The Analysis of the Effect of Corporate Social Responsibility (CSR) on the Financial Performance and HDI of Extractive Companies Listed on the IDX for the Years of 2008-2017

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Abstract. **Corporate Social Responsibility (CSR) disclosure and financial performances are reported annually by companies whose shares are listed on the Indonesia Stock Exchange. The purpose of this study was to analyze the effect of CSR disclosure on the financial performance of extractive companies listed on the Indonesia Stock Exchange. Moreover, we also examined the effect of those companies' CSR on the Human Development Index (HDI). Data used in the study were originated from 10 companies' annual reports and financial reports for the years 2008-2017. The analysis method used was simple regressions using panel data. Financial performance was measured by Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). Another variable studied was the Human Development Index (HDI). The results show that CSR has a significant effect on the company's financial performance and HDI.**

Keyword: *CSR, Financial Performance, ROA, ROE, NPM, and HDI*

1. Introduction

Company operations can have an impact on the community and the environment around them in the form of negative externalities. Corporate responsibility for these negative externalities, among others, can be done through Corporate Social Responsibility (CSR). Accidents caused by industrial circles create industrial stigma in the community. For is one reason for the need for a balance between the business world and the surrounding community.

Disclosure of corporate social responsibility is a process of communicating the social and environmental impacts of an organization's economic activities to interested groups and the community. This extends the organization (particularly the company) beyond providing financial reports to shareholders[1].

In the end, CSR can be used to strengthen the company's ability to adapt to the community and stakeholders. CSR implies that a company has a moral duty to honestly comply with the law, uphold integrity, and not be corrupt - and must develop ethical and sustainable business practices economically, socially, and environmentally [2].

Indonesia is an exciting area of study related to CSR because it is one of a small number of countries in the world that dare to implement the values of CSR into statutory regulations explicitly and implicitly. The obligation is explicitly regulated in the BUMN Law No. 19 of 2003, then it is also regulated in the Investment Law No. 25 of 2007, and the Limited Liability Company Law No. 40 of 2007. CSR obligations are found implicitly in the Law no. 41 of 1999 concerning Forestry, the Law no. 22 of 2001 concerning Oil and Gas, the Law no. 7 of 2004 concerning Water Resources, the Law no. 4 of 2009 concerning Mineral and Coal Mining, as well as the Law No. 32 of 2009 concerning the environment [3].

The relationship between the company and its environment tends to be transactional, not a reciprocal relationship of achievement. The company ignores its social responsibility role on the pretext that stakeholders do not contribute to its business activities. This happens because the culture at the beginning of its establishment maximized profits and only saw the company as a profit creator. The role and social responsibility of the company seem only to increase the cost burden, especially related to environmental pollution and environmental health management, which will reduce profits [4].

The company will always have an impact on the performance of a company itself. Therefore, management should pay more attention to the company's environment so that there is a relationship that is mutually bound and influential. Corporate responsibility has now gone further down to responsibility at the stakeholder level by considering the social dimension; from here, the term social responsibility emerged [5].

Today's investors are more interested in the social information reported in annual reports. CSR disclosure has become a means of guaranteeing business continuity; thus, investors in considering investment decisions are more inclined to business entities with good ethics and morals in doing business, which accommodates sustainability reporting related to social, environmental, and financial aspects [6].

Research results by[7] show a positive increase in terms of the social and economic conditions of the people of Morowali Regency along with the development of the nickel mining industry by seeing the increase in the value of HDI, a decrease in the number of poor people and an increase in GRDP, especially in the mining and processing industry sectors. The development of the nickel industry also has several negative impacts, including a consumptive lifestyle, a lack of motivation to develop a

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business, a tendency of people who want to get something instantly [7].

The company has no other choice but to carry out CSR correctly and adequately so that negative externalities can be minimized, and it can improve its performance. This is the reason this study is significant and exciting to do. Exemplary CSR implementation will have a significant impact on company performance.

