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Determinant factor influencing financial performance LQ45 corporation

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Abstract
The aim of this research is analyzing factors which influence corporation performance in Sharia-based firms by using independent variables, such as Corporate Social Responsibility Disclosure and Indonesia Sharia Stock Index (ISSI) Listing, and Corporation Financial Performance as dependent variable. Data which being used was secondary data consisting CSR disclosure information from annual financial report from the listed corporation in LQ45 Index and Indonesia Sharia Stock Index (ISSI) within the period of 2016-2018. Data analysis used Multiple Linear Regression. The result of this research showed that Corporate Social Responsibility and Indonesia Sharia Stock Index (ISSI) Listing's disclosure had negative effect towards Corporation Financial Performance.

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Introduction

Corporate Social Responsibility (CSR) is a form of responsibility which given to corporation to fulfill the need of both internal and external stakeholders. Corporate Social Responsibility has developed swiftly. The development is marked by the rapid information spread in the business world, which caused the rise of market reaction towards a certain corporation which will influence the corporation value. The development in the business world will increase business competition, so corporation will implement various methods in order to its business to nourish. However, it leads to higher social gap and environmental destruction, which caused by corporation operational activity.

The success of corporation in the business world can be determined by the contribution of the corporation towards the society, not solely towards the related party. In operating the business, corporation cannot be separated with the people and environment around it, so corporation must build mutual relationship with the society and the environment. Basically, the implementation of Corporate Social Responsibility has the purpose of showing to the society about how corporation's social activity affect the society itself. On the contrary, many corporations do not pay serious attention to the effect of environment pollution, which rises from the operation activity. Several case which happened such as pollution in Teluk Buyat by PT. Newmont Minahasa Raya, which is violating wastewater limitation and contaminating the marine biota. These cases show that corporation should also consider about non-financial aspect, especially about environment and social aspects. In 2005, SWA magazine stated that social responsibility program is still dominated by social program around 49.53%, environment program around 25.07%, and financial program 24.76% (Pambudi, 2006). From that fact,

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corporation activity should not only regard the financial aspect, but also from social and surrounding environment aspects.

Sharia investment in capital market has a prominent role to develop share market of sharia financial industry in Indonesia. There is measurement of Sharia Capital Market Performance in Indonesia called Jakarta Islamic Index (JII). It is where approximately 70 sharia stocks which apply sharia principle. The growth of sharia capital market either in Indonesia or abroad develops rapidly since the existence of *Indonesia Sharia Stock Index (ISSI).*

