CSR AND FINANCIAL PERFORMANCE FOR THE ROLE OF CUSTOMER LOYALTY MEDIATION, CORPORATE REPUTATION AND CEO REPUTATION (CASE STUDY: LIST OF COMPANIES IN THE INDONESIAN STOCK EXCHANGE 2013-2017)

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ABSTRACT

This study aims to determine the relationship between CSR and financial performance and the role of mediator customer loyalty, company reputation, and CEO reputation. This study used data are collected from companies listed on the Indonesia Stock Exchange (IDX) 2013-2017. The sample technique was used a purposive sampling with several criteria to produce 20 companies as the research sample. The analysis technique used by multiple linear regression analysis techniques. The results of this study are provide that the implementation of CSR as a business strategy of a company does not have an impact to improving financial performance. The different interests lead to optimal implementation of CSR, so it does not have an impact on improving financial performance. The final results are found that a customer loyalty mediates the relationship of CSR to financial performance. Because, customers will be involved in relational relationships that support companies involved by social environmental activities. The company's reputation and CEO's reputation do not mediate to the relationship between CSR and financial performance. Because, in the implementation of CSR, companies pay less attention to their main constituents. So, It has not an impact on the company's reputation. The implementation of CSR is also often a CEO's selfish act for personal imaging rather than benefiting the company's interests.

Keywords: Corporate social responsibility, financial performance, customer loyalty, company reputation, and CEO reputation.

INTRODUCTION

Financial performance is the main goal in the business world (Hansen and Wernerfel, 1989). For profit seeking organizations are oriented towards profit maximization (Bhagat, Moyen, and Suh, 2005), financial performance is a subjective measure how well companies can use assets and generate income. Therefore, management must maintain cash flow (Armstrong, 2014) and growth of company performance (Wales, Gupta, and Mouse, 2013) to maintain a competitive position (Abbasi and Malik, 2015) especially where other competitive companies have rapid growth. The competitive position is also supported by market conditions (Ma et al., 2016). According to Hansen and Wernerfel (1989) said that the determinants of company performance are based on economic traditions that emphasize an importance of external factors in determining successful of a company. In 2016, the JCI posted a growth of 15.32% which is an optimistic reflection from investors on the performance of issuers. This condition continued in 2017 with the JCI likely to penetrate 6,300. However, at the close of stock trading there were 157 issuers with a performance that did not increase which held back the strengthening of the JCI at a higher level in 2017 (idx.co.id).

In addition, a condition of issuers are not increasing, the strengthening of the JCI is also affected by net selling by foreign investors throughout 2017 that could threaten the Indonesian economy (Anorago and Pakarti, 2006). The selling of investors is cause of the collapse of the company, for example at PT. Modern International, Tbk. and PT. Matahari Putra Prima, Tbk. The actions of investors are motivated by poor company performance with declining income. For investors, financial performance shows the ability of management to fulfill its obligations (Sutrisno, 2009: 53). Fulfillment of management obligations towards stakeholders influences financial performance (Fama and French, 2001). Therefore, financial performance is important for companies to obtain and maintain resources from various stakeholders (Avram et al., 2009; Virlics, 2013). According to Ortega (2010) and Spanos et al. (2004) financial performance is influenced by competitive strategies. So, company managers must formulate competitive strategies that are able to have a positive impact on financial performance.

One strategy that management can do is integrate economic, social and environmental issues into the company's strategy. This is based on the consideration that the growth and profitability of the company must be in line with the expectations of the community (Wilson, 2013) for business activities that are in line with the principles of sustainable development. According to Kim, Rhou, Uysal, and Kwon (2017) CSR shows managerial responsibility for the community where company profits are obtained. While Friedman (1970) claimed CSR as a form of waste of company resources. Deegan (2002) said that CSR is a corporate strategy to maintain its sustainability. Finally, the company began to transparently disclose financial and non-financial information (related to social and environmental impacts).

Lee, Eun, Park, Seong-Yeon, and Hyun (2013) tested cultural abilities and CSR influenced employee performance and company performance through mediating variable employee perceptions of employee performance. The results show that CSR and culture encourage the perception of positive CSR that improves performance. Employee satisfaction will increase employee engagement and long-term performance (Kim et al., 2012). In addition, Saedi et al. (2015) and Fernandez (2015) also show that CSR is positive towards financial performance.
On the other hand, Crisostomo, Freire, Souza, and Vasconcellos (2011) claim CSR has a negative effect on Financial Performance. A negative relationship was also shown by Omar and Zallom (2016) who proved that CSR reduced the company's market value in the Amman Stock Exchange during the period 2006-2010. Coupled with Malcolm, Khadijah, and Marzuki (2007) who showed CSR had a negative effect on CFP companies listed in Kuala Lumpur Stock Echchange

