

Does Corporate Social Responsibility Solve ROA Problem in Indonesia Telecommunication Industry?

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Abstract Indonesia Telecommunication is faced by negative score of ROA also decreasing ROA within the last three years. This research aim to prove CSR that exclude from usual variable used in increasing ROA. This research used seven categories (78 items) to measure CSR activity in telecommunication industry that listed in Indonesian Stock Exchange. Panel least square with 3 years horizon (2012-2015) is used to analysis the data. From hypothesis testing, CSR has significant effect on ROA. This research proves that CSR can solve ROA problem in Indonesia Telecommunication Industry. From this research result, increasing in 1% CSR makes 73,9% increasing in ROA. CSR gives very high R Squared (95,87%) to ROA. CSR can be an addition alternative strategic to increase ROA. This research also gives implication to the investor to invest in Telecommunication Company that concern in CSR program, it means those companies can more effectively manage their asset to generate income.

Keywords Corporate social responsibility, CSR, Financial performance, ROA, Telecommunication Industry

1. Introduction

Shift from monopoly to competition era of the Indonesia telecom industry, they must compete their strategy with the competitor such as; market, price, product, corporate image, etc. In doing their business which is network based, they need to manage their asset / infrastructure such as a costly part of their financial spending. As a costly part, some operators choose to build their own infrastructure while others prefer to outsource. Moreover, telecom industry serves the product by using technology that has shorter lifecycle. So that, each operator must manage their asset to generate income. Return on Asset (ROA) in Telecom industry becomes an important part to measure the financial performance. ROA is measures overall effectiveness of management of generating profits with its available assets. Within last three years, Return on Asset of Telecom industry decreases till negative (See Table 1).

ROA' Indonesia Telecom Operator decreases within last three years. Only Telkom Indonesia that still has a positive score of ROA, while others is negative. Its means their performance is worse to produce net income by empowering their asset. To sustain in their business, operators try to increase their income such as: by push in sales, lower price, efficiency operation, spending more money in marketing, product development, and service quality product. Some

research prove those strategy can improve their net income. We try to examine another business strategy that may be give impact to solve ROA problem in the Indonesia Telecom Industry i e Corporate Social Responsibility (CSR). CSR defines as voluntary services given by the company to be socially responsible to the growth and development of the environment and society which it operates (Adeneye & Ahmed, 2015) We start from basic research question, "Does CSR solve ROA problem in Indonesia Telecom Industry?". Many company spent their money into their CSR program. Even though, Government urges that company has another responsibility exclude shareholders; community, environment and other stakeholders, some of them think that CSR only make cost of the company increases with no positive impact in business performance. D' Amato *et al* (2009) summarizes references from scholarly journal articles, and we underlying some approaches to implementing CSR are (1) integral part of business strategy and corporate identity, (2) CSR can improve financial performance, (3) community and people are relevant to long term business survival, (3) CSR as sustainable development opportunity, (4) CSR refers to corporate identity and ethics; ethical behaviour become part of corporate identity., (5) CSR as a partnering with stakeholders, (6) CSR is becoming a leading principle of top management. Beside all the debates come from many sides, we try to prove *does CSR solve ROA problem in Indonesia Telecom Industry?*. We didn't found previous research that aim to answer our research problem specifically in Telecommunication Industry which operates the business with the asset based. Moreover, we can give strategic implication to solve ROA problem in Indonesia Telecom

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Industry.

Table 1. ROA' Indonesia Telecom Operator

| No | Operator | Year | | |
|----|------------------|----------|---------|---------|
| | | 2012 | 2013 | 2014 |
| 1 | Bakrie Telecom | -34,68 % | -28,98% | -37,84% |
| 2 | XL Axiata | 7,80% | 2,56% | -1,40% |
| 3 | Smartfren | -10,90% | -15,97% | -7,7% |
| 4 | Inovisi Infracom | 15,01% | 7,15% | -10,40% |
| 5 | Indosat | 0,88% | -4,89% | -3,49% |
| 6 | Telkom Indonesia | 16,49% | 15,86% | 15,22% |

2. Literature Review

A Firm need to analyse its internal financial to evaluate financial performance in light of competitor's performance and determine how the firm might improve its own operation. Measuring financial performance by using financial ratios can give information from income statement and balance sheet about the firm's financial health (Titman, 2011: 76). Gitman & Zutter (2012: 70-85) Financial ratios can be divided into five basic categories; liquidity, activity, debt, profitability and market ratios. Liquidity, activity, and debt ratio measure risk. Profitability ratios measure return. Market ratios capture both risk and return.