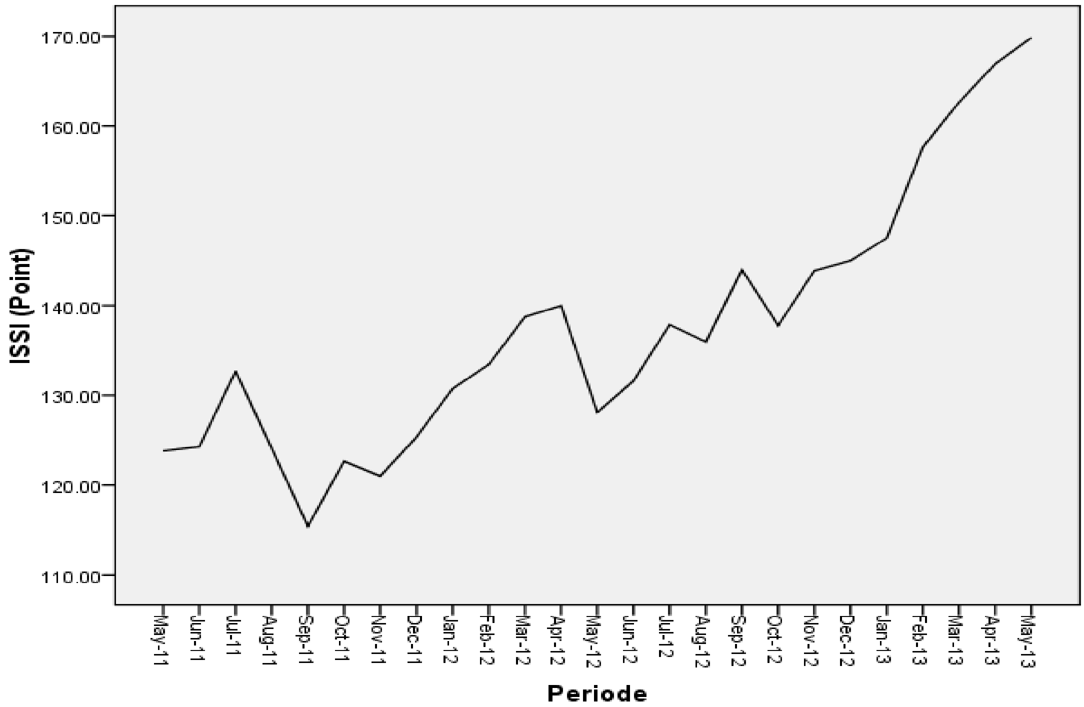

Figure 1. Indonesia Sharia Stock Index (ISSI)

Figure 1 shows the growth of *Indonesia Sharia Stock Index (ISSI)* in the period of May 2011 to May 2013. There is significant development of Indonesia Sharia Stock Index (ISSI) which is influenced by several factors. Then sharia index membership came through which become an agreement towards ethic code that related to religion, in which members of shariah index are expected to become moral promotors in carrying out their activities. Noreen (1998) stated that agent who has contract with religion mechanism, can suppress managerial opportunistic behavior.

There is theoretical relation between ethics and financial reporting by using two comparative points of views, which are moral obligation and opportunistic behavior. Corporation receives benefits from it business activity by being honest, reliable and ethical. Thus, corporation usually tends to obey high moral standard (Kim, 2012). In addition, Kim et.al. (2012) also mentioned that corporation which uses effort and resources in compiling and applying ethical program to serve the needs of the society tends to give financial information transparently and reliably. However, a manager also has incentive to use ethical regulation as strategic tools to omit the opportunistic behavior. For the matter, corporation may use sharia ethical practice as label to create transparency perception, with the alibi to avoid supervision of the stakeholders. As a result, these practices can help corporation in operating their business to the society. Prior *et al.*, (2008) stated that corporation which apply social responsibility indicated that they tend to be involved in income manipulation. However, according to Hong and Andersen (2011) and Kim *et al.,* (2012), corporation with higher CSR can give a better income information quality. Dewi and

Widagdo (2012) stated that a corporation which has a good corporation performance, its stakeholders will encourage them to increase the transaction, so it increases corporation performance. This is proven by the result from the research that CSR affects the corporation performance. On the contrary, the research which is done by Fitriya and Setyorini (2019) stated that CSR did not affect financial performance in sharia banking.

Related to religion case and financial reporting quality, based on McGuire *et al*., (2011) dan Dyreng *et al.,* (2012), showed that corporation which influenced by religion is not involved into aggressive financial reporting and has a better actual quality. While in financial report delivery, corporation has lower risk to manipulate data and also lower delivery lapse. However, Callen *et al.,* (2011) mentioned that the amount of income has no relation with religious problems. On the other hand, in the application process of sharia concept, sometimes it is not accordance with a true Islamic value (El-Gamal, 2006).

Suciwati, Pradnyan, and Ardina (2016) stated that CSR Disclosure affects significantly towards ROE. Alsaadi, Ebrahim & Jaafar (2013) in their research gained a result that CSR has negative effect towards sharia stock index. In this decade, sharia stock is growing swiftly, both in developed and developing countries, so research about Sharia based corporation is needed. Thus, it is also needed to analyze factors which affect corporation performance in sharia-based corporation. Oktaviani (2017) received a result that Dow Jones Islamic Europe Index has negative and significant effect towards Jakarta Islamic Index; Dow Jones USA Index has negative and significant effect towards Jakarta Islamic Index; Dow Jones Japan Indeks does not affect significantly towards Jakarta Islamic Index; and Dow Jones Islamic Malaysia Index has positive and significant effect towards Jakarta Islamic Index.