Margolis and Walsh (2013) said that many studies on CSR only focus on examining the direct relationship between CSR and company performance. Alafi and Hasoneh (2012) said that testing the direct relationship between CSR and company performance will only obscure many factors that influence this relationship and the final findings cannot be relied upon. One of the factors that influence the relationship between CSR and financial performance is customer loyalty. Sharid, Khalid and Rahman (2015) and Martinez and Bosque (2013) found that CSR increases customer loyalty. When, companies are socially responsible, customers will be involved in relational behavior that supports the company, inherent psychologically and cares about the company and its products (Du, Bhattacharya, & Sen, 2007). Customer satisfaction is a measure of how products and services supplied by companies can meet or exceed customer expectations (Ahmed et al., 2001). The higher level of customer satisfaction leads to increased customer loyalty (Lombart and Louis, 2012) which in turn helps companies obtain higher sales so that financial performance increases (Saeidi et.al., 2015). CSR has the power to influence stakeholder perceptions of how well the CSR initiatives and results of the organization meet the social and environmental expectations of stakeholders, thereby contributing to the company's reputation (Petkeviciene, 2015). Helm (2007) added that a good reputation has a lower risk compared to companies with less established reputation. Roberts and Dowling (2012) found that companies with a higher reputation have more sales growth and ROA. Cabral (2012) claims that the company's performance depends on its achievements.

When a company's reputation is bad, the CEO's reputation will still have a positive impact on financial performance (Weng and Chen, 2016). CEO Capability is one of the determinants of the success of the company to get a profit (Fuller and Jensen, 2012). Radbourne (2003) shows that the CEO's reputation is related to the validity of management and the company's financial health. Francis et al. (2008) found that having a CEO with a good reputation will also improve the quality of income. In addition, Borghesi, Houston and Naranjo (2014) found that CSR activities can improve the professionalism and personal reputation of the CEO. This study aims to examine the effect of CSR on financial performance as well as customer satisfaction, company reputation, and the reputation of the CEO as a mediator. Customer satisfaction in this study was developed into customer loyalty with a justification that satisfied customers will return to buy products / services to become loyal to a brand (Lombart and Louis, 2012). Finally, the mediators used in this study are customer loyalty, company reputation, and CEO reputation.

THEORETICAL FRAMEWORK

Stakeholder Theory

The traditional approach of CSR is based on stakeholder theory founded by Freeman (1984) which is a theory that discusses for whom, each group of individuals or individuals who are able to influence or be influenced by the achievement of organizational goals. Stakeholder theory explicitly considers the influence of various groups on company disclosure policies. Disclosure made by the company is a tool for management to manage the information needs of various stakeholders and at the same time become the company's strategy to maintain good relations with its stakeholders.

Legitimacy Theory

Legitimacy Theory provides a general description of why companies choose to disclose information openly about aspects of social and environmental performance. Corporate social and environmental disclosure in the media is motivated by management's desire to legitimize organizational goals. Legitimacy theory shows that organizations are not considered to have inherent rights to resources (Deegan, 2002); so the organization can only use resources to the extent that certain communities consider that the organization is legitimate.

Signal Theory

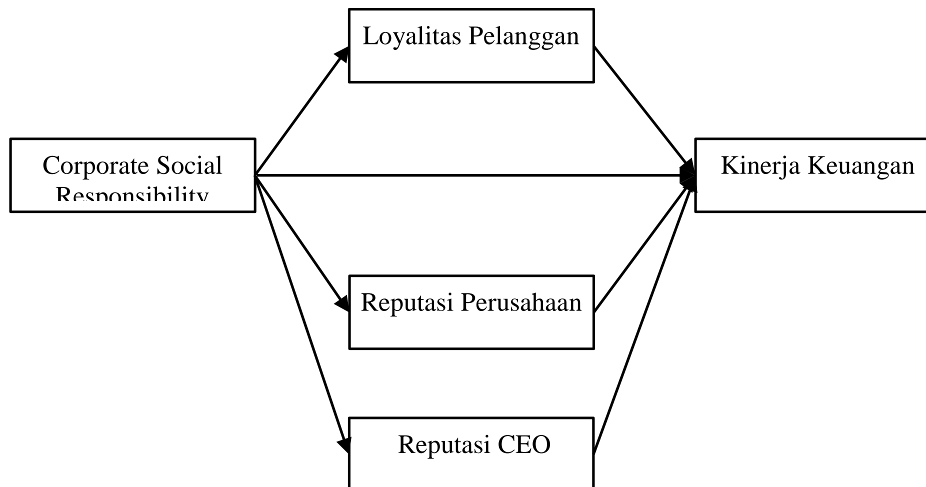
Fundamentally signal theory is related to information asymmetry between two parties (Spence, 2002). Investors are assumed to have the same or symmetrical information with management about the company's prospects. But in reality, management knows more information or asymmetrical information about the company and future prospects. Dye (1985) and Verrecchia (1983) state that companies voluntarily disclose information to reduce information asymmetry. Information is a signal for an action taken by the company to provide guidance to investors about how management views the company's prospects (Brigham and Houston, 2001).