- (1) Liquidity ratios measured ability of the firm to satisfy its short term obligations. Ratios in this category are Current Ratio, Quick Acid Test Ratio.
- (2) Activity ratios measured the speed with which various account are converted into sales or cash-inflows or outflows. This ratio measure how efficiently a firm operates along a variety of dimensions. Ratios in this category are Inventory Turnover, Average Collection Period, Average Payment Period, Total Assets Turnover
- (3) Debt ratios measure the proportion of total assets financed by the firm's creditors. Ratio in this category are Debt Ratio, Times Interest Earned Ratio, Fixed Payment Coverage Ratio
- (4) Profitability ratios measure the profitability of the firm, evaluate firm's profit with respect to given level of sales, a certain level of assets, or owners' investment. Ratio in this category are Gross Profit Margin, Operating Profit Margin, Net Profit Margin, Earning Per Share, Return on Total Assets, Return on Common Equity
- (5) Market Ratios measure by its current share price to certain accounting values. Ration in this category are Price/Earnings Ratio, Market/ Book Ratio

Return on Asset often called the Return on Investment

(ROI) measures overall effectiveness of management of generating profits with its available assets. Horne & Wachowicz (2012:180) Formulas of ROA is earning after tax divided by total assets

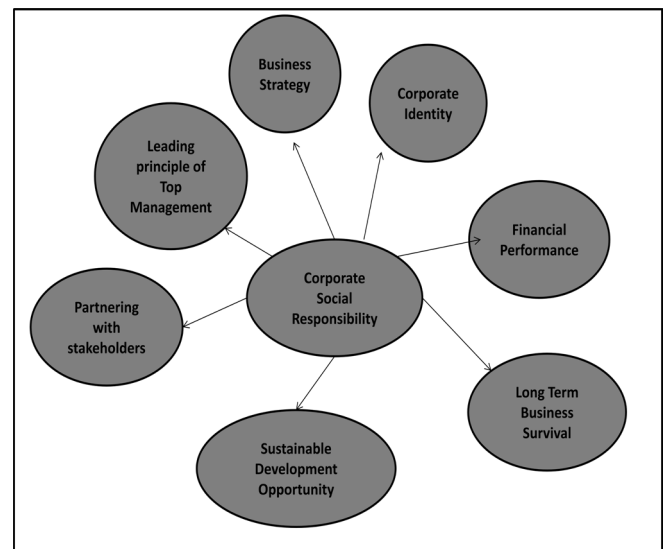
$$ROA = \frac{\text{Earning After Tax}}{\text{Total Asset}}$$

The higher score of ROA means that management is better perform in generating profits with total asset of the firm. A firm can increase ROA by push sales; do the business to be more efficiency; minimize cost; activity of managing asset, ect. Some studied try to prove other variable that has positive impact to ROA. One of the variables is CSR.

CSR has become a mainstream business activity; more firms provide regular public statement about CSR, more company report includes detail on CSR activities, more firms have voluntary external certifications for social and environmental standard, more firms invest in CSR (Kitzmueller & Shimschack, 2012).

CSR defines as voluntary services given by the company to be socially responsible to the growth and development of the environment and society which it operares (Adeneye & Ahmed, 2015). Wissink (2012) defines CSR as company actions to include the interest of its stakeholders in the economics, social and environment domain in its business operations and to a company's actions aimed at guaranteeing the continued existence, at least at an equal level, of the company, society and the environment at large.