Concept of CSR arose when the awareness of corporation long term sustainability is more important than *profitability*. CSR Disclosure aims to show to society about the social activity which is done by the corporation and its impact to the locals. CSR has basic theory about the importance of corporation in building mutual relations with the society and the environment where the corporation conduct the operational activity. CSR in global contextual is used since 1970 and started to be popular since the presence of book entitled Cannibal With Forks: *The Triple Bottom Line in 21st Century Business* (1998), by John Elkington, which develop three important contexts, such as economic growth, environmental protection, dan social equity. Generally it shows policies and practices compilation which related to stakeholders, values, legal needs fulfillment, society's appreciation, environment, and business world commitment to involve in sustainable development.

CSR is an important matter for economics agents. It is because CSR can be a new consideration for all aspects of corporation activities and directly related to stakeholders. Suharto (2008) stated that CSR is part of business operation which has commitment for holisticall social and economic development, institusional and sustainable, which is not only focused on increasing the financial aspect of a corporation. Implementation of CSR is considered an important matter for corporation because it contributes in forming positive image of the corporation. The definition explains that CSR is a sustainable commitment by the business world to act ethically and contribute to economic development of local community or society, along with the improvement of living standards of its workers and their families. Based on that fact, CSR is a form of act which rose from corporation ethical consideration which directed to increase the economy level alongside improving living standard of the workers and their families, and also improving the living quality of the locals and society around it (Hadi, 2011).

In the Law No. 40 Year 2007 describes that CSR is included in corporation commitment to actively participate in sustainable economic development, which functioned as improving living and environment quality that beneficial for the corporation, local community and the society. The law itself oblige the industry or corporation to implement it, but the obligation is not included as demanding burden. The development of CSR until now has no longer made it comply to single bottom line, but to triple bottom line. Therefore, other than profit oriented, corporation is also demanded to have social and environment activity orientation. However, until now there are still many profit-oriented corporations without considering social and environmental aspect. There three responsibility principles based on Crowther (2008), which are *Sustainability, Accountability,* dan *Transparency*.

Related to financial performance, CSR is considered can increase it, since many investors are more interested in corporation which implemented CSR. The reason is because corporation which implemented CSR can give information about social, environment and also financial aspects. Corporation can integrate those aspects into company' strategy, so factors which draw profit for corporation can be considered by investors in making decision (Satria Putra, 2015)

Agency Theory depicts the condition of corporation as a meeting point for principal and agent. Agency theory first found by Jensen and Meckling in 1976. This theory explains about the relation of agency or employment contract which involved both parties, the principal and agent, in which the agency relation in which the agency relation can possibly create conflict of different interest between principal and agent. For example, agent does not comply according to principal's aspiration, so it rises agency cost and different goals from each party based on the position and interest to the corporation.

Based on agency theory, it also explains about information asymmetry problem between management with owner which gives chance to manager to do opportunistic act such as income management, so it can harm the corporation's owner. The effect of that incident is the corporation must be responsible for the agency cost by the principal to fund supervision cost towards agent and it also causes residual loss. The distortion between decision made by agent and decision which can increase the welfare of principal can cause loss, and the money value from that distortion is called residual loss. To give information of CSR, it needs fee, so the profit which being reported in annual running is lower.

Generally speaking, indicator which is usually used to evaluate corporation financial performance is return towards the owner and corporation value. The high return rate and corporation rate improvement can be realized well if there is a mutual collaboration between shareholders and management. However, in reality, synchronizing both parties' interests is challenging to be achieved, so it rises problem, called agency problem. According to Jensen and Meckling (1976), there are two sources of agency problem, first is if principal and agent are utility maximizers, then agent will seldomly make decision in maximizing principal interest, but will try to maximize his own interest. Then second, there is asymmetric information between principal and agent, which agent has much more information than principal. These differences can influence corporation performance. Finally the implementation of Employee Stock Option Plan (ESOP) is one of the methods to lessen the interest differences between corporation principal and management.

The background of stakeholder approach at the beginning was to build responsive framework towards the problems which were faced by managers at the time, which was an environmental change. In the mid 1980s, it rose stakeholder approach with the aim to compile method which was used to manage the relation among groups. Stakeholder is an individual, a group of men, community, or society either as whole or partial who has interest towards corporation. Based on its characteristic, stakeholder is divided into two types, primary stakeholder and secondary stakeholder. Primary stakeholder is an individual or group whose presence is important, otherwise the corporation cannot survive for going concern. While for secondary stakeholder, they are people who influence or being influenced by corporation but are not directly related to the corporation transaction and whose presence are not essentials.

