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MEDIA DISCLOSURE AND FINANCIAL PERFORMANCE IN CORPORATE SOCIAL RESPONSIBILITY: EVIDENCE FROM INDONESIAN MINING

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ABSTRACT

This study aims to determine the influence of media disclosure and financial performance on CSR. The research population is a mining company listed on the Indonesia Stock Exchange (IDX) in 2019-2021.The sampling technique used is purposive sampling technique, which is technique of determining samples with certain considerations. The samples used were 17 mining companies. This type of research is descriptive quantitative. The use of secondary data from IDX publications and official websites of mining companies in the form of time series data, namely media disclosure and financial performance. This study used multiple linear regression analysis with the EVIEWS 12.0 software program tool. The results of the study found that, from the results of the t-test, it can be concluded that each variable of media disclosure and financial performance has a significant effect on CSR in mining companies. The results of the coefficient of determination test (R^2) showed that the ability of independent variables (media disclosure and financial performance) in explaining dependent variables (CSR) was 55.26 percent while the remaining 44.74 percent was explained by other variables outside the model R^2.

KEYWORDS: Media Disclosure, Financial Performance, Corporate Social Responsibility, Mining

Introduction

The growing demand for social and environmental accountability by external stakeholders is putting considerable pressure on companies to achieve desired goals beyond the maximization of shareholder value. Some companies respond by participating in socially responsible activities to build value-creating relationships with their key stakeholders, while others consider corporate social responsibility (CSR) to be a rare misalignment of corporate resources. The controversy over whether and how CSR affects the company's performance has attracted scientific interest. Various studies have discussed the relationship between CSR and a company's financial performance (Campbell, 2007; Manchiraju & Rajgopal, 2017; Servaes & Tamayo, 2021) which may be fruitful but not convincing.

Recently, developments in the world of technology and the economy have accelerated, forcing existing companies to follow these changes. This happens because of the fierce business competition between companies so they are competing to create innovations that can meet the needs of their people in the most effective way. In the beginning, many companies only maximized profits by carrying out operational activities regardless of the impact on the environment and their communities so there was environmental damage which caused the trust of their communities to also decrease. However, currently, companies are required to provide a good image by paying attention to the environment or better known as corporate social responsibility (CSR). In Indonesia in particular, CSR was largely initiated by large companies to support sustainable development, the central government stepped in by developing CSR guidelines that obliged some companies to disclose CSR information in their annual reports. The government also strongly encourages the voluntary disclosure of socially responsible activities by companies.

CSR activities are carried out by the company's management policy by making the surrounding environment the object of its activities. The bad and polluted environment caused by the company's operational activities will be a problem for the company because it will affect investors' decisions. Investors will consider a high-profit company with a good working environment. One of the corporate sectors that often face this problem is mining companies. Mining companies have to deal directly with nature in the production process because they have to process natural resources into finished goods that are ready to be used for daily life. In addition, this company is the largest contributor in causing pollution, waste, and labor.

The pollution case that occurred in the Malinau and Sesayap Rivers occurred due to the embankment of the sewage pond of the coal company PT. Kayan Putra Utama Coal (KPUC) in Malinau, North Kalimantan, broke down. As a result, river water is polluted with sewage and the quality of health of local communities decreases as food security and the economy gradually decline. Likewise with the PT. Caltex Pacific Indonesia (CPI) conflict causes environmental pollution and social problems so that it experiences losses in health and economic aspects (Plorensia & Hardiningsih, 2018).

The above case is an act of not attaching importance to CSR that will harm the company and the surrounding environment, this will have an impact on the decline of the company's image to the sanctions that must be borne by the company. In addition, the termination of the company's operational activities will occur if the company gets severe sanctions from the government or there is no action to solve the problems that occur.

In such situations, some socially responsible companies integrate CSR criteria into corporate governance decisions, and some disclose CSR information along with annual financial statements to show their efforts in meeting their CSR commitments (Chang, 2016). However, most private companies in China often prioritize economic goals at the expense of stakeholders, such as employees, consumers, and the environment. Some companies try to avoid compliance with CSR codes due to the absence of effective supervision (Ip, 2009).

Some companies avoid performing social obligations in the first place and are thus open to public criticism related to environmental pollution, unsafe food, low-quality products, and so on. However, companies that fulfill more social responsibility offer a positive image to consumers. According to the existing literature, stakeholder perceptions of CSR activities are very important and help increase consumer confidence and brand loyalty (Stanaland, Lwin, & Murphy, 2015). Therefore, most companies tend to publicize their charitable activities to improve stakeholder responsiveness, leading to expansion in corporate communication.