In several research studies on the effect of CSR on company performance, researchers have revealed mixed conclusions. Several researchers state that there is a significant effect of CSR on company performance. However,some researchers reveal that CSR does not significantly affect the company's financial performance.

CSR has improved the company's financial performance, this is proven by the results of [8], [1], [9], [10], [11], [12], [5], [13], [14], [15], [16], [17], [18], [19], [20] and [21]research studies. They conduct research on extractive companies and the results reveal that CSR have a significant impact on financial performance.

The concept of CSR is closely related to the sustainability of the company. CSR is an openness to disclosing activities that are not limited to the company's financial information. However, it is also expected to provide information about the impacts of company activities, especially those related to the environment and social problems [22].

It is necessary to have a balance of economic, social, and environmental aspects in the corporate social responsibility because the profits earned by companies are very dependent on the environment and community attitudes. The mining business sector is required to always pay attention to the interests of stakeholders (consumers, surrounding communities, workers, other business partners, and community) and shareholders and not only focus on pursuing profit [9].

On the Chinese territory to resolve conflicts in the mining sector and to maintain sustainable development and social harmony, mining companies must adopt CSR ideas that have a significant effect on the financial performance of mining companies [10].

Stakeholders need to know with certainty information related to externality and actual CSR performance; this information is one of the key indicators in assessing the prospects and risks of a company[13].

Investors need sustainable financial information that contains additional information as a means of making decisions. One of the information contained in the statement of corporate social responsibility or CSR, which provides information on various aspects of the company ranging from social, environmental, and financial aspects as well as aspects which cannot be implicitly explained by a financial report. The obligation to disclose CSR is highly expected because besides improving the company's financial performance, CSR implementation will also affect increasing investment [14].

Mining companies, gas companies, construction companies, telecommunications companies, and banking companies listed on the IDX disclose their CSR on an ongoing basis to enhance the company's image as a positive signal for both stakeholders and shareholders. Positive responses given by stakeholders and shareholders are in the form of trust and acceptance of the products produced by the company so that it will increase company profits [17].

Financial performance is an indicator of a company's success in winning the competition in the business world. Good financial performance is characterized by increased profits, increased product sales in the market, or high stock value. The primary key to achieving sustainability is public acceptance of the company's presence. A sustainable business is an organization that ensures that all its activities and production processes take into account their impact on the environment [21].

Based on the above thought, this CSR research study is significant and very interesting to do; it is expected that it will contribute to a deeper understanding of CSR, and can realize the concept of CSR into a real movement that can be applied to companies. The researchers hope that this thesis will contribute [as a basis of consideration] for companies to implement CSR according to company policies and local wisdom and be useful for anyone who will implement CSR. This study is expected to minimize differences in understanding the main objective of the company, not only to maximize operating profits.

This research focuses on a CSR research study on extractive companies consisting of the coal mining, metal, and oil palm plantation sectors. This is the extractive sector that is strictly required to implement CSR. Therefore, the components of mining, plantation, and natural resources business need to be managed in an integrated and harmonious manner, such as through CSR, to achieve the greatest possible meaning for the welfare of the Indonesian people.

Corporate Social Responsibility (CSR)

Social responsibility as continuous commitment is the effort of businesspeople (entrepreneurs) who have ethics and encourage economic development and reform the quality of life in the workplace and their families and community.In the limited liability company regulation, namely the Law Number 40 of 2007, the term CSR is not known, but SER, or Social and Environmental Responsibility as the company's commitment to participate in promoting sustainable economic development in order to improve the quality of the environment, which will be of benefit to the company, community, and community in general.

CSR is a company's concern, based on three principles known as triple bottom lines, which according to [23] – consist of profit, community (people). The environment (planet)[2] reveals that the development of the business world, the majority of which are large-scale in the extractive, manufacturing, and service sectors, have declared reports on corporate governance and externalities caused to the economic, social, and environmental sectors in an annual report. The economic, social, and environmental impacts of the company's operations according to the Global Reporting Initiative are as follows:

Economic Dimensions

The direct and indirect economic impacts of the company's operations will affect the stakeholders and the economic system - locally, nationally, and globally.