Stakeholder theory focuses on the organization's accountability more than financial or economic performance. This theory clearly stated that organization will directly choose freely or voluntarily by disclosing information about their environment, social, and intellectual performance to fulfill the real expectations. Based on Chih *et al.* (2008), corporation usually considers strategy in building long term relations with stakeholders by creating strategy which will enhance the profit in short term period. Hadi (2011) argued that corporations should pay more attention towards stakeholders. It is because stakeholder is a party which influence and being influenced whether directly or indirectly for activity and policy of the corporation. Thus, if corporation failed to regard stakeholder, there is possibility that corporation would get protest from the stakeholders, and it is also possible to erase the stakeholder's legitimation. This theory assumed that corporation existence needs the support from stakeholders, therefore corporation activity also considers approval from the stakeholders.

This theory is closely related with stakeholder theory. This theory stated that every organization continually will find a method to guarantee that their operation is still within the boundaries and norms applied in the society. This theory also depends on the premise that social contract between corporation and society around the corporation existed. If the corporation considers that its legitimacy is questioned, then corporation can use several strategies to counteract, such as corporation can share and inform the stakeholders about the changes inside the corporation itself; endeavor to change stakeholder's point of view without changing the corporation's characteristic; manipulate the stakeholder's perception by diverting their attention from the related issue which being discussed to other interesting issues such as implementing some changes and influence external party about corporation performance.

Legitimacy theory explains that organization or corporation must step by step show its performance operates significantly and consistently within social norm. This performance can be achieved by disclosing in the corporation financial report. Organization can also use disclosure to promote management attention regarding social norm, or to redirect the community's attention regarding negative effect of organization activity. According to Ardianto and Machfudz (2011) there are several methods which needed to be done by corporation in managing their legitimacy effectively, such as identifying an communicating or having dialog with the public; communicating about social norm problems within the society and environment, and also building perception about corporation; and conducting legitimacy strategy and disclosure, especially about social responsibility problem.

Disclosure is an expensiture information which directed to stakeholder. Disclosure for social and environment responsibility is a method utilized by corporation to reveal information about their activities and its influence towards the society's social and environment condition. The aim of CSR disclosure is corporation can give social responsibility in certain periode of time. Every corporation started to compile their CSR implementation in their annual report, but it is not compulsory, rather it is voluntarily. It is because there is consideration from corporation towards the expenditure spent to establish CSR and the same advantage which derived from th CSR disclosure itself. If the benefit is greater than the cost spent for social disclosure, then corporation will voluntarily reveal their social information in their annual report.

Some disclosures are compulsory, while some are voluntarily. Compulsory disclosure is an information disclosure which is obliged to be done by the corporation, based on the policy of the regulation or standard which established by the corporation itself. While for voluntary disclosure, it is an information disclosure to surpass the minimum requirement from the standard of the corporation. CSR can be disclosed by corporation in corporation annual report media, which inside contains are reports about CSR for one whole year.

In Indonesia CSR Disclosure is regulated by IAI in *Pernyataan Standar Akuntansi Keuangan* (PSAK) Number 1 Paragraph 9, which contains how corporation should provide addition report about environment along with upgrade value report. Especially for industry who has important role and for industry which employee is also part of report's user. CSR disclosure can be measured by using proxy which was based on Global Reporting Initiative which can be accessed through its website www.globalreporting.org.

Corporation which has shariah share and listed in Indonesia Sharia Stock Index (ISSI) is corporation which considered as constituents of Sharia stock index. There are several regulations to be followed by corporations where these regulations are according to shariah regulation. Sharia index listing means that they are obliged to ethical code related to religion and committed to become the moral promotors in carrying out their activities. Noreen (1998) stated that agent who has contract with religion mechanism, can suppress managerial opportunistic behavior. Thus, corporation which involved in *Sharia stock index* in conducting the activities within the corporation must oblige to ethical code related to religion.

Related to religion case and financial reporting quality, based on McGuire *et al*., (2011) dan Dyreng *et al.,* (2012), showed that which influenced by religion is not involved into and has a better actual quality.

