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The Impact of Corporate Social Responsibility Practices through Supply Chain Management on Company Risk in Indonesia

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Abstract— **This study aims to examine the impact of the supply chain strategies on company risk in the emerging market, Indonesia. The samples of this study are companies listed in Indonesia Stock Exchange in 2018. According to the sampling procedure, there were 458 companies that employed corporate social responsibility during this period. The corporate social responsibility score were obtained from the content and risk analysis represented by the market-based risk such as systematic risk, idiosyncratic risk, and total risk. The findings from the data analysis show that there was no CSR significant impact on company's idiosyncratic and systematic risk. However, it has a weak negative impact on total risk. The CSR dimensions that affect company risk are supply chain partnerships and tax contributions. The supply chain partnerships are negatively associated with company's systematic and idiosyncratic risk. This finding was also consistent after adding the control variables. On the contrary, tax contributions are positively associated with higher systematic and idiosyncratic risk to the company.**

Keywords— *corporate social responsibility, idiosyncratic, systematic, total risk, tax contribution, supply chain partnership.*

1. Introduction

and other companies in the chain implement CSR activities and practices. They are activities in the company that involve substantial financial resources. Those activities are considered to be practices that contribute to the company risk [1-3]. The studies of CSR activities and company risk in developing countries are still very limited. The existing literatures only include samples of companies in America and Europe. Whereas the CSR activities have received positive response from many companies in developing countries, especially in Indonesia.

The CSR practices in Indonesia have taken place since the 1980s and in 2007 it was officially stipulated in the Limited Liability Company Law, [4]. However, in its development the government and private companies show different objectives in implementing CSR. The government hopes that CSR implementation really focuses on solving social problems [5], while the company allocates their financial resources for CSR programs with the expectation of getting a higher rate of return on the investment. The culmination of positive responses to the implementation of CSR is the release of awards for the company's president director (CEO) who focus on employing great CSR activities.

Based on the previous literature, the impact of CSR on risk has various results while using various research methods [6-10]. The previous research involved measuring various types of risk (market risk, accounting risk, systematic risk, non-systematic risk, VaR, and expected return deviation) and it also divided the CSR dimensions into several areas. There was also research involving legal system of a country to verify the CSR impact on risk. However, based on these studies, researchers did not find any studies that focused on developing countries, especially Indonesia. The previous researchers also provided a gap as the research was on the context of one country [11]. In Indonesia, CSR activities are regulated by law [12, 13]. Therefore, researchers re-tested the impact of CSR on company risk.

The purpose of this study is to examine the impact of CSR activities employed by companies that are publicly open about market-based risk (total risk, specific risk, and systematic risk). Moreover, this study also seeks to find empirical evidence about the dimensions of CSR that affect corporate risk. The

method used in this study is a linear regression method with cross-section data in the latest period, i.e. 2018. The CSR activities in this year are considered as policies that are adjusted to the height of development of the digital-based social movements, and the often-conflicted CSR policies between companies and governments that. The applied CSR measurements are based on content analysis [14] and market-based risk measurement. The findings in this study indicate that CSR activities have not only a positive impact on specific risks and systematic risks, but also a negative impact on total risk. However, if the findings involve the control variables of debt ratio, company size, and total asset turnover, then the CSR impact is only on total risk. And the impact is significantly negative. Moreover, the dimensions of CSR that have a significant impact on company risk are supply chain partnerships and tax contributions. The programs employed to improve the relations between companies and suppliers resulted in declining company's specific and systematic risk. Meanwhile, the programs that reflected company tax contributions show positive impact on specific risks and the systematic risks.

This article is divided into three parts, the first part describes the background of the research, and the second part is the literature review to support the development of the hypotheses. The third part describes the applied research methods in this study that include the research samples, data collection, and the measurements for the variables studied. The fourth part reports the research results and the study of the obtained results. Lastly, the fifth part is the conclusion of the research findings.

2. LITERATURE REVIEW

The previous research on the relationship between CSR activities and risks delivered varied results while using different CSR and risk measurement methods. The existing studies also analyze the effect of CSR on risk by adding moderating variables such as the legal environment [15] where the companies operate. In a broad outline, there are two research results that show the influence of corporate CSR practices on risk. The first conclusion is that a study found that CSR has a negative impact on company risk [16-18], while the second empirical evidence concludes that CSR has a positive impact on risk [5]. Other studies attempted to find the effect of the variables such as legal, industrial, and CSR dimensions on risk. All of the existing studies are focused on the developed countries, only a few studies discussed about CSR

practices in the developing countries such as in Asia, ASEAN, more specifically in Indonesia. Further discussion of the results of previous studies is described in the next sub-section of this paper.