D' Amato *et al* (2009) describe some approaches to implementing CSR that can be seen at the following figure:



Source: Processed from D'Amato et al (2009)

Figure 1. Approaches to Implementing CSR

We list some of the last three years journal that support approach and benefit D'Amato et al (2009) framework as seen on the following Table:

Table 2. Approach / Benefit CSR

| No | Approach/ benefit | Researchers |
|----|-------------------------------------|---|
| 1 | Business Strategy | Gazzola & Colombo (2014) |
| 2 | Corporate Identity | Otubanjo (2013), Salleh et al (2013), Fatma & Rahman (2014) |
| 3 | Financial Performance | Cheng et al (2014), Kim et al (2015), Emezi (2015) |
| 4 | Long term Business Survival | Akindele (2015), Mulchandani (2015) |
| 5 | Sustainable Development Opportunity | Fontaine (2013), Mutjaba & Cavico (2013) |
| 6 | Partnering with Stakeholder | Chepchirchir (2015) |
| 8 | Leading principle of top Management | Cullens & Waters (2013) |

Khan et al (2013) list benefit of CSR from many researchers into four categories;

(1) Viability of the Business

Society is important role if the business organization. Business organization existence and growth is depending on society. A business organization must have responsibility to the society if they want to main its position in long run and maintain corporate image

(2) Avoidance of Government Regulations

One reason for organization to have CSR is government regulation. If the business do more than the regulatory, government interface will ultimately decrease.

(3) Business Resources

Business has valuable resources and should use those resources to resolve social issues in the society or nation

(4) Long term Self Interest

CSR conducted to achieve long term goals of the business; instrument for corporate performance; instrument to attract, retain and motivate a talented workforce; instrument to attract customer; instrument to improve business reputation.

Many Literatures mention that financial Performance as one of the important benefit or and approach to implement CSR. Lin et al (2015) explain the influence of CSR on financial performance of the firms will determine their effort to invest in socially responsible activities. If the influence is positive with the goal of financial performance, then the firms will allocate more resources to socially responsible to achieve better financial performance.

Influence CSR on Financial Performance (ROA)

Empirical study conducted by Lin et al (2015) indicates that CSR positively affects ROA in environmentally sensitive industries and also for non-sensitive industries. Different with another study, the result shows there is negative affect CSR on ROA, so increasing on CSR will make decrease on ROA (Chetty, 2015; Hirigoyen & Rehm, 2015), but the results shows there is significant effects of CSR on ROA (Chetty, 2015). There is significant effect CSR on ROA (Kamatra & Kartiningdyah, 2015).

3. Methods

Data collected from annual report and financial report of six telecommunication companies listed in Indonesian Stock Exchange period 2012-2014. Those six companies are Bakrie Telecom, XL Axiata, Smartfren Telecom, Inovisi Telecom, Indosat, Telekomunikasi Indonesia. Step (1) We checklist 78 items of CSR for each company for 3 years period, (2) We calculate ROA score for each company for 3 years period, (3) We Use Panel Least Squares Analysis to answer the research question we had decided before (using Eviews 9 for Windows Software)

We test hypothesis of our research:

H1: CSR has significant impact on ROA in Indonesia Telecommunication Industry (2012-2014)

Item CSR adopted from Global Reporting Initiatives as seen at Table 3. Table 3 shows the six major dimensions: Economic Performance Indicator, Environmental Performance Indicator, Labor Practices and Decent Work Performance Indicators, Human Rights Performance Indicator, Society Performance Indicator, Product Responsibility Performance Indicator. Economic Performance Indicator consists of Economic Performance (measured by item EC 1-EC 9), Market Presence (measured by item EC5-EC7), and Indirect Economic Impacts (measured by EC8-EC9). Environmental Performance Indicator consist of Material (measured by EN 1-EN2), Energy (measured by EN3-EN7), Water (measured by EN 8-EN 10), Biodiversity (measured by EN 11-EN 15), Emmisions Effuents and Waste (measured by EN 16- EN 25), Product and Service (measured by EN 26-27), Compliance (measured by EN 28), Transport (measured by EN 29), Overall (measured by EN 30). Labor Practices and Work Performance Indicators consists of Employment (measured by LA 1-LA 3), Labor/ Management Relations (measured by LA 4-LA 5), Occupational Health and Safety (measured by LA 6-LA 9), Training and Education (measured by LA 10-LA 12), Diversity and Equal Opportunity (measured by LA 13-LA 14). Human Rights Performance Practice consists of Investment and Procurement Practice (measured by HR 1-HR 3), Non Discrimination (measured by HR4), Freedom of Association and Collective Bargaining (measured by HR 5), Child Labor (measured by HR 6), Forced and Compulsory