While in McGuiere *et al.* (2011), it mentions that corporation involved in Sharia stock index listing has aggressive financial system with higher quality, so financial report delivery, decision making, and mistake in doing estimation is lower. Corporation which obey shariah regulation also supported with supervision from external organization and invertor to assure that the corporation is within the sharia environment. Other moral princples related to influence corporation activities and finance are assessment in Sharia index. Every corporation which use Sharia stock index must obey sharia regulations. Muslim scholar has introduced the filtering process which must be done by corporation to promote its every activity which possibly accepted by sharia regulation. In the filtering process, the Supervision Board usually act as the one who conduct the filtering.

As the rapid development of sharia stock in the last few years, investment on sharia stock is estimated USD 1.033 billion and more than 800 Islamic Fund management (Hayat dan Kraeussl, 2011). Similar to CSR, sharia principle which can be received is corporation must conduct business activity transparently in every aspect above all interest. Therefore, corporation can provide reliable and relevant information for investors, so they can make investment decision based on economic aspect or religious aspect. Corporation which obey sharia regulation can support supervision who more than external organization and investor to make sure that they are within shariah environment.

Corporation Financial Performance

Financial performance is work achievement which gained by corporation in a certain period and the result is reported in related corporation financial performance (Munawir, 1998). Corporation financial performance can be seen and evaluated through annual corporation report. Information is provided in corporation financial performance can be used by management to show the performance result in certain period to stakeholder. Corporation financial performance is also an achievement which is gained by corporation in certain amount of time to show the corporation's good progress (Sutrisno, 2009).

Fahmi (2012) mentioned that financial performance is included in important point in corporation. The reason is financial performance becomes the standard of decision making for party with interest. Corporation financial performance is one of management workfield which related to management goal that is maximizing corporation value. To achieve that goal, then corporation must utilize the power and excellent of the corporation, and also can fix the challenge within the corporation. One of the methods to achieve that goal is measuring Corporation financial performance and evaluating it using financial ratio. Result from performance achievement measurement can be used as base for management to improve performance in the next period.

Corporation financial performance can be measured by analyzing and evaluating financial report in that corporation. The result from information of financial position and financial performance in the past can be used as base to predict financial position and performance report, which can be done in the future. Other interesting matter to attract inverstors are dividen payment, employment payment, stock price movement, and corporation's ability to pay debt. Corporate operation performance can be measured by seeing corporation's ability which reflected in the financial performance by using profitability ratio. Profitability ratio usually measures corporation's ability in increasing profit regarding sales level, assest, and share capital, ratio which often used is Return on Equity (ROE). Ratio ROE functions to measure corporation's ability in gaining profit with adjustable capital.

To evaluate corporation financial performance, it is used financial ration analysis, which ration is function as numbers comparison written in financial report by dividing one number to another. This comparison can be done with one component with the others in financial report. After that, the compared number can be number in same period or different period (Kasmir, 2012). Jumingan (2006) stated that financial performance explains about description of corporation financial report in a certain period which related to fund colletion and distribution aspect which usually measured by capital adequacy, liquidity and profitability.

According to Harahap (2008) ROE is a measurement from available income for corporation owner, based on the capital which is invested into the corporation. This ratio usually depicts the ability to produce profit for investment based on shareholders' value book and can be used to compare two companies if they are in the same industry. A high ROE can be identified through corporation income from a good investment and effective managerial cost. ROE is also one of the tools for investors to measure and rate the feasibility of share in certain corporation.

Hypothesis Development

CSR Disclosure towards Corporation Financial Performance

Jumingan (2006), stated that financial performance is a reflection about corporation financial condition in a certain period regarding fundraising or fund distribution, which can be measured by indicators of capital adequacy, liquidity, and profitability. Corporation financial performance is also an achievement which is gained by corporation in certain amount of time to show the corporation's good progress (Sutrisno, 2009). Analysis towards corporation financial performance is needed to see further how corporation has implemented the financial regulation correctly in order to know the progress of financial condition in the corporation itself which would show the work achievement in a certain period of time.

