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THE INFLUENCE CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE TO STOCK RETURN IN THE PHARMACEUTICAL COMPANY

Komsri Koranti1, Maulana2, Syntha Noviyana3, Elizabeth Tia Anggraeni4
1komsri@staff.gunadarma.ac.id
2maulana_57@ymail.com
3syntha_n@staff.gunadarma.ac.id
4anggraeni_t@gmail.com
1,3,4Gunadarma University, Jakarta
2Tamansiswa University, Palembang

ABSTRACT

The development Corporate Social Responsibility (CSR) originated from a paradigm shift businessmen that business activity is not solely owned itself, but also become the property and the public interest. This resulted in an interest in the company's responsibility to the environment and the public interest. The purpose of this study are: 1. To find out how the influence between CSR and financial performance partially to stock return in the pharmaceutical sector companies listed on the Stock Exchange in the period 2010-2014, 2. To find out how the influence between CSR and financial performance simultaneously, to stock return in that company. Technical analysis of the data in this study were multiple linear regression. The independent variables consist of CSR and financial performance, which the financial performance comprise of ROA, RGE, EPS, DER. The dependent variable of the study consisted of a stock return. The sampling method using purposive sampling with criteria: 1. the pharmaceutical sector companies listed on the Stock Exchange in 2010-2014, 2. The Company publishes full financial statements, 3. The company reported CSR disclosure in the annual report. Results showed that CSR has a significant influence on stock returns of pharmaceutical company in Indonesia in 2010-2014. While the Financial Performance has no influence on stock returns. This is due to a weakness in the variable, so investors do not use this information to be considered in making investment decisions. Testing simultaneously also proved that CSR and financial performance does not have a significant influence on stock returns pharmaceutical company in Indonesia in 2010-2014. The pharmaceutical sector is a chemical firm and sensitive to the issue of environmental pollution. Evident from the research that investors are not only concerned with profit, but also pay attention to social responsibility to the community. In this study, CSR has a significant impact on stock returns company in Indonesia in 2010-2014. The higher the disclosure of CSR, the company's position will be even better, so that investors' confidence in the company will increase.

Keywords: Corporate Social Responsibility, Financial Performance, Stock Returns

BACKGROUND RESEARCH

Business development at this time leads to a condition, in which the company is not only focused on the interests of shareholders but also for the benefit of stakeholders. The company not only for profit, but in terms of social enterprise is expected to contribute to the environment or corporate social responsibility (CSR). Implementation of CSR is no longer just a discourse, but it is a specific obligation for the Company Limited as stated in Law No. 40 of 2007 and 25 in 2007. This is consistent with research Muid (2011) that CSR is a phenomenon of the company's strategy in bridging the needs and interests of stakeholders, so that this information is needed. Awareness of the importance of CSR has encouraged companies to disclose CSR activities through disclosure in the financial statements or annual reports of companies.

The company's financial performance can be measured from the financial statements, which is a fundamental requirement for investors and potential investors for decision making (Sembrug, 2005), the main purpose of investors in investing is the stock return. Therefore, the company's performance is considered important as a basis for a decision to invest. Budi (2010) found that financial performance is measured by the ratio of profitability (NPM), Return on Assets (ROA) and market ratio (EPS and PER) simultaneously positive influence. While some variables, CSR, ROA and EPS positive influence on stock returns.

In practice, not all companies in Indonesia implement CSR, it can be seen from the lack of disclosure of CSR in the annual report. A survey of 375 companies in Jakarta showed that 166 or 44.27% of companies do not do CSR. Likewise, the results of the assessment program ranks companies (PROPER) 2004-2005 by the Ministry of Environment that of the 466 companies monitored there 72 got a report card of 150 black and red, indicating that they do not implement CSR.

Companies in the pharmaceutical sector have activities related to chemicals. So there is a need to do research on the application of CSR for companies in the pharmaceutical sector, which deals with the possibility of environmental damage caused by chemical waste.
The purpose of this research is: 1. Analyze the influence between CSR and financial performance simultaneously on Stock Return pharmaceutical sector companies listed on the Stock Exchange period 2010-2014. 2. Analyzing the influence between CSR and financial performance partially on Stock Return pharmaceutical sector companies listed on the Stock Exchange period 2010-2014.