Labor (measured by HR 7), Security Practice (measured by HR 8), Indigenous Right (measured by HR 9). Society Performance Indicator consist of Community (measured by SO1), Corruption (measured by SO 2- SO 4), Public Policy (measured by SO 5- SO 6), Anti-Competitive Behavior (measured by SO7). Product Responsibility Performance

Indicator consists of Consumer Health and Safety (measured by PR 1-PR 2), Product and Service Labeling (measured by PR 3-PR 5), Marketing Communication (measured by PR 6-PR 7), Customer Privacy (measured by PR 8), Compliance (measured by PR 9)

Table 3. CSR' Categories and Items of Each Category

| Economic Performance Indicator | | |
|--|-------|---|
| Economic Performance | EC 1 | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. |
| | EC 2 | Financial implications and other risks and opportunities for the organization's activities due to climate change. |
| | EC 3 | Coverage of the organization's defined benefit plan obligations. |
| | EC 4 | Significant financial assistance received from government. |
| Market Presence | EC 5 | Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation. |
| | EC 6 | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. |
| | EC 7 | Procedures for local hiring and proportion of senior management hired from the Local community at locations of significant operation. |
| Indirect Economic Impacts | EC8 | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, inkind, or pro bono engagement |
| | EC 9 | Understanding and describing significant indirect economic impacts, including the extent of impacts. |
| Environmental Performance Indicator | | |
| Material | EN 1 | Materials used by weight or volume. |
| | EN 2 | Percentage of materials used that are recycled input materials. |
| Energy | EN 3 | Direct energy consumption by primary energy source. |
| | EN 4 | Indirect energy consumption by primary source. |
| | EN 5 | Energy saved due to conservation and efficiency improvements. |
| | EN 6 | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. |
| | EN 7 | Initiatives to reduce indirect energy consumption and reductions achieved |
| Water | EN 8 | Total water withdrawal by source. |
| | EN 9 | Water sources significantly affected by withdrawal of water. |
| | EN 10 | Percentage and total volume of water recycled and reused. |
| Biodiversity | EN 11 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. |
| | EN 12 | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. |
| | EN 13 | Habitats protected or restored. |
| | EN 14 | Strategies, current actions, and future plans for managing impacts on biodiversity |
| | EN 15 | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. |
| Emmissions, Effluents and Waste | EN 16 | Total direct and indirect greenhouse gas emissions by weight. |
| | EN 17 | Other relevant indirect greenhouse gas emissions by weight. |
| | EN 18 | Initiatives to reduce greenhouse gas emissions and reductions achieved. |
| | EN 19 | Emissions of ozone-depleting substances by weight. |
| | EN 20 | NO, SO, and other significant air emissions by type and weight. |

| | | |
|---|-------|---|
| | EN 21 | Total water discharge by quality and destination. |
| | EN 22 | Total weight of waste by type and disposal method. |
| | EN 23 | Total number and volume of significant spills. |
| | EN 24 | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. |
| | EN 25 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff. |
| Product and Service | EN 26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. |
| | EN 27 | Percentage of products sold and their packaging materials that are reclaimed by category. |
| Compliance | EN 28 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations. |
| Transport | EN 29 | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce. |
| Overall | EN 30 | Total environmental protection expenditures and investments by type. |
| Labor Practices and Decent Work Performance Indicators | | |
| Employment | LA 1 | Total workforce by employment type, employment contract, and region. |
| | LA 2 | Total number and rate of employee turnover by age group, gender, and region. |
| | LA 3 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations. |
| Labor/ Management Relations | LA 4 | Percentage of employees covered by collective bargaining agreements. |
| | LA 5 | Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements. |
| Occupational Health and Safety | LA 6 | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. |
| | LA 7 | Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region. |
| | LA 8 | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. |
| | LA 9 | Health and safety topics covered in formal agreements with trade unions. |
| Training and Education | LA 10 | Average hours of training per year per employee by employee category. |
| | LA 11 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. |
| | LA 12 | Percentage of employees receiving regular performance and career development reviews. |
| Diversity and Equal Opportunity | LA 13 | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. |
| | LA 14 | Ratio of basic salary of men to women by employee category. |
| Human Rights Performance Indicator | | |
| Investment and Procurement Practice | HR 1 | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening. |
| | HR 2 | Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken. |
| | HR 3 | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. |
| Non Discrimination | HR 4 | Total number of incidents of discrimination and actions taken. |
| Freedom of Association and Collective Bargaining | HR 5 | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights. |
| Child Labor | HR 6 | Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor. |
| Forced and Compulsory Labor | HR 7 | Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor. |