Implementation of CSR program as form of corporation social responsibility will influence the corporation financial performance. Return on Equity (ROE) is to measure corporation financial performance. Relation between CSR and ROE can be analyzed through information and disclosure within the financial report, which is the more information mention there, the more information in financial report will be acknowledged by the stakeholder and shareholder, so it would increase the corporation financial performance. The high social and environement responsibility which is conducted by the corporation can elevate the corporation's good image and also can increase the sales, and there are more advantages along with it. By implementing CSR well, it will elevate corporation reputation which would affect the sales progress. The higher the slaes is then the higher the profit received by the corporation. It will also affect the ROE, which it will become better too (Sulistyowati, 2018). In line with the legitimacy theory where sistem used in managing corporation, it will be oriented or impartial towards the stakeholders so the main goal of corporation can be achieved. If corporation increase CSR information in corporation financial report, then investor's interest will be more as well. Suciwati *et al.*, (2016) stated that if the CSR Disclosure increase, then the ROE will also increase. Dewi dan Widagdo (2012) stated that CSR has effect towards corporation performance.

In the research of Nugraha and Meiranto (2014), they mentioned that CSR has positive effect towards corporation performance. Corporation has social responsibility to the surrounding environment. Other than using funds from investors, corporations also used funds from other

resources which come from the consumer, so it is expected that the society (consumer) demanded something in return from the corporation. CSR is an effort to elevate the positive image of the corporation which would affect its value. Thus, corporation should regard CSR not as cost center, but as profit center in the future.
H1: CSR disclosure has positive affect towards corporation financial condition

Sharia stock index listing Towards Corporation Financial Performance

Sharia stock index listing is share index which reflects on the whole shariah sharea which recorded in Indonesian Stock Exchange Bursa Efek Indonesia (BEI). In *Indonesia Sharia Stock Index (ISSI)* started from 12 May 2011 with the total of most having share around 214 shared. The existence of *Sharia stock index Indonesia* complete the sharia index which came out first, which is Jakarta Islamic Index. Siregar (2018), stated that shariah share does not significantly influence PDB in Indonesia. He also stated that Shariah Share as one of forms investment has not gave real effect towards PBD in Indonesia. Based on the research result, researcher assumes that corporation which become member of ISSI does not guarantee that corporation financial performance will increase. It also related with research done by Alsaadi, Ebrahim, and Jaafar (2013) which mentioned that the membership of *Sharia stock index* has negative effect towards *Sharia stock index* itself. The research done by Oktaviani (2017) got a evidence that Dow Jones USA Index has negative and significant effect towards Jakarta Islamic Index, and Dow Jones Islamic Malaysia Index has positive and significant effect towards Jakarta Islamic Index.
H2: Sharia stock index listing has negative effect towards corporation financial performance.

Research Method

The population of registered corporation in LQ45 Index year 2016-2018 has information of CSR disclosure, publish annual financial report, and about corporation which listed in Indonesia Sharia Stock Index (ISSI). Sampling uses puposive sampling research method, with thte criteria, registered in LQ45 Index, publish financial report annually implement CSR program, and also disclose it to the corporation financial report in 2016-2018. Data source comes from officisl website of LQ45 Index: www.idx.co.id/data-pasar/laporan-statistik/ringkasan-performa-perusahaan-lq45// and official website of Indonesia Sharia Stock Index (ISSI) which is www.idx.co.id/idx-syariah/indeks-saham-syariah/ and www.idx.co.id.

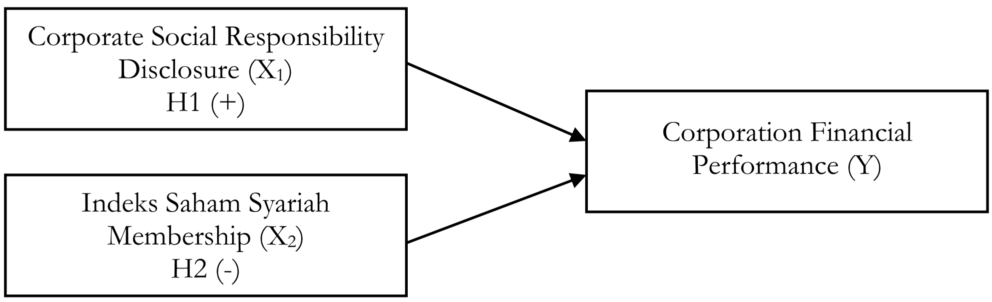

Figure 2. Research Model

Dependent variable is corporation financial performance which measured by using Return on Equity (ROE). ROE is the ration from net profit after tax (Netto) divide by equity. ROE is used to measure return level from stakeholder share which invested in the corporations (Suciwati *et al.*, 2016).