HYPOTHESIS DEVELOPMENT

Financial performance is the main goal of business activity (Hansen and Wernerfel, 1989). Many strategies can be carried out by management to improve financial performance, including integrating economic, social and environmental issues into business strategies. Stakeholder theory explicitly considers the influence of various groups on disclosure policies carried out by the company. Legitimacy theory shows that organizations are not considered to have inherent rights to resources (Deegan, 2002) so organizations can only use resources to the extent that certain societies assume that the organization is legitimate. According to Davila et al., (2003), disclosure of CSR is a signal given by companies to demonstrate their commitment to social and environmental responsibility. The positive relationship between CSR and financial performance has been proven by Alafi and Hasoneh (2012). Saeidi et al. (2015) said that to get a real impact on CSR on financial performance, the mediator must be applied.

According to Matzler and Hinterhuber (1998) more and more companies are using customer satisfaction as an indicator of company performance. The higher the level of performance is influenced by the level of customer satisfaction which causes increased customer loyalty (Lombart and Louis, 2012). Anderson and Sullivan (1993) claim that a good corporate reputation can increase customer satisfaction. According to Fuller and Jensen (2012) the ability of a CEO to be a determining factor in the success of a company makes a profit. Based on the description above, the framework of the research concept is described as shown below.

Gambar 1
Kerangka Konsep



The Effect of CSR on Financial Performance

Stakeholder theory (Freeman, 1984) emphasizes that companies must manage the interests of various stakeholders responsibly without dichotomizing each of these interests. One strategy to maintain stakeholder relations is disclosure of CSR. The disclosure of CSR by the company is a tool for management to manage the information needs of various stakeholders and at the same time become the company's strategy to maintain good relations with stakeholders. CSR has become a key factor in achieving economic and welfare goals in the history of economic development (Garriga and Mele, 2004). Agyemang (2017) CSR has a significantly positive relationship with the financial performance of SMEs in Ghana. This result is consistent with research conducted by Oppong (2014) and Ofori et al. (2014) that CSR activities cause an increase in company performance.

Kabir and Thai (2017) examine the role of corporate governance on the effect of CSR and financial performance. The results show that positive CSR significantly influences ROE, ROA, and Q. The same results are also shown by Jain (2017), Lee et al. (2013), and Teppura et al. (2016). Lee et al. (2013) show that CSR is able to encourage positive CSR perceptions that improve performance, so companies must consider employee perceptions of CSR, feelings of attachment, and long-term performance. The results of the study by Teppura et al. (2016) show that the relationship between CSP and CFP differs according to industry, but its findings indicate that better CSP can lead to better CFP. Saeidi et al. (2015) found that CSR has a positive effect on company performance. CSR has an influence on reputation and competitive advantage, driven by higher customer satisfaction as a mediator of the relationship between CSR and company performance (Saeidi et al., 2015).

The main perspective of this study is to examine the indirect effects of CSR on financial performance. This study uses Baron and Kenny (1986) as a procedure for testing hypotheses, namely the relationship of CSR and financial performance must be tested in the first stage. The formulated hypothesis is:
H1: CSR has a positive effect on financial performance.

The Role of Mediating Customer Loyalty, Company Reputation, and CEO Reputation

CSR does not only affect financial performance directly, but also has an indirect influence that can have an impact on financial performance. Margolis and Walsh (2003) claim that testing the effect of CSR directly on financial performance only obscures the role of other influential factors in this relationship; so the end result is less reliable. Therefore, other influential factors must be considered and proven empirically. Customer loyalty, company reputation, and CEO reputation will be included in this study as variables considered. According to Kim et al., (2016) satisfied customers will buy goods / services repeatedly so that the customer becomes a loyal customer. Kim et al., (2016) conducted a test of customer loyalty in smartphone companies in Korea. The results show that customer satisfaction has a positive effect on customer loyalty. The results of the study were supported by Kim et al., 2015; Lin et al., 2015; Tan et al., 2015.