The Effect of CSR on Risk

The previous research on the relationship between CSR and the majority risk stated that the CSR activities are negatively associated with risk. Only a few studies have found that the risk increases when companies actively engage in CSR activities. The study concluded that CSR activities have a positive impact on risk based on the tradeoff theory and the managerial opportunism. Whereas, the impact of CSR on the increased risk caused by low CSR activities will bring the companies to the risk of lawsuits and damages as well as lower profitability and stock returns [7]. Other studies have found that a better corporate social performance will provide moral capital for the company, that company risk can be reduced by providing a positive value in the eyes of investors [12]. In addition, according to them, the high moral capital can be considered as security for the company to avoid severe sanctions when the company perform a bad action. Another study found that CSR negative influence on risk occurs because of the decrease in the probability of bankruptcy when the company has a good social reputation [17].

The negative influence of CSR activities on companies also occurs in different industry settings, for example the natural resource industry in Indonesia. The study found that good social performance could enhance corporate financial performance through risk. The risk will be lower when social performance of the company is getting better, this is because the investors consider these activities in their investment process [13]. On the financial companies, CSR activities negatively affect risk as measured by the market-based risk [12]. Other industries that play an important part of this paper are controversial industries such as alcohol, tobacco, and gambling. The research results obtained in this type of industry indicate that carrying out CSR activities can serve as an insurance-like protection, improving risk management, giving a good image to customers, and transparency of information, or can facilitate access to corporate funding in accordance with the risk reduction hypothesis [11]. Other measurements made related to the risk [3] show that a good corporate social performance can reduce credit risk, corporate bond spreads, and bankruptcy risk. This is due to the reduction in agency costs by eliminating information asymmetry between internal and external stakeholders.

Meanwhile, the other research found that there was no

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significant impact of CSR on the systematic risk of the company but it found that there was a moderate impact of market volatility conditions with the impact of CSR on risk. In the context of high market volatility, socially irresponsible companies will have large risks. The other significant moderating variable is the legal environment of a country. Countries, where the company operates, adhere to two systems, namely civil law and common law. If the country uses civil law, the negative influence of CSR on risk is getting stronger. This is due to the fact that civil law adherents are stakeholder oriented [6]. The other research also found that the context of the company stock ownership also affects the relationship of CSR and company value. It was also found that the private-owned companies utilize the positive values based on the good management hypothesis. Meanwhile, the state-owned companies experienced a decline in the value of the company if they carry out the CSR activities that support the managerial opportunism hypothesis. It happened because the costs for the CSR activities and the activities itself are seen only as an effort to satisfy oneself and as a window dressing activity [7].

The window dressing hypothesis found a positive impact of CSR and risk. In the controversial industry, investors and the public have understood that CSR activities become a strategic choice to hide the products they produce. The capital costs will increase when the companies try to beautify themselves with social responsibility businesses. This causes the company risk to increase [8]. Another cause is the potential for over-investment by the managers when considering the CSR activities. Companies that should be involved in any investments that increase company value such as developing new products or expanding research and development capacity will not focus if they choose to invest in CSR [7]. There will be conflicting interests between the managers and the shareholders. Managers have the potential to utilize the company resources in CSR activities to get support from the local community and politicians [12]. Based on the research background in Indonesia, this study shows that the window dressing hypothesis is likely to be used when the appreciation given to managers who focus on CSR activities is increasing.

Furthermore, in Indonesia CSR is a regulated obligation to be employed by all companies [9]. Managers will tend to make more excessive decision and investment that are not financially beneficial for the company. The existing literatures

highlight CSR negative influence on company risk, however that conclusion came from the studies held in developed countries whose capital market is more market-oriented. Those studies were also done between 1990 until 2016, with a different risk measurement and with CSR score type that is focusing on aggregate and CSR strengths and concerns. This research captures the latest behavior of corporate policy in times of high intensity of digital social movement in Indonesia. Therefore, it would be irrelevant for companies to conduct such CSR activities to reduce company risk. Our hypothesis regarding this issue is H1: CSR activities positively associated with company risk.