Social Dimensions

The social dimension, according to the Global Reporting Index (GRI) in [2], is divided into four groups, namely human rights, labor (human resources), community (people), and product responsibility.

Environmental Dimensions

The impact that can be caused by company operations on the environment is seen from several aspects, namely: aspects of raw materials, aspects of energy, aspects of water, aspects of effluent emissions and waste (industry), aspects of products (goods and services), and aspects of compliance with legal provisions apply in the field of environment, transportation & the environment as a whole.

CSR theory

Stakeholders Theory

Stakeholder theory means collecting policies and practices related to stakeholders, values, compliance with legal requirements and environmental community respect, and business commitment to contribute to sustainable development.

Legitimacy Theory

Legitimacy, as an interpretation or assumption of actions taken by the organization, is an action that is desired, inappropriate, or by a system of norms, values, beliefs, and socially developed terms. Besides, organizational legitimacy can be interpreted as something given by the community to the company and something that the company wants or seeks from the community, which will be a potential benefit or resource for the company to survive [6].

Signal Theory

Signal theory explains how companies should carry out joint activities with external parties to the company. The context of the relationship between signal theory and CSR explains how to provide signals of success or failure of management that will be communicated to stakeholders. Performance reports that are made and published must be in line with what happens so that the information obtained by the public is confident and by the company's property. Implementation of signal theory can also be in stock price announcements and an increased dividend [5].

CSR benefits

There are two benefits of CSR when associated with the competitive advantage of a business unit, both internal and external [23], namely, first, the internal benefits shown by improving quality, loyalty, expertise, morale, and employees as well as encouraging a more effective HR management system. Environmental performance improvement with preventive and pollution reduction measures as well as management of production processes and the flow of raw materials, as well as sound/well-maintained relationships with suppliers. Second, external benefits can be in the form of an increased/improved company reputation. Company characteristics that are also distinctive are known to be environmentally friendly. [This can be used] as an instrument of communication activities with the public that ultimately creates a reputation and image, and helps employees build a closer integrated bond with the community.

Key Performance Indicators in CSR Implementation

In implementing CSR, according to [2], key indicators are needed. These key indicators consist of eight indicators: leadership, the proportion of assistance, transparency and accountability, beneficiaries, planning and mechanisms and evaluation, stakeholder engagement, sustainability commitment, and concrete results.

Financial performance

Financial performance analysis is generally carried out by analyzing financial reports. One of the analytical techniques that can be used to assess company performance is through financial ratio analysis. In this study, the ratio used to measure financial performance is the profitability ratio that consists of:

Return on Assets (ROA)

ROA is a financial ratio that shows the company's ability to generate profits from the assets used. ROA analysis measures the company's ability to generate profits in the past. This utility can be projected into the future to see its ability to generate profits in the future.

$$\mathbf{ROA} = \frac{\textbf{Net Income}}{\textbf{Total Assets}}$$

Return on Equity (ROE)

ROE is the ratio between net income after tax and own capital (equity), which is used to measure the ability of the company to make earnings available to shareholders of the company. This ratio is a measure of profitability from the shareholder's point of view. ROE is beautiful to shareholders and prospective shareholders, as well as for management, because this ratio is an important measure or indicator of shareholders value creation, meaning that the higher the ROE ratio, the higher the company value is. Thus it is undoubtedly an attraction for investors to invest in the companies.

$$\mathbf{ROE} = \frac{\textbf{Net Income}}{\textbf{Shareholder Equity}}$$

Net Profit Margin (NPM)

Net Profit Margin (NPM) is the ratio between net income after tax and sales, which measures the net profit generated from every rupiah of sales. The profit margin is used to calculate the extent to which the company can generate net income at a certain sales level.

$$\mathbf{NPM} = \frac{\textbf{Net Income}}{\textbf{Sales}}$$

Human Development Index (HDI)

This research study did not only focus on financial performance but also focus on the benefits of CSR on social aspects as proxied by the Human Development Index (HDI) variable. HDI explains how the population can access development results in obtaining income, health, and education. The new method for calculating the Provincial HDI took effect from 2010.