LITERATURE REVIEW

Companies must implement three types of responsibilities to stakeholders in a balanced manner, namely economic responsibility, legal responsibility and social responsibility (Post, 2002). In the short term carry out CSR is viewed reduce profits, but in the long run will provide more economic benefits for the company (Lako, 2011). There are three bottom-line strategy CSR (Lako, 2011), to harmonize the achievement of economic performance (profit) and social performance (people) and performance environment (planet). In achieving the goals of the four components that must be met by the company (Carroll, 1979), namely: Economic Responsibility, Liability, Responsibility Ethical and Discretionary Responsibility. Measurement of CSR among others used in the form of index indicators of the Global Reporting Initiative (GRI).

Financial performance is used to see if the company has used the rules of good financial performance and correct (Fahmi, 2012). Financial ratio analysis is an analytical tool that describes the relationship and financial indicators, showing changes in financial condition and helps illustrate the trend pattern of these changes, as well as showing the risks and opportunities inherent to the company concerned (Fahmi, 2012).

ROA ratio used to measure a company's ability to generate profit from investment activities. The higher the ROA, the better the productivity of assets net profit (Mardiyanto, 2009). High ROE is showing high stock prices and they increasingly want to buy and will raise the price of the stock (Setianingrum, 2009). Ratio EPS is a form of the advantage given to the shareholders of each share owned (Fahmi, 2014). EPS high indicates that the company is able to provide better levels of prosperity to the shareholders. DER value indicates the ability of their own capital to meet all its obligations (Sawir, 2001). According to Fahmi (2012) DER typically > 66% is considered risky, so it will reduce the interest of investors to buy shares of the company. The motivation for investors is the hope to get the appropriate return (Budi, 2010).

The relationship between CSR and financial performance with Stock Return

Results of empirical studies suggest that CSR disclosure strong correlation with the Stock Return (Lako, 2011). While Ioannou & Serafeim (2010) prove that the positive influence of CSR performance with financial performance and stock price performance. This shows that investors are beginning to respond with better social information presented company in the annual report.

Framework

<table>
<thead>
<tr>
<th>Variabel Independen</th>
<th>Variabel Dependen</th>
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<tbody>
<tr>
<td>Financial performance</td>
<td>Return Saham</td>
</tr>
<tr>
<td>1. ROA (X1)</td>
<td></td>
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<tr>
<td>2. ROE (X2)</td>
<td></td>
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<tr>
<td>3. EPS (X3)</td>
<td></td>
</tr>
<tr>
<td>4. DER (X4)</td>
<td></td>
</tr>
<tr>
<td>CSR(X5)</td>
<td></td>
</tr>
</tbody>
</table>

Research Hypothesis
1. Ha; the disclosure of CSR in their annual reports influence on stock returns
2. Ha; the financial performance of the company as measured by ROA influence on stock returns
3. Ha; the financial performance of the company as measured by ROE influence on stock returns
4. Ha; the financial performance of the company as measured by EPS influence on stock returns
5. Ha; the financial performance of the company as measured by DER influence on stock returns
6. Ha; Disclosure of CSR, ROA, ROE, EPS, DER simultaneous influence on stock returns

METHODOLOGY

This research population is a listed company on the stock exchange period 2010-2014. Sample was taken by purposive sampling, with the following criteria:
1. The Company's pharmaceutical sector,
2. Publish the complete financial statements,
3. Reporting of CSR disclosure in the annual report.
The research sample was selected seven companies: Darya Varia Laboratoria Tbk, Indofarma Tbk, Kalbe Farma Tbk, Kimia Farma Tbk, Merck Indonesia Tbk, Pyridam Farma Tbk, Schering Plough Indonesia Tbk. This research data is secondary data from the official website of the Stock Exchange, in the form of: 1. Stock return, 2. The annual financial report consisting of ROA, ROE, EPS, DER and CSR.

Operational Definitions Variable
Stock Return is the result from investments (Jogianto, 2003). Measurement of CSR among others used in the form of an index of GRI indicators, which comprises seven categories and 78 items. CSR is the ratio between the number of dummy variables with the item number for the company. Score 1 for items disclosed and a score of 0 for items not disclosed.