The Impact of Individual CSR Dimensions on Risk

Many studies focused on aggregate CSR impact on risk. We strive to find the impact of each CSR dimension on risk since company can be responsible in one area yet irresponsible in other areas. As studies in the US suggested, diversity and employee relations have positive impact on company risk. The trade-off between the interests of employees and shareholders are highlighted in this study. Providing greater job security for employee depleted the return for shareholders [7]. Corporate governance was also found to be positively related to higher company risk. This was due to higher level of information revealed to shareholders and thus increased volatility of stock prices. Another explanation is that higher financial incentives for executive manager lead to higher idiosyncratic risk. Other studies found different impact of CSR dimensions on risk. Study in the US found evidence that employee, product, and corporate governance concerns have a positive impact on total, idiosyncratic, and systemic risk, as well as value at risk [16]. Employee relations, product, and corporate governance have a negative impact on stock return volatility and VaR.

Meanwhile corporate governance has a negative impact on idiosyncratic and systematic risk. As discussed in former research, it is interesting to examine how specific concern and strength of CSR affects company risk [12]. According to a study conducted in the US between 1992 - 2009, community, employment, and environment concerns have positive impact on systematic risk. By referring to the previous literature, we come up with a hypothesis H2: The impact of individual CSR dimensions on various risks.

3.   METHODOLOGY
Sample Selection
Population in this research is companies who employ and report their CSR activities in their annual report.

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Based on the nature of this research, it falls under quantitative research that involves secondary data from companies' annual report. This quantitative research includes hypothetical test on the impact of independent variable against the dependent one. Analysis unit is companies' annual report that are available at the Indonesia Stock Exchange. Sample selection is done based on some criteria, namely companies listed at Indonesia Stock Exchange; companies that employ CSR activities and publish their annual reports during 2018; companies whose stocks are actively traded at Indonesia Stock Exchange since January - December 2018. Until 2018 there are 626 companies that are listed at the Indonesia Stock Exchange. However, until June 2019 only 595 companies published their annual reports. Lastly, throughout 2018 there were only 460 companies that were actively trading. Therefore, the amount of samples for this research is 460 companies and the research period is throughout 2018. The form of data in this research is cross section data.

Data Collection

The form of the data is secondary data which was obtained through companies' annual and financial report publications 2018 which are available either at Indonesia Stock Exchange (IDX) website as well as at the respective companies' website. Those data is utilized to calculate explanatory and control variables. Stock price data was retrieved from weekly stock recorded price on Bloomberg from January - December 2018. Estimated stock price is used to gain risk value which was measured based on market price.

Variable Measurement

Explanatory Variables

Explanatory variables that were observed are CSR score in aggregate as well as individually (per CSR dimension). Score was given by running content analysis [18] with some modifications. Content analysis selection is used to objectively observe how company's CSR activities have been employed throughout existing dimensions. Research in developed countries used KLD data, whereas in Indonesia it is irrelevant.

Dimensions that are being analyzed in CSR report based on content analysis are: Corporate Governance and ethical value (CG); Employee Growth (EG); Environmental Management and Protection (EMP); Energy Saving and Reduction (ESR); Sustainable Development (SD); Product Quality Control (PQC); Protection of Consumer

Equity (PCE); Supply Chain Partnership (SCP); Promotion of Indonesia's technological Development (PITD); Tax Contribution (TC); Scientific Responsibility Management System (SRMS); Sound Corporate Image (SC).

Score was given by calculating the availability of indicators in each dimension, and then it is divided with the amount of indicators in the respective dimension. Mathematically it goes with the following formula:

$$CSR\_Score = \frac{IR}{ID} \qquad (1)$$

In each dimension, IR is items reported and ID is total items. Questions in each dimension can be seen on appendix 1. CSR aggregate score was calculated by summing score per CSR dimension. Meanwhile, CSR score in each dimension was calculated by using equation (1).