$$ROE = \frac{Netto}{Total\ of\ Equity}\ x\ 100\%$$

Independent variable is CSR Disclosure and *Sharia stock index listing*. CSR Disclosure use measurement according to the standard from Global Reporting Initative (GRI) with 91 items which must be disclosed. From all CSR activities which disclosed in annual financial report, they will get 1 point and if not beign disclosed, they wil get 0 point. The result from the calculation will be accumulate and divided by the total of the aspects, which is 91 items. Then the total will be interpreted in percentage form. The formula used in CSR disclosure is:

$$CSRI_j = \frac{\sum Xy_i}{ni}$$

Note:
CSRIj = Corporate Social Responsibilty Index and Corporation Environment i.
∑Xyi = value of 1 if registered and 0 if not registered
ni = Total disclosure for corporation

Sharia stock index listing is measure by sample of LQ45 Index which listed in Indonesia Sharia Stock Index (ISSI) with the measurement of DUMMY, where all the corporations who enlisted as members can get 1 point and if not registered in ISSI then the point will be 0.

This research used linear regression analysis as followed:

ROE = α + β₁TJSP+ β₂SYR+ ε

$$ROE = \alpha + \beta_1 TJSP + \beta_2 SYR + \varepsilon$$

Note:
ROE : *Return on Equity (ROE)*
α : constant
β_1 : regression coefficient X_1
β_2 : regression coefficient X_2
TJSP : CSR Disclosure
SYR : Sharia stock index listing
E : *error term model*

Findings and Discussion

Description of Research Object

Table 1. Sample Criteria

No.	Information	Total
1	Corporations registered in LQ45 Index in 2016-2018	**45**
2	Corporations which do not publish financial report periodically in 2016-2018	**(10)**
3	Corporations who do not report CSR in their financial report in 2016-2018	**(4)**
	Total of corporation in accordance to criteria	**31**

Descriptive Analysis

Table 2. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Median	Std. Deviation
ROE	93	-0,02	0,43	0,15	0,14	0,09
CSR	93	0,07	0,38	0,22	0,20	0,10
Indeks Saham Syariah	93	0,00	1,00	0,80	1,00	0,39

Table 3. Analysis Result of Mutiple Linear Regression

Independent Variable	Regression Coefficient	T Count	Sig. T	Conclusion
CSR	-0,239	-2,434	0,017	H1 rejected
Sharia stock index listing (SYR)	-0,052	-2,112	0,037	H2 accepted
F-count: 6,182 Sig.: 0,003 Constant: 0,250 Std. Error: 0,029 Adjusted R Square: 0,101				

Based on the table above, Adjusted R Square received value as much as 0,101, which means 10,1 % related variable variation is ROE can be explained by two free variable variations, which are CSR disclosure and *Sharia stock index listing*. While the rest of them, 89,9% is explained by variable outside the research. It is known that the P-value is 0,003, then this model is suitable to be utilized because all independent variables in this research can influence dependent variables.

The Impact of CSR Disclosure towards Corporation Financial Performance (ROE)

CSR disclosure is independent variable which is measured by using GRI. it is to show that CSR significantly has negative effect towards corporation financial performance, and it is shown through regression coefficient rate at -0,239 and the significant at 0,017.