For Indonesia, HDI is strategic data because it is not only a measure of government performance, but it is also a measure of the geometric mean of the health, education, and expenditure indexes. In this study, the researchers used HDI as the dependent variable and ROA, ROE, and NPM.

Previous Research

There have been many studies conducted regarding the influence of CSR on financial performance as measured by return on assets (ROA), return on capital (ROE), and net profit margin (NPM).

CSR is proven to improve the company's financial performance, this is evidenced in the results of [22], [1], [9], [10], [11], [12], [5], [13], [24], [15], [16], [17], [18], [19], [20] and [21] researches.

Meanwhile, several others research studies results have also revealed that there is no significant relationship

between CSR and financial performance as evidenced in the results of [25], [26], [27], [28], [29], [30], [31], and [32] researches.
Research on the effect of CSR on the Human Development Index (HDI) has been conducted [33] in which he concludes that there is a significant CSR impact on people's welfare. This is in line with the research conducted by [34], which conclusion reveals that CSR can improve people's welfare.

Research Hypothesis

Several researchers have carried out a research study on the relationship between the effect of CSR on company performance. Each of them measures financial performance into several ratios, which are proxied into ROA, ROE, and NPM, and other ratios. Each study concludes different results on the effect of CSR disclosure on ROA, ROE, and NPM. Regardless, the formulation of the research hypotheses in this study are as follows:
H1: There is an effect of CSR costs on ROA.
H2: There is an effect of CSR costs on ROE
H3: There is an effect of CSR costs on NPM
H4: There is an effect of CSR costs on HDI

2. Method

Research design

This study examined the effect of an independent variable on the dependent variables, in which the effect of CSR Costs (X) on the Profitability ratios and Human Development Index variables. Meanwhile, to analyze the effect of each variable, a simple linear regression analysis technique was used, and the data analysis was performed with the statistical test procedures.
This study used secondary data obtained from the financial statements of each company included in the study sample. The population in this study was companies listed on the IDX, and the research sample was ten extractive companies (mining and plantation).

Operational Definition of Variables and Their Measurements

The operational definition of the variables to be studied is as follows: 1) CSRC, namely CSR Cost (X), in this study is data per year obtained/dowloaded from the website of the annual report of each company and from the IDX website (www.idx.go.id); 2) Financial Performance/Profitability (Y), which consists of four measures are as follows: (a) *Return On Asset (ROA)* used in this study is data per year downloaded from the website of each company's annual report and from the IDX website (www.idx.go.id); (b) *Return On Equity (ROE)* used in this study is data per year downloaded from the website of each company's annual report and from the IDX website (www.idx.go.id); (c) *Net Profit Margin (NPM)* used in this study is data per year downloaded from the website of each company's annual report and from the IDX website (www.idx.go.id); (d) The Human Development Index (HDI) or Human Development Index (HDI) used in this study is data per year downloaded from the Statictics Indonesia website (https://www.bps.go.id/subject/26/indekss-pembangunanmanusia.html). The HDI data are based on the location of each area in which the company is the research sample; and (e) Research variable, the variables in this study consisted of independent variables, in the form of the ratio of CSR Costs (CSRC) of each company to total assets in percent.

Data analysis method

This study used a quantitative study that used data in the form of numbers, and the emphasis was on measuring objective results using the statistical analysis

Hypothesis test

Hypothesis testing was done using the simple regression technique. The hypothesis testing equation model is as follows:

First Model

$$Уit\ 1 = \alpha + Xit\ \beta 1 + \varepsilon it$$

Second Model

$$Уit\ 2 = \alpha + Xit\ \beta 2 + \varepsilon it$$

Third Model

$$Уit\ 3 = \alpha + Xit\beta 3 + \varepsilon it$$

Fourth Model

$$Уit\ 4 = \alpha + Xit\ \beta 4 + \varepsilon it$$

Wherein:
Уit = Dependent Variables (Financial Performance and HDI)
α = Constant
β = Regression Coefficient
Xit = CSR costs
εit = Regression Error

The research data were tested with a panel data regression analysis approach because the research data involved relatively long observations. The regression model estimation method using panel data can be done through three approaches, including:

Common Effect Model or Pooled Least Square (PLS)

This is the most straightforward panel data model approach because it only combines time series and cross-section data. In this model, neither time nor individual dimensions are considered, so it is assumed that the behavior of company data is the same in various time frames. This method can use the Ordinary Least Square (OLS) approach or the least-squares technique to estimate the panel data model.