Disclosure of CSR indirectly affects customer loyalty (Mandachitara and Poolthong, 2011). CSR influences customer loyalty through customer satisfaction (Dia and Li, 2011) or through company evaluation, identity attractiveness, and identification of corporate consumers (Marin et al., 2009). Research conducted by Gurlek et al. (2017) in Hotels in Turkey with 200 observations provide evidence that CSR positively influences customer loyalty. The same results are also proven by Liu et al. (2013). Based on the description above with reference to the research conducted by Gurlek et al. (2017) and Liu et al. (2013), this study uses customer loyalty as a mediator of the relationship between CSR and financial performance. The formulated hypothesis is:

H2a: Customer loyalty mediates the effect of CSR on financial performance

Stakeholder theory (Freeman, 1984) emphasizes that companies must manage the interests of various stakeholders responsibly. The company's ability to obtain stakeholder support will form a good impression of the company's reputation, because management has been able to manage the company and meet the interests of stakeholders. Pfarrer et al. (2010) show that CSR can improve the company's reputation. Companies with good reputations are considered less risky than equal financial performance but with poor reputation (Kotha et al., 2011). Cabral (2012) found a positive relationship between reputation and company performance.

The reputation of the company can also mediate the relationship between CSR and financial performance as shown by Fomburn (2005). Companies with high CSR commitments reflect their attitude that meets the interests of stakeholders and society. Saeidi et al. (2015) provide evidence that a better corporate reputation positively mediates the effect of CSR on financial performance. Customers will also assess the reputation of the company that is involved in CSR activities (Stanaland et al., 2011).
Based on the description above with reference to the research conducted by Saeidi et al. (2015), this study makes the company's reputation as a mediator of the relationship between CSR and financial performance. The formulated hypothesis is:
H2b: Corporate reputation mediates the effect of CSR on financial performance.

Signal theory (Dye, 1985 and Verrecchia, 1983) states that companies voluntarily disclose information to reduce information asymmetry. Information is a signal for an action taken by the company to provide guidance to investors about how management views the company's prospects (Brigham and Houston, 2001). Companies that have their own uniqueness have CEOs with different leadership styles, philosophies and business approaches. Weng and Chen (2016) claim that CEO reputation has a positive influence on company performance. Although CSR activities are often regarded as CEO's efforts to benefit themselves (Barnea and Rubin, 2010), this does not mean that it will bring harm to the company (Hong et al., 2015). In addition, the CEO's decision to implement CSR also aims to resolve conflicts among various stakeholders (Jo and Harjoto, 2011). CEOs enjoy media publicity as they engage in CSR activities that contribute to their personal reputation (Jiraporn, 2013). Jiraporn (2013) proved that the CEO's reputation mediates the relationship between CSR and financial performance.

Francis et al. (2008) show that the CEO's reputation has a positive influence on the quality of income. A CEO with a good reputation will improve the company's financial performance (Li et al., 2016). A good reputation is obtained when the CEO is able to meet the interests of shareholders and align the company's goals with the expectations of society. Li et al. (2016) conducted a study of CEOs in 300 companies with CEO pay slice (CPS) as a proxy for the company's reputation. The results show that the stronger the CEO, the more investment in CSR to build their reputation and investment in CSR will increase the value of the company.
Based on the description above, this study follows a study conducted by Jiraporn (2013) and Li et al. (2016) by making the CEO's reputation as a mediator of the relationship between CSR and financial performance. The formulated hypothesis is:
H2c: The CEO's reputation mediates the effect of CSR on financial performance.

RESEARCH METHODS

Population and Samples
The population used in the research is the company registered (listing) on the Indonesia Stock Exchange (IDX) for the period 2013-2017. Samples were selected by targeted sampling technique (purposive sampling).

Table 1:Sampling Procedure

List of Firms	It does not meet an criteria	Total
Listed companies on the Indonesia Stock Exchange during 2013-2017	0	539
Companies that publish annual reports for four years in a row namely 2013-2017	0	539
Companies that issue financial statements for four consecutive years, namely 2013-2017	0	539
Companies registered in the Indonesian Customer Satisfaction Award (ICSA) by SWA magazine for four consecutive years, 2013-2017	455	84
Companies registered in the Corporate Image Award by the Frontier Counseling Group for four consecutive years, 2013-2017	41	43
Companies whose CEOs are often mentioned in SWA magazine, Forbes magazine, Tempo magazine, Warta Ekonomi magazine, and Obsession’s Men magazine for four consecutive years namely 2013-2017	23	20
The number of samples during the period 2013-2017		100

Operational Definition of Variables

Financial performance
Company performance can be assessed based on operating performance and market performance (Sari, 2013). Operational performance is measured by looking at the company's capabilities that appear in financial statements. Operating performance is usually measured using profitability ratios. The profitability ratios used in this study are ROA and ROE (Weng and Chen, 2016). ROA shows the ability of companies to use assets to generate profits. ROA is obtained by comparing pre-tax profit with total assets. While, ROE shows the efficiency of companies using their own capital to generate net income. ROE aims to measure the amount of return given by the company to every rupiah of capital from shareholders.