| | | |
|---|------|--|
| Security Practice | HR 8 | Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations. |
| Indigenous Right | HR 9 | Total number of incidents of violations involving rights of indigenous people and actions taken. |
| Society Performance Indicator | | |
| Community | SO 1 | Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting. |
| Corruption | SO 2 | Percentage and total number of business units analyzed for risks related to corruption. |
| | SO 3 | Percentage of employees trained in organization's anti-corruption policies and procedures. |
| | SO 4 | Actions taken in response to incidents of corruption. |
| Public Policy | SO 5 | Public policy positions and participation in public policy development and lobbying |
| | SO 6 | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. |
| Anti-Competitive Behaviour | SO 7 | Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes. |
| Product Responsibility Performance Indicator | | |
| Costumer Health and Safety | PR 1 | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. |
| | PR 2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes. |
| Product and Service Labelling | PR 3 | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. |
| | PR 4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes. |
| | PR 5 | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. |
| Marketing Communications | PR 6 | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. |
| | PR 7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes. |
| Customer Privacy | PR 8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. |
| Compliance | PR 9 | Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services. |

Source : Sustainability Reporting Guidelines (2000 - 2006)

4. Results and Discussion

Step 1

Table 4. CSR' Indonesia Telecommunication Industry

| Year | Company | | | | | |
|---------|----------|----------|----------|---------|----------|----------|
| | BTEL | EXCL | FREN | INVS | ISAT | TLKM |
| 2012 | 0.2308 | 0.3590 | 0.2308 | 0.2564 | 0.3846 | 0.7436 |
| 2013 | 0.2436 | 0.3462 | 0.2051 | 0.1923 | 0.3974 | 0.6154 |
| 2014 | 0.2179 | 0.3333 | 0.1923 | 0.0000 | 0.3718 | 0.5897 |
| Average | 0.2308 | 0.3462 | 0.2094 | 0.1496 | 0.3846 | 0.6496 |
| SD | 0.012821 | 0.012821 | 0.019584 | 0.13344 | 0.012821 | 0.082424 |

Step 2**Table 5.** ROA' Indonesia Telecommunication Industry

| Year | Company | | | | | |
|------|---------|---------|---------|---------|---------|--------|
| | BTEL | EXCL | FREN | INVS | ISAT | TLKM |
| 2012 | -0.3468 | 0.0779 | -0.1090 | 0.1501 | 0.0088 | 0.1649 |
| 2013 | -0.2898 | 0.0256 | -0.1597 | 0.0715 | -0.0489 | 0.1586 |
| 2014 | -0.3784 | -0.0140 | -0.0777 | -0.1040 | -0.0349 | 0.1522 |

Step 3

We test data with Chow test for knowing classification model (fixed effect model or common effect model). Table 6 shows that Chi Square probability is less than 0.05, concluded that fixed effect. We continue to Hausman test for choosing regression model fixed effect or random effect model. Based on Table 7, we can see that probability cross section random effect is more than 0.05, so we choose random effect model.