![Table 2.1: Index Disclosure CSR](source: www.globalreporting.org)

<table>
<thead>
<tr>
<th>Themes</th>
<th>Explanation</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>Controloenvironment and efforts to repair damage to the environment</td>
<td>13</td>
</tr>
<tr>
<td>Energy</td>
<td>utilization and energy efficiency</td>
<td>7</td>
</tr>
<tr>
<td>Health and safety of workers</td>
<td>The health and safety of workers</td>
<td>8</td>
</tr>
<tr>
<td>other labor</td>
<td>Levels &amp; facilities of labor and working conditions in general</td>
<td>29</td>
</tr>
<tr>
<td>product</td>
<td>Development, safety and quality of products</td>
<td>10</td>
</tr>
<tr>
<td>community involvement</td>
<td>Donations and services and contribution to society</td>
<td>9</td>
</tr>
<tr>
<td>general</td>
<td>Overall information related to social responsibility</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>78</td>
</tr>
</tbody>
</table>

ROA ratio is used to measure the net benefits derived from the use of assets (Lestari & Sugiharto, 2007). Measurement ROA is the ratio between income after taxes by total assets. ROA good category if > 2%. The higher the ROA, the higher the profit obtained, so that also the better use of their assets.

ROE assess the extent to which the company uses its resources to be able to provide a return on equity (Fahmi 201). The higher the ROE of a company, the greater the shares they wish to purchase. This led to increased demand for the shares and will cause the stock price to rise (Setianingrum, 2009). ROE is the ratio between the value of after-tax profits with their own capital.

Ratio EPS is a form of the advantage given to the shareholders of each share owned (Fahmi, 2012). EPS Value high indicates that the company is able to provide a better level of welfare to shareholders, while the lower EPS indicates the company failed to provide benefits as expected by shareholders. EPS Value is the ratio between net profit after tax by the number of outstanding shares.

Ratio DER illustrates the proportion of total liabilities and total equity (Sawir, 2000). The lower the DER, the better for creditors when liquidation.

Data Analysis Method

Classical Assumption Test
Testing normality conducted to determine whether the data comes from a normal distributed population. In the Kolmogorov-Smirnov test, if the probability value > 0.05 then the data meet the assumptions of normality (Ghozali, 2006).

Autocorrelation test to determine whether a regression model there is a correlation between bullies error in period t with bullies previous (Ghozali, 2006). The regression equation is good is not the autocorrelation, that if $Du < DW < 4-Du$. in a test Durbin Watson (DW).

Test heterokedastisitas to determine whether a regression occurred inequality residual variance from one observation to another observation (Ghozali, 2006). The regression model is said to be good if it does not happen heterokedastisitas, if the dots spread around zero on the Y-axis of the graph scatterplot.

Multicollinearity test to test whether the regression model found a correlation between independent variables. A good regression equation should not happen multikolinearitas, ie if the value Tolerance > 0.1 or the value of Variance Inflation Factor (VIF) < 10. (Ghozali, 2006).

Multiple Correlation Analysis
Correlation analysis is used to determine whether there is a relationship between two or more independent variables and the dependent variable. His relationship expressed by the correlation coefficient.

$$R_{y,z}^{2} = \sqrt{1 - \left(1 - (\gamma_{+})^2 \left(1 - (\gamma_{++})^2 \left(1 - (\gamma_{+++})^2 \cdots (1 - (\gamma_{+++})^2 \cdots \right)^2 \right)^2 \right)^2}$$
The provisions of the correlation coefficient values in order are: to the degree of correlation (very low, low, moderate, strong, very strong) with a correlation interval (0.00 to 0.199, 0.20 to 0.399, 0.40 to 0.599, 0.60 to 0.799, 0.80 to 1.000).

Regression Analysis
Multiple linear regression was used to measure the effect of the dependent variables with several independent variables.

\[ Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 \]

Hypothesis test
F test conducted to test whether all independent variables have an effect simultaneously with the dependent variable (Ghozali, 2006). The proof by comparing the significant with a significance level of 5%. Alternative hypothesis accepted if significant value \( > \alpha \): 5%.

Partial Test analysis (t test)
T test were used to whether the independent variables have a partial influence on the dependent variable (Ghozali, 2006). The proof by comparing the significant with a significance level of 5%. Alternative hypothesis accepted if significant value \( > \alpha \): 5%.

RESULTS AND FINDING
Data Financial Performance
The ROA ratio from the pharmaceutical company in Indonesia period 2010 - 2014 fluctuated. The highest ROA reached by Merck Indonesia Tbk (39.56% in 2011), means any assets used Rp.1 can generate a net profit of Rp. 0.3956. Instead lowest ROA (-8.13%) is owned by Schering Plough Indonesia Tbk in 2011. A negative value indicates the company's performance is not good, because it can not generate a net profit of any assets used. Values above-average ROA obtained Darya-Varia Laboratoria Tbk, Kalbe Farma Tbk and Merck Indonesia Tbk. This shows a good performance, so a good effect also on the company's stock price.