Fixed Effect Model (FEM)

This model assumes that the differences between individuals can be accommodated from differences in the intercept. To estimate panel data, the fixed effects model uses dummy variable techniques to capture intercept differences between companies. Differences in intercept can occur due to differences in work culture, managerial, and incentives. However, the slop is the same between companies. This estimation model is often called the Least Squares Dummy Variable (LSDV) technique.

Random Effect Model (BRAKE)

This model will estimate panel data where the disturbance variables may be interrelated over time and between individuals. In the Random Effect model, the difference in intercept is accommodated by the error terms of each company. The advantage of using the Random Effect model is that it eliminates heteroscedasticity. This model is also called the Error Component Model (ECM) or the Generalized Least Square (GLS) technique.

3. Result and Analysis

The sample of this study was 10 (ten) extractive industry companies in the coal mining, metal, and palm oil industries (data are attached).

Descriptive Statistical Analysis

The descriptive statistical data of each research study variable is shown in Table 1 below:

Table 1. Descriptive Statistical Analysis

No.	Information	CSRC/ ASSETS	ROA	ROE	NPM	*Ln*_HDI
1	Min	0	0.14	0.23	0.23	4.09
2	Max	0.03	0.42	0.68	0.39	4.32
3	Mean	0.01	0.10	0.16	0.12	4.21
4	Standard Deviation	0.01	0.10	0.16	0.12	0.05

Table 1 shows the minimum, maximum, average (mean), and standard deviation results calculated based on data on the independent and dependent variables for the 2008-2017 study periods.

Hypothesis test

First Hypothesis

In this section, the researchers will analyze the effect of CSR on ROA, as stated in the first hypothesis. Table 2 shows the results of the CSRC regression analysis on ROA using common effect, fixed effect, and random effect.

Table 2. Regression Results between CSRC and ROA

Variable	*Common Effect*		*Fixed Effect*		*Random Effect*	
	Coeffi-cient	Proba-bility	Coeffi-cient	Proba-bility	Coeffi-cient	Proba ability
Constant	0.08 *** (6.84)	0.00	0.09 *** (8.31)	0.00	0.09 *** (3.49)	0.00
CSRC	4.85 *** (2.67)	0.01	3.27 (1.63)	0.11	3.57 * (1.88)	0.06
N	100		100		100	
R^2	0.07		0.52		0.04	

Information:

***, **, * shows α of 1%, 5%, and 10%, respectively

The number in brackets (...) is the t-count value.

Table 2 shows that the constant coefficient values for each model are not much different, namely at 0.08 and 0.09. All three also have a probability value of 0.00, which means that the researchers can reject H_0.

For the CSRC variable, the researchers can also see that the coefficient value of the three models is not much different, the highest is using the common effect at 4.85, and the lowest is using the fixed effect at 3.27. However, the three models provide different levels of significance. CSRC has a significant effect (α = 1%) by using the expected effect. CSRC is also considered to provide still significant results (at α = 10%) in the random effect model. However, it does not have a significant effect on ROA in the model using the fixed effect.

From Table 2, the researchers could conclude that CSR affects ROA as indicated by the ordinary and random effect models; thus, CSR has a significant effect on ROA.

Second Hypothesis

In this section, researchers will analyze the effect of CSR on ROE, as stated in the second hypothesis. Table 3 shows the results of the CSRC regression analysis on ROE using common effect, fixed effect, and random effect.