Corporate Social Responsibility
CSR is a difficult concept so it has various definitions. CSR in Law No. 40 of 2007 was defined as the company's commitment to be involved in reducing social and environmental problems as a result of business operations. While Carroll (1979) not only identified CSR as a responsibility for environmental and social issues, but also systematically distinguished corporate responsibility only from making profits and from government social responsibility. Carroll (1979) also identified elements of CSR known as Carroll CSR pyramid terms, namely: Philanthropic, Ethical, Legal, and Economic.
The measurement of CSR in this study was calculated based on the scope of disclosure. The amount of information disclosed by the company is compared to what the Global Reporting Initiative (GRI) implies. The number of disclosure items required by GRI is 78 statements. The more information disclosed by the company, the better the disclosure of social responsibility (Jamali, 2014).

Customer Loyalty, Corporate Reputation and CEO Reputation
Customer loyalty refers to the commitment of consumers to repurchase or continually use products / services from a company (Oliver, 1980). Customer satisfaction is the main proxy for customer loyalty (Kim et al., 2004). According to Anderson et al. (1997) customer satisfaction is the evaluation of the entire company's products, not the evaluation of certain individuals on certain transactions. Wiele et al. (2002) prove that customer satisfaction has a significant effect on sales volume and margin. Various studies also found that higher levels of customer satisfaction resulted in greater customer loyalty (Bearden and Teel, 1983: Bolton and Drew, 1991: Boulding et al., 1993; Fornell, 1992; LaBarbera and Mazursky, 1983; Oliver, 1980 ; Oliver and Swan, 1989). Customer Loyalty in Anderson et al. (1997) seen from the Swedish Customer Satisfaction Barometer (SCSB). Following Anderson et al. (1997), the proxy of customer loyalty in this study uses the results of calculations from rating agencies, namely the Indonesian Customer Satisfaction Index (ICSI).

ICSI conducts a survey of customer satisfaction based on four parameters, namely: 1) Quality Satisfaction Score (QSS); 2) Value Satisfaction Score (VSS); 3) Perceived Best Score (PBS); 4) Expectation Score (ES). In the measurement of the fourth parameter there are two dimensions of time, namely past satisfaction and future confidence in satisfaction that reflects brand loyalty. The literature shows that the company's reputation reflects the value of the company that comes from internal innovation and company intangible assets that are difficult to observe (Chan et al., 2001; Edmans, 2011; and Hirshleifer et al., 2013). Cao et al. (2014) suggest that a company's reputation can be represented by using a well-received index. Cao et al. (2014) used a list of the most admired companies in America as a proxy for the company's reputation. Weng and Chen (2016) use the index from Common Wealth Magazine as a proxy for the company's reputation.

Milbourn (2003) argues that CEOs often mentioned in public media or newspapers tend to have a better personal reputation than those who are not often mentioned. Weng and Chen (2016) selected six major newspapers in Taiwan to calculate media coverage for all company CEOs in the study sample. The business magazines used in this study were SWA magazine, Forbes magazine, Tempo magazine, Warta Ekonomi magazine, and Obsession 's Men magazine.

Table 2: Research Variable Indicator

Variables	Indicator
Financial Performance	ROA (Y1) = $\frac{EarningBeforeTax}{TotalAssets} x100\%$
	ROE (Y2)= $\frac{NetIncome}{Shareholders'Equity} x100\%$
CSR	CSR (X1) = $\frac{\text{JumlahPengungkapanPerusahaan}}{\text{JumlahPengungkapanGRI}} x100\%$
Customer Satisfaction	Companies whose products are included in the ISSI.
Firm Reputation	Indonesia's Corporate Image Award

CEO Reputation	The CEO whose name is often mentioned in business magazines.