The ROE ratio from pharmaceutical company in Indonesia period 2010-2014 fluctuated. Merck Indonesia Tbk has the highest ROE (46.78% in 2011), means any investment Rp.1 get additional equity of Rp. 0.4678. The value of the lowest ROE (-142%) in Schering Plough Indonesia Tbk in 2014. It was concluded that the company's performance is not good, so it can not add equity to investors. Values above-average ROE is obtained Darya-Varia Laboratoria Tbk, Kalbe Farma Tbk and Merck Indonesia Tbk. This shows the efficiency in the use of capital, resulting in a good performance. The higher the ROE will make investors interested in buying shares of the company, resulting in stock price rises and return stocks.

Earning Per Share period 2010-2014 from pharmaceutical company in Indonesia has a fluctuating value. Merck Indonesia Tbk has the highest EPS (USD 7832.36 in 2013), means that each share will provide benefits to investors Rp 7832.36. Schering Plough Indonesia Tbk has the lowest EPS (USD -17 350 2014). Value shows the company's performance is not good, so the planting of equities do not generate profits. If investors are not interested in buying the company's stock, it will cause a decline in stock prices.

Debt Equity Ratio from pharmaceutical company in Indonesia 2010-2014 fluctuated. Darya Varia Laboratoria Tbk has DER of 0.28 times in 2014, meaning a 28% equity to pay off debt. If the DER is low, then the company's ability to repay its debts is very good and the resulting attractiveness for investors to buy shares of the company. Conversely the high DER, resulting in increased interest costs and reduce profits. In these conditions investors are not interested in buying shares of the company, so the stock price decline.

Stock return from pharmaceutical company in Indonesia during the period 2010-2014 fluctuate. In 2010, Kalbe Farma Tbk has the returns highest stock(Rp.1.5), means that for every 1 share will provide benefits to investors Rp.1.5. Return the lowest shares owned by Kalbe Farma Tbk period of 2012 (- Rp. 0.6882). A negative value indicates losses gained investors on investment. Return high stock will make the investors interested to invest their funds in the company, because of the high profits to be gained.

Classical Assumption Test
Normality Test generate significant value 0.990 ( > \( \alpha \): 0.05) means that this research data is normally distributed, so it can be used in multiple linear regression analysis. Autocorrelation test produces a value Durbin-Watson (1.982) were between 1.822 and 2.178, the regression equation is not autocorrelation. Heterokedastisitas test showed that the scatterplot diagram data points spread around the Y axis. Thus the regression model is not the case heterokedastisitas and can be used for multiple linear regression analysis. Test Multicollinearity generate value Tolerance on all independent variables (CSR, ROA, ROE, EPS, DER) > 0.1 and VIF < 10. Based on these two indicators are meant not happen multicolinearitas on all independent variables, so this equation can be used in the analysis multiple linear regression.

Analysis of multiple correlation
1. Coefficient of correlation (CSR - Stock Return): 0.45 & sig: 0.007 (< α:0.05). Means the relationship between two variables is quite strong and positive. If there is an increase CSR 1 unit it will be followed by an increase Stock Return of Rp 0.45.

2. The correlation coefficient (ROA - Stock Return): 0.091 & sig: 0.602 ( > α: 0.05). Means the relationship between both variables is very weak and positive. If there is an increase ROA 1 unit it will be followed by an increase Stock Return of Rp 0.091.

3. The correlation coefficient (ROE - Stock Return): 0.225 & sig:0.193 ( > α: 0.05). Means the relationship between both variables is very weak and positive. If there is an increase ROE 1 unit it will be followed by an increase Stock Return of Rp 0.225.

4. The correlation coefficient (EPS - Stock Return): 0.090 & sig:0.608 ( > α: 0.05). Means the relationship between both variables is very weak and positive. If there is an increase of EPS 1 unit it will be followed by an increase Stock Return of Rp 0.090.

5. The correlation coefficient (DER - Stock Return): -0.107 & sig:0.539 ( > α: 0.05). Means the relationship between both variables is very weak and negative. If there is an increase DER 1 unit it will be followed by a decline Stock Return of Rp. 0.107.