Dependent Variables

Dependent variables that were observed were company risk measured based on the size of the market. Market data means weekly stock price retrieved from Bloomberg. Risk measurement with market price concept divided risks into three categories, namely unsystematic risk, systematic risk, and total risk. This research used three types of measurement based on the input from previous research in Indonesia which used systematic and specific risk (Devie et al. 2018). Market based risk estimation was done with CAPM regression model as follow:

$$R_{mt} - R_{rft} = \alpha_{it} + \beta_{it}\left(R_{mt} - R_{rft}\right) + e_{it} \quad (2)$$

CAPM model estimation use weekly data from the beginning of the period until the end for each i company stock. Company specific risk was measured by using the value of variance error (σe) and systematic risk ($\beta 2\sigma m$) based on the respective CAPM model. Total risk was also used to measure the whole risk of the company. Proxy that was used was stock variance return (σi).

Control Variables

Control variables used in this research; the size of the company was measured through natural logarithm from total asset; capital structure was calculated through total debt ratio against total asset; and asset turnover was calculated through operating income against total asset. Based on the variables mentioned earlier, the hypothetical test was done with the following regression model equation:

$$\sigma_{ei} = \beta_{1i}CSR_i + \gamma_1\sum_{1}^{3}X_i + \varepsilon_{1i} \qquad (3)$$

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$$\beta^2 \sigma_{mi} = \beta_{1i} CSR_i + \gamma_1 \sum_1^3 X_i + \varepsilon_{2i} \qquad (4)$$

$$\sigma_i = \beta_{1i} CSR_i + \gamma_1 + \sum_1^3 X_i + \varepsilon_{3i} \qquad (5)$$

With CSRi as variable proxy of i company CSR. σei is variable proxy of i company unsystematic risk; β2σmi is i company systematic risk; and σi is i company total risk.   Xi is i company control variables proxy and ε_1i residual value of regression equation.

4.   RESULTS

Descriptive Statistics

Based on the result of data processing, descriptive statistic value from the sample can be seen on Table 1.

Table 1. Descriptive Statistics of Samples*Variables*

	Mean		Max
TCSR	5.13	SCP	0.31
CG	0.72	SD	0.50
EG	0.72	SRMS	0.50
EMP	0.39	TC	0.12
ESR	0.31	Unsyst_risk	3.69
PCE	0.34	Syst_risk	0.01
PITD	0.32	Total_risk	0.01
PQC	0.45	DAR	1.53
SC	0.46	Size	14.97
SCP	0.31	TATO	15.61

Table 1 displays the CSR total score is on the average value of 5.13 with the highest score of 10.47. Meanwhile, among several CSR dimensions, on average the highest score is corporate governance and employee growth. As for the lowest ones are tax contribution and supply chain partnership. Based on that fact, it can be concluded that the main focus of company's CSR activities are related to corporate governance program and values of business ethics to create harmonious relationship between company and stakeholders. Employee growth dimension is related to programs that promote welfare, non-discriminative, and equality of employees, as well as nurture a good relationship with the union. Dimension that seems to be less touched by the companies are related to company's tax payment for regional industrial and economic development. Meanwhile, supply chain partnership dimension related to activities that promote equal chance for supplier at upstream and downstream as well as healthy competition in supply chain. The last two dimensions are unpopular programs that were barely done by companies in Indonesia.

From variables related to company's characteristics, it is shown that company's debt ratio on average reach 153% with 0% as minimum and 406% as maximum level. From the perspective of total asset turnover as indicator, the effectiveness of asset management on average is 15 times. This means that the company on average can produce 15 times operational revenue from the existing asset.

The result of data processing against correlation between variables is shown on table 2. Based on table 2 there is a positive correlation between CSR score and systematic and specific risk (0.09 and 0.09). As well as with CSR dimensions. Negative correlation occurred between CSR aggregate score and total risk (-0.08), and also CSR dimensions individually has negative correlation with specific risk and the highest one is between employee management and protection. (-0.10). Meanwhile, energy saving dimension and reduction has positive correlation with systematic and specific risk (0.11 and 0.11). By looking at the correlation co-efficiency between CSR score in aggregate with each dimension, the correlation co-efficiency is ranging between 0.49 and 0.9. This serves as conclusion that regression of CSR dimensions have to be separated from CSR aggregate score variable. Based on the test of correlation co-efficiency, there is a temporary relation between CSR and risk. CSR relates positively with systematic and specific risk. However, it relates negatively with company's total risk.