However, the public lost confidence due to frequent CSR scandals. Wu et al. (2021) also show that the increasing number of CSR scandals negatively impacts stakeholders' positive perceptions of socially responsible companies, raising concerns about the sincerity and trustworthiness of their CSR engagement. As a result, the company's efforts to fulfill social responsibility are not entirely clear to relevant stakeholders.

Nevertheless, in Indonesia, the media is considered a reliable source of information and can raise public awareness about the company's charitable activities. Therefore, we explore the role of media in the relationship between corporate social responsibility disclosure and financial performance, which explains how CSR generates shareholder value. Admittedly, not all types of CSR engagement are driven by economic gains. However, as long as CSR actions are not purely related to social issues, it will be meaningful to assess and measure the instrumental value of CSR. Our study contributes to the existing literature on understanding the strategic use of CSR in Indonesian corporate settings and presents the mediation effect of media coverage on corporate social responsibility and financial performance.

Research on CSR has been carried out by many researchers and has mixed results. Based on these differences in results, researchers want to conduct a re-study of the factors that affect corporate responsibility. Researchers choose mining companies because these companies have a great influence on CSR reporting. The study aims to determine and analyze the influence of Media Disclosure and Financial Performance on Corporate Social Responsibility in mining sector companies.

Legitimacy Theory

The theory of legitimacy is the social contract of entities and society, to achieve the goals of the company without any loss from both parties (Sandityas & Trisnawati, 2019). Companies are required to be able to manage their reputation and maintain the sustainability of their business so that a good impression arises with the increase in positive value in the eyes of the public so that the company can increase its profits. Not only from the company side who feel the benefits but from the surrounding community will also benefit because of the transparency of information about the company's performance through annual reports.

The Effect of Media Disclosure on Corporate Social Responsibility

It is widely recognized that the media forms an important media outlet for information (Kim, Li, & Li, 2014). Groza et al. (2017)found that different sources of information can lead to different public attributions to engaging in CSR. The public has greater confidence in reports generated by independent third parties than information from companies.

The CSR information submitted by the media moderates the attribution effect and is perceived positively by consumers. Cahan et al. (2015) also suggest that CSR engagement can improve media coverage in general, not just reports specific to CSR initiatives, especially when companies have more motivation to develop the company's media image. Kruger (2015) found that the public reacted negatively to distressing and positive CSR actions to events that improved stakeholder relations. Hsiang et al., (2015) found that the news media played an important role in shaping public opinion. Some of the existing studies explore the relationship between media coverage and company performance. Kiousis et al. (2007)examine the influence of public relations efforts and media exposure on corporate reputation and financial performance based on agenda-setting theory. Based on the description above, the hypothesis is as follows:

H_1 : Media Disclosure affects Corporate Social Responsibility

The Effect of Financial Performance on Corporate Social Responsibility

Since Freeman (1984) first emphasized the strategic value of business ethics and proposed that creating value for stakeholders is a justifiable managerial investment, stakeholder theory has emerged and evolved as a prevailing paradigm in CSR literature (Margolis & Walsh, 2003). Despite the strong moral foundation of stakeholder theory, the instrumental value of CSR has evolved and attracted substantial interest (Aguinis & Glavas, 2012).

The instrumental theory considers participation in socially responsible activities as a way to achieve the better economic performance of the enterprise and maximize shareholder value (Garriga & Mele, 2017). To better evaluate instrumental theory and to promote CSRD as a useful strategy, it is important to discuss the following questions:

Brammer and Millington (2006) show that corporate philanthropy can reduce information asymmetry and promote active responses from consumers. Epstein (2010) surveyed U.S. consumer opinion and found that consumers like good corporate citizens and are willing to drive 11 minutes further to support them. Lev et al. (2010) found that corporate philanthropy is significantly linked to future revenue growth.

Dhaliwal et al. (2011)show that voluntary CSR disclosures reduce information asymmetry between management and investors and reduce the cost of capital. Servaes and Tamayo (2021) found that CSR commitment increases the value of the company by increasing consumer awareness. Dimson et al. (2015) studied involvement in CSR by U.S. companies from 1999 to 2009, covering a wide range of stakeholders, and found that successful CSR activities lead to better accounting performance and positive abnormal returns, especially when the company has reputational problems and can implement changes. Naseem et al. (2020)used a sample of 1021 Asia-Pacific companies from 2006 to 2016 and showed that CSR was positively related to company performance. Based on the description above, the hypothesis is as follows:

H_2 : Financial Performance affects Corporate Social Responsibility

Method

This study uses secondary data in the form of an annual report, which is a report that contains a summary of the company's activities and finances in the one year of mining sub-sector companies listed on the IDX for the 2019-2020 period. The research data is taken from the official website of the mining company. The population in the study was 47 companies. The sampling technique uses purposive sampling techniques, namely sampling techniques with certain considerations (Sugiyono, 2018). The sample criteria used in this study are as follows:

1. Mining companies listed on the IDX during the period 2019-2021
2. Companies that present annual reports and financial statements consistently during the period 2019-2021
3. Companies that use dollar currency
4. Companies that present complete information needed as a research sample for the 2019-2021 period.