Test Multiple Linear Regression

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficient</th>
<th>Standardized Coefficient</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-0.499</td>
<td>-1312</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>CSR</td>
<td>0.013</td>
<td>0.155</td>
<td>-2.07</td>
<td>.029</td>
</tr>
<tr>
<td>ROA</td>
<td>0.007</td>
<td>-0.127</td>
<td>-0.84</td>
<td>.536</td>
</tr>
<tr>
<td>ROE</td>
<td>0.005</td>
<td>-0.066</td>
<td>-0.74</td>
<td>.459</td>
</tr>
<tr>
<td>EPS</td>
<td>-7.80E-007</td>
<td>0.002</td>
<td>0.03</td>
<td>.972</td>
</tr>
<tr>
<td>DER</td>
<td>0.001</td>
<td>0.009</td>
<td>0.07</td>
<td>.943</td>
</tr>
</tbody>
</table>

Regression equation generated in this study are:
Stock Return = -0.499 + 0.029 CSR - 0.007 ROA + 0.003 ROE - 0.000001 EPS + 0.001 DER

a. Constants (-0.499): that if the independent variable CSR, ROA, ROE, EPS, DER considered constant, then the average stock return is - Rp.0.499.
b. CSR coefficient (0.029): that every increase in the value of CSR (1 unit) will increase Stock Return 0.029
c. ROA coefficient (-0.007): that any increase in the value of ROA (1 unit) will decrease Stock Return 0.007.
d. ROE coefficient (0.003): that every increase in the value of ROE (1 unit) will increase Stock Return 0.003.
e. EPS coefficient (-0.000001): that any increase in the value of EPS (1 unit) will decrease Stock Return 0.000001.
f. DER coefficient (0.001): that every increase in the value of DER (1 unit) will reduce the Stock Return 0.001.

Hypothesis Test

F test (ANOVA) produces Value of F (1.647) & sig,0.179 ( > α: 0.05). It was concluded that Ho is accepted, that there is no significant relationship between CSR and financial performance simultaneously on Stock Return. The results of this study are inconsistent with Bob (2010) & Muid (2011) that the independent variables and control variables simultaneously positive and significant impact. These results also contradict the theory that the disclosure of CSR and financial ratios have effects on stock returns. In addition to the analysis of financial ratios used by investors to see the company's performance, CSR has also been a concern of investors at this time. CSR provides a very positive impact on the performance of companies in the long term. Both of these can be an attraction of investors to make decisions to invest, because it can see the development of the company's performance in both the short and long term.

The five independent variables included in the regression equation, most of the independent variables proved to be significant. It can be seen from the significance probability value > α: 0.05, namely ROA (0.646), ROE (0.618), EPS (0.989) and DER (0.935). While CSR proved significant effect, because it has a significance probability value 0.031 (< α: 0.05). The results are consistent with research Budi (2010) that the disclosure of CSR can be used as one of the decisive information investment decisions by investors. Social responsibility is a form of commitment to business ethics in integrating environmental and social aspects of society into the company's business operations, Company policies that are integrated with the social environment into its business operations, it will provide advantages such as improved corporate image, confidence arising from the
public will be the company. The advantage it will give a huge positive impact for the company. Profit is what is key information for investors analyzing a company for making investment decisions. In line with the positive information issued by the company will have an impact on the investment decisions of investors who ultimately will entrust their funds to the company.

The results of this study indicate that there is no significant influence of ROA with stock return. The results are consistent with research Sunarto (2001) & Susilowati (2011), but not in line with Sam (2010) found a significant difference between the ROA with stock returns. The results obtained are not the same as the existing theory where the higher the ROA, then it should be the higher the rate of return of its shares. The results indicate that investors are not affected by the rise and fall of ROA in making investment decisions. Investors have confidence in the company's stock potential will be improved, although at one time was not good profitability. These conditions make the company's stock price to be increased so that the increase in return on assets will not impact on stock returns (Christanty, 2009).

The results showed that no significant relationship between ROE with Stock Return. The results of this study are consistent with Tampubolon (2009), but contrary to Sunarto (2001) that ROE positive and significant effect on stock returns.

The results of this study no effect between ROE with stock returns, but this effect is not visible so it can be concluded that there is no effect. This is due to return investors' capital levels are not stable, so it does not have the company's attractiveness to investors.

The results of this study indicate that there is no significant influence of the EPS with Stock Return. The results of this study are consistent with Nathaniel (2008), but the effect is very small so it concluded that there was no significant effect. EPS is a picture of earnings per share, while the company that developed very much it gained market share was reduced. This led to earnings per share to be acquired is reduced. So makes investors are not keen to see EPS in investing.