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Table 2. Coefficient of Correlation between Variables

1	2	3	4	5	6	7	8	9	10
1.00									
0.61	1.00								
0.49	0.32	1.00							
0.80	0.48	0.39	1.00						
0.71	0.31	0.31	0.63	1.00					
0.72	0.42	0.35	0.56	0.39	1.00				
0.73	0.47	0.14	0.53	0.39	0.49	1.00			
0.66	0.25	0.35	0.47	0.45	0.46	0.32	1.00		
0.79	0.55	0.27	0.62	0.45	0.59	0.65	0.39	1.00	
0.68	0.38	0.15	0.43	0.43	0.43	0.59	0.32	0.54	1.00
0.77	0.39	0.49	0.61	0.53	0.48	0.44	0.52	0.49	0.42
0.71	0.45	0.17	0.55	0.44	0.49	0.55	0.42	0.63	0.44
0.55	0.24	0.13	0.34	0.39	0.28	0.53	0.19	0.36	0.51
0.09	0.06	0.05	0.10	0.11	0.06	0.06	0.01	0.09	0.00
0.09	0.06	0.05	0.10	0.11	0.06	0.06	0.00	0.09	0.00
-0.08	-0.01	-0.04	-0.10	-0.07	-0.09	-0.06	-0.08	-0.06	-0.05
-0.04	0.01	0.04	-0.04	-0.05	-0.07	-0.05	-0.00	-0.08	-0.05
-0.07	-0.05	-0.04	-0.07	-0.08	-0.07	-0.06	-0.01	-0.00	-0.06
0.02	0.06	0.02	-0.01	-0.05	0.05	0.00	0.01	0.04	0.00

After testing correlation co-efficiency, the next step is to run hypothetical test on the first hypothesis. The result of testing the first hypothesis, the impact of CSR aggregate score against company's risk is shown on table 3. Table 3 shows that CSR activities have significant impact on specific and systematic risk on specifications that didn't use control variable. If specifications include control variable, CSR activities have no significant impact on specific and systematic risk. However, different result occurred on specifications that involve total risk as risk proxy. From specification (5) and (6) it can be seen that CSR aggregate score has a negative impact towards total risk on significance of 10% and 5% (-0.002 and -0.004).

Table 3. Regression results the effects of CSR on firm risk

Variables	(1) Idiosyncratic risk	(2) Idiosyncratic risk	(3) Systematic risk	(4) Systematic risk	(5) Total risk	(6) Total risk
TCSR	2.688* (0.074)	2.265 (0.153)	0.008* (0.077)	0.007 (0.159)	-0.003** (0.082)	-0.004** (0.035)
DAR		0.037 (0.850)		0.000 (0.848)		9.4E-05 (0.648)
Size		1.597 (0.377)		0.005 (0.364)		0.003 (0.137)
TATO		0.002 (0.913)		4.8E-06 (0.909)		6.6E-06 (0.663)

TCSR is total CSR score; DAR is debt to total asset as a proxy for leverage; Size is measured by natural logarithm of total asset; TATO is total asset turnover measured by the ratio of operating income to total asset. Numbers in parentheses are p-values. * indicates significant at 10% level; ** indicates significant at 5% level.

As from testing CSR individual score, the result shows that there are two CSR dimensions that have significant impact on systematic and specific risk. Those two dimensions are supply chain partnership and tax contribution. The result can be seen on table 4. On specification (1) Supply chain partnership has a significant negative impact to specific and specific risk on the significance level of 10 percent (-33.75) when control variables are not included. Meanwhile, tax contribution has a significant positive impact to specific risk on the significance level of 5 percent (42.87). Based on specification (2) by involving control variables into regression, the consistent result obtained and showed that supply chain partnership has a negative impact and tax contribution has a positive impact to the specific company risk. Specification (3) use systematic risk

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proxy, without involving control variables. The result shows empirical evidence that supply chain partnership has a negative impact to systematic risk and tax contribution has a positive impact to systematic risk. Specification (4) by involving control variables shows consistent result, that supply chain partnership has a negative impact and tax contribution has a positive impact to systematic risk. Specification (5) and (6) are using total risk proxy. The result shows that there is no impact from each CSR dimension towards total risk.