Based on the criteria above, the number of mining sub-sector companies selected to be a research sample is 17 companies, so the total sample data is 17 mining sub-sector companies x 3 years, which is 51 sample data. The data used is the annual report of mining sub-sector companies from 2019-2021.

The measurement of media disclosure is to use dummy variables. If the company discloses CSR activities on the company's website, it will get a value of 1, and companies that do not disclose CSR activities on the company's website will get a value of 0. Meanwhile, the financial performance uses ROA by comparing its net profit to the company's total assets. CSR is calculated using the Global Reporting Initiative 4 (GRI 4) standard, which contains 91 assessment indicators. The disclosure will be based on a CSR disclosure checklist which will be given a score of 1 if the item is disclosed and given a score of 0 if the item is not disclosed.

The data analysis technique used the classical assumption test and to test the hypothesis using the T-Test.

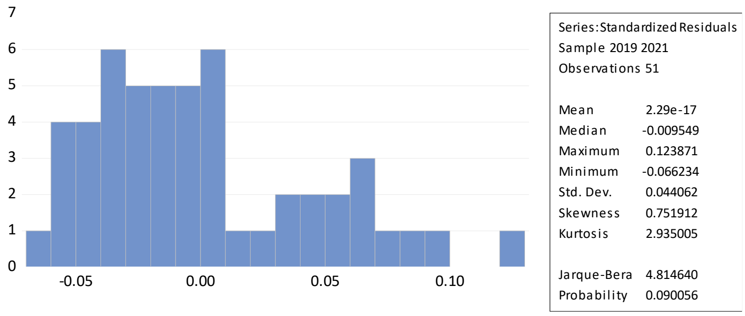
Result

Testing Classical Assumptions

1. Residual Normality Testing

Based on the results of the normality test that has been carried out, a summary is obtained as seen in table 1 below:

Table 1: Normality Test Results –*Jarque Bera* Approach



By the results of jarque Bera's normality testing, it can be seen that the variables in this study have a JB value of 4.814640 with a probability of 0.090056 greater than the real level of 5 percent, which means that the data is normally distributed.

2. Multicollinearity Testing

Based on the results of the tests that have been carried out, a summary of the results can be seen in table 2 below.

Table 2: Multicollinearity Test Results

Variable	Correlation Coefficient	Conclusion
X_1	0.714200	Not Happening
X_2	0.101817	Not Happening

By the results of multicollinearity testing, it can be seen that each research variable used in the study has been free from multicollinearity symptoms because each independent variable has a correlation coefficient below or equal to 0.80 so it can be concluded that all independent variables used in the current research model have been free from multicollinearity symptoms, so that further hypothesis testing stages can be done immediately.

3. Autocorrelation Testing

The results of the autocorrelation test showed that the Obs*R-squared probability value of 0.7163 this value was greater than the real level of 5 percent or 0.05. Therefore, it can be stated that there is no autocorrelation problem.

Table 3: **Autocorrelation Test Results**

Breusch-Godfrey Serial Correlation LM Test			
F-statistic	0.143505	Prob. F	0.8705
Obs*R-squared	0.769816	Prob. Chi-Square	0.7163

4. Heteroscedasticity Testing

The results of the heteroscedasticity test showed an Obs*R-squared probability value of 0. 6257 is greater than the real level of 5 percent, therefore it can be stated in this study model that there is no Heteroskedasticity.