The results of this study indicate that there is no significant relationship between CSR and Stock Return. The results of this study are consistent with Muid (2011), Santi (2012) and Aditya (2013), that there is very little effect given DER on stock returns so that it can be concluded that there is no real influence on stock returns. According to Hidayat (2009) are not influential DER on stock returns due to the higher DER. With the increasing reliance on outsiders capitalization so that the burden on companies getting heavier. Surely this would reduce the rights of shareholders (in the form of dividends). Surely this would reduce the rights of shareholders (in the form of dividends). The high DER will further affect investors' shares of certain companies because investors tend to be attracted to companies that are not too overburdened debt. In other words, DER will affect the performance of the company not to return stock.

CONCLUSION

1. It was found that partially ROA, ROE, EPS, DER as a measure of financial performance does not significant influence on stock return pharmaceutical company in Indonesia period 2010-2014. This is due to the weakness in these variables, so that investors do not use this information for consideration in making investment decisions. Instead CSR has a significant influence on stock return. This shows that investors are not only concerned with profit, but also pay attention to its social responsibility to the community and will have an impact on the survival of the company in the long term. The greater the CSR of the company, then the company's position is getting better and will increase investor confidence in investing their funds in the company.

2. Simultaneously proved that ROA, ROE, EPS, DER and CSR does not have a significant influence on stock return pharmaceutical company in Indonesia period 2010-2014. Partially most of the independent variables in this study have a significant influence, so that these variables do not have the ability to influence stock returns.

For further research could capitalize on some of the limitations in this study, among others, is to add other variables that influence stock return and extend the period of data used in this study.

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Dr. Teguh Yuwono, M.Pol.Admin

Dr. Teguh Yuwono, M.Pol Admin is a Senior Lecturer in the Department of Politics and Government Science at Diponegoro University, Semarang, Indonesia. He is Deputy Head of APSIPr and ADIPSI, associations of Government Science Lecturer and Program Studies. He obtained Master's of Public Policy and Administration from Flinders University, Australia in 2001 and his PhD in Government Science from Padjadjaran University in 2014. He currently teaches a number of subjects in both undergraduate and postgraduate programs including Public Policy, Public Sector Management and Local Politics. Yuwono’s academic opinion has often been broadcasted by several national and local news media such as METROTV, TVOne, TVRI and Suara Merdeka newspaper. He has written a number of books such as ‘Public Sector Management: Indonesian Experience (2001), Local Government Management (2001), Public Policy: Theory and Practice (2003), Justice in Political Perspective (2004) and Central Java Province: Not Great (2014, forthcoming). Yuwono is also well known as a political analyst in Central Java province and becomes a member of expert team of the Central Java Governor and several mayors in Central Java Province (such as Semarang and Pekalongan). His main expertise subjects are in Public Policy and Government Sciences, Local Politics, Voting Behaviour and Elections.

Dr. Titin Purwaningsih, S.IP., M.Si

Dr. Titin Purwaningsih, S.IP., M.Si is a Head of Government Science Department of Universitas Muhammadiyah Yogyakarta and also a lecturer at Master Program of Government Affairs and Administration of Universitas Muhammadiyah Yogyakarta. She has completed her doctoral studies in Political Science, University of Indonesia with a thesis on political kinship in Indonesia, and has completed her master program at the Political Science, Gadjah Mada University. Currently, she is a Chairwoman of the Association of Government Science Lecturer of Indonesia (Asosiasi Dosen Ilmu Pemerintahan Nasional Indonesia, ADIPS). Besides being active in various academic activities at the national level, she was also active in International Conference Series of ICONPO (International Conference on Public Organization) and she is a member of the APSPA (Asia Pacific Society for Public Affairs).

Dr. Maulana, MM

Dr. Maulana Ali completed his bachelor’s degree in Sriwijaya University on Management program, and completed his master program in management at Blina Darma University in 2005. He earned his doctoral program in Economics in 2012 at Gunadarma University. He is a lecturer in the Postgraduate of Tamansiswa Palembang University and Gunadarma University. Dr. Maulana also works as a consultant to empower Small and Medium Enterprises under the guidance SOEs (State Owned Enterprises). He actively participated in the international seminar in several countries. His research expertise is in Human Resource Management. Dr. Maulana actively reviewing and researching the relationship between aspects of spirituality on behavior and performance of human resources.

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