Data analysis method
Hypothesis testing is done by using multiple linear regression to see the dependence of the dependent variable with one or more independent variables (Gujarati, 2003).) In regression involving mediator variables, according to Baron and Kenny (1986) there are three types of effects, each of which shows the role of variables on other variables, namely direct effects, indirect effects, and total effects. The path analysis equations used are as follows:

$Y = \alpha + \beta_{X1} X_1 + \varepsilon$ ………………...... (1)
$Y = \alpha + \beta_{M1} M_1 + \varepsilon$ ………………...... (2)
$M = \alpha + \beta_{X1} X_1 + \varepsilon$ ………………...... (3)
$Y = \alpha + \beta_{X1} X_1 + \beta_{M1} M_1 + \varepsilon$ …...... (4)

RESUTLS

Descriptive Analysis

Descriptive statistical analysis is used to describe the data from the variables used in a study in the form of minimum values, numbers, average values, and standard deviation values. Based on descriptive statistical analysis using SPSS 22, the following data are obtained:

Table 3 : Descriptive Statistics Results

	N	Minimum	Maksimum	Rata-rata	Std. Deviasi
CSR	100	0.044	0.633	0.26341	0.140538
LP	100	0.757	0.916	0.83049	0.042518
RP	100	0.339	0.983	0.60325	0.183517
RCEO	100	0.250	0.933	0.49872	0.173043
ROA	100	-0.149	0.625	0.12011	0.125072
ROE	100	-0.406	1.358	0.19826	0.266677

Source: Secondary Data Processed, 2018

Based on the results of descriptive statistical analysis in the table above shows the data used in this study amounted to 100 data derived from financial reports, annual reports, accountability reports, websites, and magazines in the period 2013-2017.

The descriptive analysis results in the table above show that CSR variables, customer loyalty, corporate reputation and CEO reputation have a normal range of data while for financial performance variables measured by ROA and ROE indicators with each average value of 0.1201 or 12 % and 0.1982 or 19.82%. Each minimum value is -0.149 or -14.9% and -0.406 or -40.6% which shows the range of data with maximum data is 0.625 or 62.5% and 1.358 or 130.58% of the company's financial performance that becomes sample in this study in the period 2013-2017.

Classic assumption test

The classic assumption test aims to find out whether the research data is free from bias, and has a high level of validity and reliability to produce good results. The steps to perform the classic assumption test used in this study are:

1) normality test, the results of the Kolmogorov-Smirnov normality test residual data are normally distributed because the significance value (Sig.) Of all equations in the normality test is above 0.05.
2) multicollinearity test, the results of the multicollinearity test can be concluded that there are no independent variables in each equation that produce tolerance values of less than 0.10 which means there is no correlation between the independent variables and also each independent variable produces the Variance Inflation Factor value (VIF) above 1.0. So it can be concluded that there is no multicolonity between independent variables in the regression model of this study.

3) heterocedasticity test, the results of the scatterplots graph of each point equation spread randomly and spread well, namely above and below the number 0 on the Y axis. So from these results it can be concluded that there is no heterocedasticity in the regression model.
4) autocorrelation test, autocorrelation test concluded that the results of each equation have a statistical DW value (d) greater than DW Uper (du) and 4-DW Uper (du) greater than DW statistic (d), which means that there is no negative and positive autocorrelation in the regression model of this study.

Regression Test

In this study the analysis used to test the hypotheses that have been formulated is multiple linear regression. The results of this multiple linear analysis will produce a significance value for the basis of being accepted or rejected by the hypothesis.

Table 4: Results of Multiple Linear Regression

ROA (Y_1) = = $\alpha + \beta_{X1}$ CSR (X_1) + β_{M1} Customer Loyalty (M_1) + ε **ROE (Y_2) = = $\alpha + \beta_{X1}$ CSR (X_1) + β_{M1} Customer Loyalty (M_1) + ε**				
	Coefficient Beta		**p-value**	
$X_1 \rightarrow Y_1$	-1.57		0.026**	
$X_1 \rightarrow M_1$	0.491		0.000***	
$M_1 \rightarrow Y_1$	0.049		0.332	
$X_1, M_1 \rightarrow Y_1$	-0.319	0.206	0.006*	0.052*
$X_1 \rightarrow Y_2$	0.206		0.274	
$M_1 \rightarrow Y_2$	0.257		0.01***	
$X_1, M_1 \rightarrow Y_2$	-0.343	0.425	0.003***	0.000***
ROA (Y_1) = = $\alpha + \beta_{X1}$ CSR (X_1) + β_{M2} Company Reputation (M_2) + ε **ROE (Y_2) = = $\alpha + \beta_{X1}$ CSR (X_1) + β_{M2} Company Reputation (M_2) + ε**				
	Coefficient Beta		**p-value**	
$X_1 \rightarrow M_2$	0.088		0.217	
$M_2 \rightarrow Y_1$	0.250		0.012**	
$X_1, M_2 \rightarrow Y_1$	-0.242	0.272	0.013**	0.006***
$M_2 \rightarrow Y_2$	0.124		0.136	
$X_1, M_2 \rightarrow Y_2$	-0.120	0.198	0.098*	0.056*
ROA (Y_1) = = $\alpha + \beta_{X1}$ CSR (X_1) + β_{M3} CEO Reputation (M_3) + ε **ROE (Y_2) = = $\alpha + \beta_{X1}$ CSR (X_1) + β_{M3} CEO Reputation (M_3) + ε**				
	Coefficient Beta		**p-value**	
$X_1 \rightarrow M_3$	-0.68		0.274	
$M_3 \rightarrow Y_1$	0.186		0.049**	