Table 3. Regression Results between CSRC and ROE

Variable	*Common Effect*		*Fixed Effect*		*Random Effect*	
	Coeffi-cient	Proba-bility	Coeffi-cient	Proba-bility	Coeffi-cient	Probability
Constant	0.15*** (7.83)	0.00	0.15 ***	0.00	0.15*** (4.03)	0.00
CSRC	4.94 * (1.77)	0.08	(8.73)	0.25	4.02 (1.32)	0.19
N	100		3.75		100	
R^2	0.03		(1.16)		0.02	

Information:

***, **, * shows α of 1%, 5%, and 10%, respectively

The number in brackets (...) is the t-count value

Table 3 shows that the constant coefficient value is the same for each model, which is 0.15. All three also have a probability value of 0.00, which means that the researchers can reject H_0.

For the CSRC variable, the researchers can also see that the coefficient value of the three models is not much different; the highest is using the common effect at 4.94, the lowest is using the fixed effect at 3.75. However, the three models provide different levels of significance. CSRC has a significant effect (α = 10%) by using the expected effect. However, CSRC using the fixed effect and random effect models does not significantly affect ROE.

From Table 3, the researchers could conclude that CSR has a significant effect on ROE, as indicated by the joint effect model; thus, CSR has a significant effect on ROE.

Third Hypothesis

In this section, the researchers will analyze the effect of CSR on NPM, as stated in the third hypothesis. Table 4 shows the results of the CSRC regression analysis on NPM using common effect, fixed effect, and random effect.

Table 4. Regression Results between CSRC and NPM

Variable	*Common Effect*		*Fixed Effect*		*Random Effect*	
	Coeffi-cient	Proba-bility	Coeffi-cient	Proba-bility	Coeffi-cient	Proba-bility
Constant	0.10*** (7.39)	0.00	0.10*** (7.86)	0.00	0.10*** (4.04)	0.00
CSRC	5.71 *** (2.81)	0.01	4.92 ** (1.99)	0.049	5.13 ** (2,, 26)	0.03
N	100		100		100	
R^2	0.07		0.42		0.05	

Information:

***, **, * shows α of 1%, 5%, and 10%, respectively

The number in brackets (...) is the t-count value

Table 4 shows that the constant coefficient value for each model is the same, which is 0.10. All three also have a probability value of 0.00, which means that the researchers can reject H_0.

For the CSRC variable, the researchers can also see that the coefficient value of the three models is not much different, the highest is using the common effect at 5.71, and the lowest is using the fixed effect at 4.92. However, the three models provide different levels of significance. CSRC has a significant effect (α = 1%) by using the expected effect. Besides, CSRC also has a significant effect (α = 5%) on the fixed effect and random effect models.

From Table 4, the researchers could conclude that CSR has a significant effect on NPM as indicated by the expected effect, fixed effect, and random effect models, thus CSR has a significant effect on NPM.

Fourth Hypothesis

In this section, the researcher will analyze the effect of CSR on HDI, as stated in the fourth hypothesis. Table 5 shows the results of the CSRC regression analysis on HDI using a common effect, fixed effect, and random effect.

Table 5. Regression Results between CSRC and HDI

Variable	*Common Effect*		*Fixed Effect*		*Random Effect*	
	Coefficient	**Probability**	**Coefficient**	**Probability**	**Coeffi-cient**	**Probability**
Constant	4.21** (676)	0.00	4.21*** (1,203)	0.00	4.21*** (290.31)	0.00
CSRC	-1.85* (-1.97)	0.053	-1.79*** (2.68)	0.01	-1.79*** (2.73)	0.01
N	80		80		80	
R^2	0.05		0.81		0.09	

Information:
***, **, * shows α of 1%, 5%, and 10%, respectively
The number in brackets (...) is the t-count value

Table 5 shows that the constant coefficient value for each model is the same, which is 4.21. All three also have a probability value of 0.00, which means that the researcher can reject H0.