This research did not give evidence, for the hypothesis which stated that CSR disclosure gives positive effect towards corporation performance. It is caused by CSR disclosure which is done by the corporation is analyzed partially towards corporation financial performance. It means that the increased expenditure which is paid by the corporations for social liability has no effect towards the ratio change of corporation financial. Other than that, investors sense that the increased expenditure for CSR is considered as waste of corporation resources. Therefore, these matters affect the decrease of corporation financial performance. Along with the research done by Barnea and Rubin (2010) which stated that CSR could cause profit loss for corporation, because it created agency cost and other additional cost which created corporation resources waste, so it decreased the performance and value of corporation. This statement was supported by research done by Pramana and Mustanda (2016), which CSR had significant negative effect towards Corporate Value. Agency cost rose because of the interest conflict happened between shareholders (insiders and institutions) who thought that increased expenditure for CSR is an effort to elevate the positive image of the corporation which would affect its value. However, it can also be considered as resources waste if it is not followed by the real increase of the corporation performance. The result of research is not accordance with research, which is done by Fitriya and Setyorini (2019), Rosiliana *et al.* (2014), Rahayu (2010) and Putra (2015) which stated that CSR disclosure has no effect on the financial performance. On the contrary, result which found by Dewi and Widagdo (2012), stated that corporation which has good performance, then the stakeholders would encourage the corporation to increase the transaction in order to have better corporation performance. It is proven by the research result that stated CSR disclosure has effect towards corporation performance. However, this research result did not support the result from Nugraha and Meiranto (2014), who mentioned that CSR has positive effect towards corporation performance. It can be inferred that corporation still lacked in giving attention towards its social responsibility to the surrounding environment. Other than using funds from investors, corporations also used funds from other resources which come from the consumer, so it is expected that the society (consumer) demanded something in return from the corporation.

Impact of Indonesia Sharia Stock Index (ISSI) Listing

The listing of Sharia stock index which measured based on LQ45 Index sample which registered in Indonesia Sharia Stock Index (ISSI) shows that Sharia Stock Index listing has significant negative effect towards corporation financial performance (ROE). It is proven from regression coefficient rate of Sharia Stock Index listing at -0,052 and has significant rate at 0,037.

The result of this research proved, accordingly to the research hypothesis, that Sharia Stock Index listing has negative effect towards corporation financial performance. From the analysis, it showed that shariah share in the corporation which enlisted in LQ45 Index decreased the corporation performance. Manager did not control corporation management effectively to increase the profit from the fund which was invested by investors. This happened because the membership of sharia stock indicated that there was an assurance from investors towards corporation to act based on Islamic Sharia Law, so they believed that corporations would do it accordingly in their business performances. However, the trust given by the investors became a rift which used by corporation, especially the manager who act opportunistic did violation behind these Shariah regulations. This research result supported the research which was done by Alsaadi, Ebrahim, & Jaafar (2013), which received data about corporations registered in Sharia Stock Index listing are often taking advantages of membership label to invite investors. However, in reality, the corporations do not genuinely implement the regulations based on Islamic Sharia Law. Therefore, it is resulted in the decrease of corporation financial performance. It is also unfortunate because there are many investors who invested their money to these corporations which are registered as member of shariah share index.

Conclusion

CSR disclosure significantly had negative effect towards corporation financial performance, because CSR influence is considered only partial from corporation financial performance which causing investor to believe that the increased expenditure for CSR is waste of corporation resources.

The implementation of CSR in Indonesia has been decreet in Law No. 40 year 2007, which has been translated in *Peraturan Pemerintah RI No. 47 tahun 2012* about Social Responsibility and Limited Company Environment. Moreover, in these laws or government regulation has been strengthened by sanctions for the corporation who violate them. However, these laws are limited regulation to corporations which in their business activities and/or related to natural resources, so it is not compulsory for corporations which their business activities do not relate to natural resources. In addition, this regulation is also not compulsory for corporations in the form of CV, firms, Cooperative and individuals. It is suggested that the government should give exact regulation for those corporations. This is also supported by the research result that CSR had negative effect towards corporation performance, so it proved that CSR disclosure caused corporations to spend more money without any significant effect towards corporation performance. Therefore, corporations should sort out the expenditure for CSR wisely, so they can avoid waste of corporation resources and can harm the corporations themselves.

Sharia Stock Index listing significantly had a negative effect towards financial performance. The research result proved that the existence of shariah share in the corporation did not guarantee the increase of corporation performance, in contrast, shariah share decreased it. Manager did not control corporation management effectively to increase the profit from the fund which is invested in by investors. There is possibility that corporation does not fully conducted business activities and business management based on shariah principle.

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