Table 4: Heteroscedasticity Test Results

Heteroskedasticity Test : White			
F-statistic	1.259980	Prob. F	0.5528
Obs*R-squared	2.317223	Prob. Chi-Square	0.6257
Scaled explained SS	0.732446	Prob. Chi-Square	0.7681

Results of Multiple Linear Regression Equation Analysis

Based on Table 5, Prob Values. The F-statistic is 0. 000123. This value is smaller than the real Taraf of 5 percent which means that independent variables (media disclosure and financial performance) have no significant effect on the dependent variable (CSR). The prob value of t-statistics media disclosure is 0. 0086, this value is less alpha rate of 5 percent or 0.05. Thus, it can be said that the media disclosure variable significantly affects the CSR variable. The prob value of t-statistical financial performance is 0. 0096, this value is smaller than the alpha level of 5 percent or 0.05 which means that the financial performance variable has a significant effect on the CSR variable. In addition, the results of the data process showed that the Adjusted R-squared (R^2) obtained from the estimation results was 0.552636 or 55.26 percesquared his. R^2This means that the ability of independent variables (media disclosure and financial performance) in explaining dependent variables (CSR) is 55.26 percent while the remaining 44.74 percent is explained by other variables outside the model.

Table 5: Multiple Linear Regression Processed Results

Cross-section random effects test equation:
Dependent Variable: Y
Method: Panel Least Squares
Date: 08/02/22 Time: 06:27
Sample: 2019 2021
Periods included: 3
Cross-sections included: 17
Total panel (balanced) observations: 51

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.356910	0.011538	30.93278	0.0000
X1	0.011565	0.012954	0.892818	0.0086
X2	-0.000487	0.000623	-0.782684	0.0096

Effects Specification
Cross-section fixed (dummy variables)

Root MSE	0.024578	R-squared	0.713687
Mean dependent var	0.361961	Adjusted R-squared	0.552636
S.D. dependent var	0.046390	S.E. of regression	0.031028
Akaike info criterion	-3.828820	Sum squared resid	0.030808
Schwarz criterion	-3.109120	Log likelihood	116.6349
Hannan-Quinn criter.	-3.553801	F-statistic	4.431440
Durbin-Watson stat	2.475211	Prob(F-statistic)	0.000123

Discussion

Media Disclosure on Corporate Social Responsibility

The results of the analysis show that media disclosure variables affect CSR. This research shows that Media Disclosure has a significant positive effect on CSR. This positive relationship shows that a company that expresses its social responsibility on a website will greatly affect the value of the company's CSRD. In addition, in this case, it can be seen that the communication function is a very important point in CSR disclosure management. Communicating CSR through media exposure will increase the company's reputation in the eyes of the public.

The influence of media disclosure on the disclosure of Corporate Social Responsibility shows that the reporting of a company in the media is very important. Because companies reported in the media will get the spotlight from interested parties and also from the public. The reporting of a company in the media will put pressure on the company itself to pay more attention to environmental problems and also social problems that often occur around the company.

Coverage in the media will also encourage companies to make wider disclosures. The practice of CSR disclosure can explain social and environmental conflicts that occur due to activities carried out by the company amid society (Chariri, 2008). Although reporting in the media will encourage companies to be broader in making CSR disclosures, it does not mean that the company will pour greater funds to carry out its CSR activities. The company will prefer to allocate its costs to other activities that will bring greater profits to the company. Because the company is a business entity that will continue to seek profit or profit for the survival of the company in the future. The results of this study are in line with research conducted by Darma (2019) and Plorensia (2018) which shows a positive influence between media disclosure and CSR.

Financial Performance on Corporate Social Responsibility

Based on the results of the study, shows that financial performance variables have a significant influence on CSR. This shows that profitability can affect the company's Corporate Social Responsibility. Therefore, it can be argued that the higher the level of profitability, the company has sufficient funds to be allocated to social and environmental activities so that the level of disclosure of social responsibility by the company will be higher.

The which found a positive influence between profitability and CSR. Based on Waddock and Graves (1997) slack resources theory as cited in Tsoutsoura (2004), companies with strong financial performance have more resources available to invest in the realm of social performance, such as employee relationships, and environmental concerns, or community relations.

Companies with strong financial levels can invest in long-term strategies such as providing services to the community and its employees. In addition, a possible reason underlying the positive relationship between profitability and CSR is the dependence of financial performance on the company's CSR performance.

This means that the higher the level of profitability of the company, the greater the disclosure of social information made by the company. In the results of research Wahyuningsih & Mahdar (2018) stated that profitability affects CSR in a positive direction. This is supported by research conducted by Utami (2019) and Tovani (2015) which shows that profitability has a positive effect on CSR.

Conclusion

Based on the results of research and discussion, it can be concluded that Media Disclosure and Financial Performance have a positive and significant effect on CSR in mining companies for the 2019-2021 period.

The limitation of this study is that the financial performance ratio used is only ROA and the research period taken is only mining companies in 2019-2021. For further research, it is recommended to increase the ratio to better measure financial performance and expand the period to increase the validity of the test results.

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