For the CSRC variable, the researchers can also see the coefficient value of the three models, in which the highest is using a fixed effect at 1,202.99. The second highest is using a common effect at 676.00, and the lowest is using a random effect at 290.31. However, the three models provide different levels of significance. CSRC has a significant effect (α = 1%) by using fixed effects and random effects. CSRC has a significant effect (α = 10%) on the common effect model. From Table 5, we can conclude that CSR has a significant effect on CSR on HDI.

From Table 5, the researchers could conclude that CSR has a significant effect on *Ln*_HDI as indicated by the fixed effect and random effect models; thus, CSR has a significant effect on *Ln*_HDI.

Discussion

First Hypothesis

The results of the research study on the effect of CSR on ROA show that variable CSRC (X) has a significant effect on financial performance as proxied by ROA (Y).The CSR costs allocated by the company based on this study are proven to affect the company's ability to generate profits from the use of its assets.

The results of this study are consistent with the research conducted by [5], [22], [9], [10], [1], [11], [12], [5], [13], [14], [16], and [18], which reveal that CSR has a significant effect on ROA in extractive companies.

However, the results of this study are not in line with the research conducted by [35], [27], [26], [28], [29], [30], [31], and [32], which reveal that CSR does not have a significant effect on ROA, the company financial performance (ROA) is unable to mediate the relationship between CSR and the company value.

Second Hypothesis

The results of the research study on the effect of CSR on ROE show that variable CSRC (X) has a significant effect on financial performance as proxied by ROE (Y). This proves that CSR can provide benefits or income on capital invested in the company, which can attract the attention of investors to invest in the company.

The implementation of CSR in this study is related to the concept of sustainable development as in the triple bottom lines theory, namely economic growth, social welfare, and environmental protection. CSR must be managed in such a way as in management so that the company operates sustainably. Financial conditions alone are not sufficient to guarantee a company to grow and develop sustainably. Sustainability can be guaranteed if the company pays attention to the social and environmental dimensions [2].

The results of this study are consistent with the research conducted by [8], [1], [10], [9], [13], [14], [16], Evans (2017), which prove that CSR has a significant effect on ROE.

However, the results of this study are not in line with the research conducted by [35], [26], [27], [12], [28], [32], [20], which reveal that CSR does not affect ROE, because not all investors consider CSR activities that have been carried out by the company.

Third Hypothesis

The results of the research study on the effect of CSR on NPM show that variable CSRC (X) has a significant effect on financial performance proxied by NPM (Y). CSR can contribute to providing profits from the company's net sales. The more excellent the NPM, the more productive the company's performance will be, increasing investors' confidence to invest in the company.

The results of this study are consistent with the research conducted by [12], [15], [16], [36], [19]. CSR implementation has had a significant effect on the financial performance proxied by NPM. This research study proves that CSR has been implemented and increased the company's profits, positive corporate image as well as increased employee motivation and community acceptance because the company has done what they (the community) want (legitimacy).

This study is not consistent with the research conducted by [25],[26],[8], [27],[12], [28], [29], and [32], state that CSR has no effect on NPM.

Fourth Hypothesis

This study shows that the variable CSRC (X) has a significant effect on financial performance proxied by Ln_HDI (Y). CSR can contribute to providing welfare to the surrounding community.The results of this study indicate that CSR affects the Human Development Index (HDI).

This study is consistent with the research conducted by [37], [38], as well as [39]. This research proves that in the field of education, CSR has created better conditions for the community in the future and has contributed to creating superior quality human resources.

4. Conclusions

The implementation of Corporate Social Responsibility (CSR) has provided various benefits for the company, especially long-term benefits such as increasing company profits and improving the welfare of the surrounding community. CSR has become a signal given by management to all stakeholders, including potential investors, regarding its prospects.

Based on the results of the research, the researchers conclude that the cost of Corporate Social Responsibility

(CSR) has a significant effect on financial performance as proxied by Return On Assets (ROA), Return On Equity (ROE), and Net Profit Margin (NPM) and it also has a significant effect on the Humans Development Index (HDI) in mining and plantation extractive companies listed on the IDX for the years of 2008-2017.

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