Table 4. Regression results the effects of CSR dimensions on firm risk

Variables	(1) Idiosyncratic risk	(2) Idiosyncratic risk	(3) Systematic risk	(4) Systematic risk	(5) Total risk	(6) Total risk
CG	6.265 (0.7687)	4.882 (0.820)	0.019 (0.757)	0.015 (0.809)	0.019 (0.399)	0.016 (0.463)
EG	1.486 (0.927)	-1.084 (0.948)	0.004 (0.929)	-0.003 (0.943)	-0.010 (0.536)	-0.015 (0.373)
EMP	17.905 (0.393)	18.357 (0.383)	0.053 (0.392)	0.054 (0.381)	-0.001 (0.954)	-0.000 (0.994)
ESR	19.469 (0.231)	17.956 (0.276)	0.057 (0.236)	0.051 (0.283)	-0.014 (0.418)	-0.018 (0.307)
SD	-5.558 (0.709)	-5.729 (0.701)	-0,015 (0.726)	-0.015 (0.719)	0.025 (0.109)	0.025 (0.111)
PQC	-12.174 (0.335)	-11.991 (0.343)	-0.036 (0.326)	-0.035 (0.335)	-0.013 (0.320)	-0.012 (0.349)
PCE	3.418 (0.855)	4.218 (0.822)	0.009 (0.869)	0.011 (0.835)	-0.020 (0.308)	-0.018 (0.342)
SCP	-33.754* (0.056)	-34.077* (0.054)	-0.099* (0.056)	-0.100* (0.054)	0.000 (0.989)	-0.000 (0.980)
PITD	-7.258 (0.701)	-8.027 (0.672)	-0.022 (0.697)	-0.023 (0.668)	-0.007 (0.693)	-0.009 (0.641)
TC	42.878** (0.033)	43.292** (0.032)	0.126** (0.033)	0.127** (0.031)	0.000 (0.989)	0.001 (0.949)
SRMS	-13.096 (0.411)	-13.207 (0.408)	-0.039 (0.405)	-0.039 (0.402)	-0.011 (0.491)	-0.011 (0.489)
SC	30.173 (0.161)	29.792 (0.169)	0.089 (0.161)	0.087 (0.169)	0.001 (0.954)	-0.002 (0.900)
DAR		0.050 (0.800)		0.000 (0.801)		5.5E-05 (0.793)
Size		1.435 (0.439)		0.004 (0.425)		0.002 (0.142)
TATO		0.003 (0.830)		9.25E-06 (0.828)		5.24E-06 (0.732)

CG is corporate governance; EG is employee growth; EMP is environmental management and protection; ESR is energy saving and reduction; SD is sustainable development; PQC is product quality control; PCE is protection of consumer equity; SCP is supply chain partnership; PITD is promotion of Indonesia's Technological Development; TC is tax contribution; SRMS is Scientific responsibility management system; SC is sound corporate image. DAR is debt to total asset as a proxy for leverage; Size is measured by natural logarithm of total asset; TATO is total asset turnover measured by the ratio of operating income to total asset. Numbers in parentheses are p-values. * indicates significant at 10% level; ** indicates significant at 5% level.

5. DISCUSSION

This research aims to examine the impact of CSR activities by companies operating in Indonesia towards company risk. CSR activities is one of the mandatory programs by the government as regulated in the law. In practice, the development of CSR employment has becoming a focus that is rewarding for companies. Moreover, in 2018 there has been a rapid development in social movement through digital

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platform. Therefore, CSR activities by companies have become irrelevant to provide benefit for the companies. Based on that fact, this research examines the impact of CSR to the risk that is measured with market's perspective. Other than CSR aggregate score that represents the quality of CSR activities, this research is also using CSR score variables per dimension to examine the impact of each dimension towards the risk. Keeping in mind that the previous research found each CSR dimension gives different impact on company risk.

The result of this research is divided into several points as follow. Firstly, CSR activities aggregately have no impact on systematic and specific risk. That outcome supports and consistent with studies in the US during 1992 - 2002 [14]. It was because there is no benefit nor loss that can be obtained by investing funds on companies with different social performances. Secondly, CSR aggregate score has a negative impact on total risk. However, the impact is weak. The result of this research opposed the study in the US that found companies' CSR practice can reduce specific risk through a more positive image of the company, employee loyalty, and a higher consumer's trust when a company has a better moral capital [12, 13]. The negative impact of CSR on risk will be stronger when there is market's volatility moderator variables [7], a country with lawful environment [5].