$X_1, M_3 \rightarrow Y_1$	-0.206	0.172	0.032**	0.060*
$M_3 \rightarrow Y_2$	0.206		0.136	
$X_1, M_3 \rightarrow Y_2$	-0.120	0.198	0.070*	0.019**
*** Significant in level 1% or 0.01 (*one-tailed*) ** Significant in level 5% or 0.05 (*one-tailed*) * Significant in level 10% or 0.10 (*one-tailed*)				

Source: Secondary Data Processed, 2018

DISCUSSION

The Effect of CSR on Financial Performance

H1 in this study states that CSR has a positive effect on financial performance. Based on the results of hypothesis testing in table 4, it is proved that CSR has a negative effect on financial performance on the ROA indicator with a significance value of 0.052 <0.05 (α: 5%) and t-count value -1.971 -1.973 (t-count = -1973 <t -table = 1.99045). This value shows that the direction of this variable is not consistent. Table 4 also proves that CSR does not have an effect on financial performance on the ROE indicator with a significance value of 0.236 <0.05 (α: 5%), so the result states that H1 is rejected.

This result is different from the findings of Saeidi et al. (2015) and Agyemang and Ansong (2017) which prove that CSR has a positive influence on the company's financial performance. But this report is in accordance with the findings of Margaretha and Witedjo (2014) which prove that CSR has a negative effect on financial performance. This negative effect is caused by CSR requiring large funds to be invested in meeting stakeholder requirements so that it can trigger conflicts with shareholders.

The differences in interests cause the implementation of CSR that is not optimal so it does not have a positive influence on financial performance. The company owners and shareholders give priority to economic benefits and are not optimal in carrying out CSR (Kusumaningrum, 2012). As a result, in the short term CSR does not have an impact on financial performance, but can improve financial performance in the long run (Najah and Jarboui, 2013). This research is also in line with Parengkuan (2017) and Criso Istomo (2011) who found that CSR did not affect financial performance. This is because in a country with developing economic conditions, investors easily obtain excess returns, which causes stakeholders not to consider long-term sustainability and social responsibility.

The role of customer loyalty, company reputation, and CEO reputation in mediating the relationship between CSR and financial performance.

H2a states that customer loyalty mediates the effect of CSR on financial performance. Based on the results of testing the hypothesis in table 4 shows that CSR has a positive effect on customer loyalty with a significant value of 0,000 <0.05 (α: 5%) and t-count value of 4,978 (t-count = 4,978> t-table = 1,99045) means that the direction of the coefficient parameter shows a consistent direction. In table 4 shows that customer customer loyalty does not affect financial performance on the ROA indicator with a significance value of 0.664> 0.05 (α: 5%), and customer loyalty has a positive effect on financial performance on the ROE indicator with a significant value of 0.02 <0 , 05 (α: 5%) and t-count value of 2,347 (t-count = 2,347> t-table = 1,99045) means that the direction of the parameter coefficient shows a consistent pattern. According to Shrout and Bolger (2002) the condition of a variable can be said to be a mediator variable if it meets the criteria of path-a (CSR to customer loyalty) significantly and path-b (customer loyalty to financial performance) is significant. On the basis of calculations in table 4, customer loyalty meets the requirements as a mediator between CSR and financial performance on the ROE indicator.

In this study to prove customer loyalty as a mediator the effect of CSR on financial performance on the ROE indicator is by conducting a Sobel test (Sobel test). The z value of the sobel test results is 2.117 (z value = 2.117> 1.96) and the statistical significance level z (p value) is 0.034 (nilap p = 0.034 <0.05) (Preacher and Hayes, 2004), meaning loyalty customers mediate the effect of CSR on financial performance on ROE.

H2b states that a company's reputation mediates the effect of CSR on financial performance. Based on the results of testing the hypothesis in table 4 shows that H2b is rejected. According to Shrout and Bolger (2002) the condition of a variable can be said to be a mediator variable if it meets the criteria of path-a (CSR to company reputation) significantly and path-b (company reputation towards financial performance) is significant. In table 4, only the company's reputation has a positive effect on financial performance on the ROA indicator (path-b2) with a significance value of 0.012 <0.05 (α: 5%), while CSR does not affect the company's reputation (path-a) with a significant 0.217 > 0.05 (α: 5%) and the company's reputation does not affect financial performance (path-b1) on the ROE indicator with a significance of 0.136> 0.05 (α: 5%).