From Table 7 we formulize the regression model of this research is in the following equation:

$$ROA = -0.283126 + 0.734792 * CSR + e$$

It means, if CSR =0, ROA =-0.283126. Increase in 1% CSR make Increase in 73,5% of ROA. R Square (95,875%) indicates total influence score of CSR variable on ROA. From Table 7 we can see total t score 3.895693, it's more than t table (2.1199). We accept H1 hypothesis; **CSR has significant impact on ROA in Indonesia Telecommunication Industry (2012-2014)**

Table 6. Chow Test

| | | | | |
|--|-------------|-----------------------|-------------|-----------|
| Redundant Fixed Effects Tests | | | | |
| Equation: Untitled | | | | |
| Test cross-section fixed effects | | | | |
| Effects Test | Statistic | d.f. | Prob. | |
| Cross-section F | 31.871401 | (5,11) | 0.0000 | |
| Cross-section Chi-square | 49.320018 | 5 | 0.0000 | |
| Cross-section fixed effects test equation: | | | | |
| Dependent Variable: ROA | | | | |
| Method: Panel Least Squares | | | | |
| Date: 01/24/16 Time: 02:33 | | | | |
| Sample: 2012 2014 | | | | |
| Periods included: 3 | | | | |
| Cross-sections included: 6 | | | | |
| Total panel (balanced) observations: 18 | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | -0.229184 | 0.070297 | -3.260223 | 0.0049 |
| CSR | 0.570508 | 0.189446 | 3.011456 | 0.0083 |
| R-squared | 0.361758 | Mean dependent var | | -0.041861 |
| Adjusted R-squared | 0.321868 | S.D. dependent var | | 0.168717 |
| S.E. of regression | 0.138936 | Akaike info criterion | | -1.005163 |
| Sum squared resid | 0.308853 | Schwarz criterion | | -0.906233 |
| Log likelihood | 11.04646 | Hannan-Quinn criter. | | -0.991522 |
| F-statistic | 9.068868 | Durbin-Watson stat | | 0.161203 |
| Prob (F-statistic) | 0.008279 | | | |

Table 7. Hausman Test

| | | | | |
|--|-------------|-----------------------|--------------|-----------|
| Correlated Random Effects - Hausman Test | | | | |
| Equation: Untitled | | | | |
| Test cross-section random effects | | | | |
| Test Summary | | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob. |
| Cross-section random | | 0.179832 | 1 | 0.6715 |
| Cross-section random effects test comparisons: | | | | |
| Variable | Fixed | Random | Var(Diff.) | Prob. |
| CSR | 0.734792 | 0.699538 | 0.006911 | 0.6715 |
| Cross-section random effects test equation: | | | | |
| Dependent Variable: ROA | | | | |
| Method: Panel Least Squares | | | | |
| Date: 01/24/16 | | Time: 02:43 | | |
| Sample: 2012 2014 | | | | |
| Periods included: 3 | | | | |
| Cross-sections included: 6 | | | | |
| Total panel (balanced) observations: 18 | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | -0.283126 | 0.062739 | -4.512754 | 0.0009 |
| CSRD | 0.734792 | 0.188616 | 3.895693 | 0.0025 |
| Effects Specification | | | | |
| Cross-section fixed (dummy variables) | | | | |
| R-squared | 0.958789 | Mean dependent var | | -0.041861 |
| Adjusted R-squared | 0.936310 | S.D. dependent var | | 0.168717 |
| S.E. of regression | 0.042579 | Akaike info criterion | | -3.189608 |
| Sum squared resid | 0.019943 | Schwarz criterion | | -2.843353 |
| Log likelihood | 35.70647 | Hannan-Quinn criter. | | -3.141864 |
| F-statistic | 42.65268 | Durbin-Watson stat | | 2.421177 |
| Prob(F-statistic) | 0.000001 | | | |

5. Conclusions

From the basic research question *does CSR solve ROA problem in Indonesia Telecom Industry?*. We have proven by the empirical data from the Telecom Industry; CSR can be one of alternatives as business strategic to solve ROA problem in Indonesia Telecom Industry. Increasing 1% in CSR makes 73,9% increasing in ROA. We also found very high R square (95,87%). We found solution specifically for telecom industry with high asset characteristics based industry. The company can allocate more resources to be more responsible in social to achieve better financial performance specifically in ROA of the company. This research also gives implication to the investor to invest in Telecommunication Company that concern in CSR program, it means those companies can more effectively manage their asset to generate income.

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