>
<td>0.3159</td>
</tr>
<tr>
<td>Total ATM - CSR</td>
<td>3.23</td>
<td>0.0725</td>
</tr>
<tr>
<td>Financial Performance - CSR</td>
<td>2.54</td>
<td>0.1107</td>
</tr>
<tr>
<td>Company Value - CSR</td>
<td>1.07</td>
<td>0.3002</td>
</tr>
</tbody>
</table>

(Sumber: Peneliti, 2023)

### Coefficient of Determination Test

The results of the coefficient of determination test on financial inclusion
variables which include total bank branches and total atms showed values of 0.6647 and 0.8042 which showed that the variation in total branches and total atms could only be explained by 66% and 80% by independent and control variables. In addition, the variables financial performance, financial stability, market capitalization have values: 0.5084; 0.4593; 0.7733 which is a variation of 50%; 45%; 73% occurs in financial performance, financial stability and market capitalization variables and can be explained by independent variables and control variables contained in the research model.

<table>
<thead>
<tr>
<th>Variabel Dependen</th>
<th>R-Squared</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Inclusion (total branches)</td>
<td>0.6647</td>
</tr>
<tr>
<td>Financial Inclusion (Total ATMs)</td>
<td>0.8042</td>
</tr>
<tr>
<td>Financial Perfomance (ROA)</td>
<td>0.5084</td>
</tr>
<tr>
<td>Financial Stability</td>
<td>0.4593</td>
</tr>
<tr>
<td>Company Value</td>
<td>0.7733</td>
</tr>
</tbody>
</table>

(Source: Researcher, 2023)

**Test F**

The results of the F-statistical test show that all variables/models have a value of 0.000 which value is smaller than the significance level of 0.05 so that it can be concluded that the independent variable and the control variable together have a simultaneous effect on the dependent variable.

<table>
<thead>
<tr>
<th>Variabel Dependen</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Inclusion (total branches)</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>Financial Inclusion (Total ATMs)</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>Financial Perfomance (ROA)</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>Financial Stability</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>Company Value</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

(Source: Researcher, 2023)
Hypothesis Testing

In this hypothesis test, the results of research testing can be accepted if the results are smaller than the significance level of 0.05. Here are the results of hypothesis testing:

| Variabel Dependen : Total Cabang | Coefficient | Std. Error | t   | P>|t| |
|---------------------------------|-------------|------------|-----|-----|
| CSR                             | 3.34        | 2.88       | 1.16| 0.249|

| Variabel Dependen : Total ATM    | Coefficient | Std. Error | t   | P>|t| |
|---------------------------------|-------------|------------|-----|-----|
| CSR                             | 0.094       | 0.722      | 1.31| 0.195|

| Variabel Dependen : ROA (Financial Performance) | Coefficient | Robust Std. Error | t   | P>|t| |
|-------------------------------------------------|-------------|-------------------|-----|-----|
| CSR                                             | 0.019       | 0.000             | 3.51| 0.001|

| Variabel Dependen : Stabilitas Keuangan         | Coefficient | Std. Error | t   | P>|t| |
|-------------------------------------------------|-------------|------------|-----|-----|
| CSR                                             | 0.836       | 0.589      | 1.42| 0.159|

| Variabel Dependen : Kapitalisasi Pasar          | Coefficient | Std. Error | t   | P>|t| |
|-------------------------------------------------|-------------|------------|-----|-----|
| CSR                                             | 0.137       | 0.740      | 0.19| 0.853|

(Source: Researcher, 2023)

From the results of the above research, it can be concluded that corporate social responsibility (CSR) has a significant influence on company performance as measured by proxy ROA. This shows that banks that invest or do activities in CSR will have a financial advantage in terms of increasing ROA ratios and increasing competitive advantage in this area.

CONCLUSION

This study aims to examine the effect of CSR on financial inclusion, financial performance, financial stability and corporate value in the banking sector in Indonesia with a research period of 5 years. The final results of this study show that CSR only has a positive and significant influence on financial performance as measured through proxy ROA. This shows that banks that invest in CSR activities will have implications for increasing the company's ROA, this is because CSR activities have good branding in the community or potential customers and can increase loyalty and trust from existing stakeholders so that it leads to improved company performance.

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