This proves that the company's reputation is not a mediator of the effect of CSR on financial performance. The company's reputation as an organization's overall appeal to its main constituents compared to the company's main competitors. The attraction comes from the company's activities and the company's future prospects (Fomburn, 1996). This finding contrasts with the findings of Saeidi et al. (2015) and Agyemang and Ansong (2017) that a better corporate reputation positively mediates the

effect of CSR on financial performance. This finding also contradicts Praffer et al. (2010) and Cabral (2012) which state that CSR can improve the company's reputation. This finding is consistent with the findings of Caliskan, Icke, and Ayturk (2011) which state that the higher the company's reputation (low) leads to higher (lower) financial performance is not confirmed.

This research raises questions about reliability linking company reputation with the company's financial performance. The reputation of the company as an integible asset that provides a position of differentiation, needs to be reconsidered in terms of its ability to generate profits above average and higher market values (Hall, 1993).
H2c states that the CEO's reputation mediates the effect of CSR on financial performance.

Based on the results of testing the hypothesis in table 4 shows that H2c is rejected. According to Shrout and Bolger (2002) the condition of a variable can be said to be a mediator variable if it satisfies the criteria of path-a (CSR to CEO reputation) and path-b (CEO's reputation for financial performance) is significant. In table 4 CEO reputation has a positive effect on financial performance on indicators of ROA and ROE (path-b2) with a significance value of 0.049 <0.05 (α: 5%) and 0.016 <0.05 (α: 5%), whereas CSR does not affect the CEO's reputation (line-a) with a significant 0.274> 0.05 (α: 5%).

This proves that the CEO's reputation is not a mediator of the effect of CSR on financial performance. This finding contrasts with Hong et al. (2015) and Jiraporn (2013) who claim that CSR activities not only benefit the CEO with good media publicity, but also bring benefits to the company. This finding is in line with Friedman (1970) who claimed that CSR is a selfish act of the CEO to publicly image himself using the costs of shareholders. Following Agle et al. (1999) a survey of a number of CEOs and senior managers asked the question of why they did CSR. A number of choices are categorized as self-interested and other-interested (describing the CEO's social soul). Another factor in the research conducted by Margiono et al. (2012) stated that the CEO in Indonesia was quite confident to do CSR but was rather nervous because it did not have a convincing device to execute a measurable corporate social strategy.

This finding is consistent with the findings of Saeidi et al. (2015), Galbreath and Shum (2012), and Alafi and Hasoneh (2012) which state that customer loyalty mediates the effect of CSR on financial performance. This finding is also in line with Mandachitara and Poolthong (2011) and He and Li (2011) who prove the effect of CSR indirectly on customer loyalty. Liu et al. (2013) claim that consumer preferences for brands can improve customer perceptions of CSR, where it can increase customer loyalty.

CONCLUSION

The results of this study provide empirical evidence that the implementation of CSR as a business strategy of the company does not have an impact on improving financial performance. This is because CSR requires large funds to be invested in meeting the demands of stakeholders so that it can trigger conflict with shareholders. In addition, due to the implementation of CSR that is not optimal. Not optimal implementation of CSR is due to differences in interests and prioritizes economic benefits (Kusumaningrum, 2012). Customer loyalty mediates the relationship between CSR to the financial performance of companies listed on the IDX in the period 2013-2017. Customers will be involved in relational relationships that support companies involved in social environmental activities (Martinez and Bosque, 2013). These results indicate that companies that implement CSR as a business strategy are able to meet customer expectations so as to obtain loyal customers, which in turn improves financial performance (Cabral 2012).

The company's reputation does not mediate the relationship between CSR to the financial performance of companies listed on the IDX in the period 2013-2017. These results indicate that the company needs to identify stakeholders who are its main constituents, so that the implementation of CSR can be an attraction for these constituents (Petkeviciene, 2015). The CEO's reputation does not mediate the relationship between CSR and the financial performance of companies listed on the IDX in the period 2013-2017. These results indicate that CSR as a corporate strategy cannot be separated from the opportunist actions of the CEO to publicly image himself by using funds from shareholders (Borghesi, Houston and Naranjo, 2014).

LIMITATION

As with research in general, this study also has several limitations that provide space for improvement. The limitations are the proxy variable customer loyalty used in this study developed from Anderson et al. (1997) by using customer satisfaction based on company products as seen from the results of calculation of rating agencies. This is because there is no measurement tool that can accurately measure customer loyalty. Based on the limitations of the research described earlier, the advice that can be given for further research is the development of customer loyalty variables by conducting interviews directly with customers who use company products to identify loyal customers.

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