Thirdly, other tests were done by including CSR dimensions onto risk. The result shows that - corporate governance, employee relation, diversity, product development- which in previous literature shows a significant impact on the risk, in Indonesia it's becoming insignificant. However, based on descriptive statistic, the highest CSR score is score that is related to corporate governance and employee relation. That means both dimensions are the most employed by companies in Indonesia. Statistically, the activities don't give any impact on company risk. Test result in this research found that supply chain partnership dimension has a negative impact on systematic and specific risk of the company. This outcome supports the result of the previous study in China that mentioned private companies choose to focus on supply chain partnership rather than the state-owned companies. It implicates that private companies have something to gain from the reduced financial risk when the relation between companies and its supplier is better. Company can also win the competition when the relation with

supplier is good for the sake of the quality and competitive price of raw material, that is beneficial for the company [4].

Fourthly, other CSR dimension that has a significant impact on risk is tax contribution. In Indonesia as developing countries, there are a lot of tax policies for entrepreneurs. Based on the research, tax contribution dimension has a positive impact to company risk. The implication is that the more company increases their main activities on paying tax; tax revenue; and measure its contribution through tax payment on industrial development, the highest specific and systematic risk that will be encountered. This outcome supports the result of a study that said the cost for CSR activities can reduce the portion of cost that can be used by the company to gain investment opportunity for new product development and research [1]. In the end it can reduce company values and resulting in the increase of risk. Other hypothesis that can explain this outcome is agency theory [10] that mentioned there is a chance that companies only try to gain support from politicians and local communities when their focus is only on CSR activities. Tax contribution is employed well only by state-owned companies [16]. The main goal of company is to increase investor welfare through investment decisions that optimize company's value.

The findings in this research give a new contribution to CSR literature. It shows that what has been the perception of the companies all along by activities that repair corporate governance and a good relation with employees don't have impact to company risk. On the other side, company's focus to maintain a good relation with supplier can reduce specific and systematic risk of the company. Moreover, a company that is getting more focused on social activities that are related to tax payment contribution to the government and regional economic development can increase specific and systematic risk. The market has a perception that the manager's focus is not on the increase of tax contribution to the government.

Nevertheless, this research has its limitation that is only using cross section data and risk assessment based on market perception. The next research can use data panel that involve all companies with a lengthier time frame for the following year. To find out whether the result will show consistency of long-term correlation between individual CSR dimensions and company risk. Other research is also suggested to use a more comprehensive and detailed CSR like quantitative and qualitative approach on content analysis [6]. This research is using a simple CSR measurement as base for the next research on content analysis that is more relevant to be used in developed

countries. Author has done regression on CSR impact on company's values like Tobin's Q and Market to book value, however the result is still insignificant. Therefore, the next research can find company's values assessment that can provide significant result of CSR contributions to company's values.

6. CONCLUSION

This research aims to examine the impact of CSR on company risk by using risk proxy based on market value that is systematic risk, idiosyncratic risk, and total risk. This research also tries to find impact of each CSR dimension on company risk. Research in the developing countries is still limited, hence the literature is also very few. Indonesia as a developing country has a law that obligates companies to do CSR. Therefore, it is interesting to study the impact of company's CSR on company risk. Samples that are retrieved for this research are companies that are listed at Indonesia Stock Exchange throughout 2018, have done CSR activities and report their CSR activities in their annual report and actively trade in stock exchange. The result of sample selection, there are 458 companies that met the criteria.

Based on the test and analysis of data, the result it: first, CSR does not have impact on systematic and specific risk of the company. Second, CSR aggregately has a weak negative impact on total risk of the company. Third, when including CSR dimension, the result is that supply chain partnership has a negative impact on systematic and specific risk of the company. It implicates that a good relation with supplier is beneficial because then company can obtain raw material with a better quality and in a more competitive price. Through such benefit, company can win the competition in their respective industry. Fourth, CSR dimension that has significant impact on company risk is tax contribution. CSR activities that are focusing on tax payment, and measuring tax payment contribution on regional economic development and industry will only resulting in the increase of company risk. This outcome supports the agency hypothesis that says managers who are focusing on CSR activities are actually trying to gain support from politicians and local communities by sacrificing shareholders' value.

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