

THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN CONSUMPTION COMPANIES IN INDONESIA

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Abstract: This This study aims to determine whether there is an influence of firm size, profitability, and growth on corporate social responsibility in companies listed on the Indonesia Stock Exchange in 2018-2020. Variables used in this study are firm size, profitability, and growth as independent variables and corporate social responsibility as the dependent variable. The selection of samples in this study using purposive sampling method with the criteria that have been determined obtained 35 companies for 3 years so that the total sample used is 105 data. The type of data used is secondary data obtained from annual reports and sustainability reports. This hypothesis was tested using descriptive statistical analysis, classic assumption tests, multiple regression analysis, and hypothesis testing. The results showed that Firm Size partially had a negative and significant effect on Corporate Social Responsibility while Profitability and Growth had no effect on Corporate Social Responsibility and simultaneously Firm Size, Profitability, and Growth had no effect on Corporate Social Responsibility.

Keywords: *Firm Size, Profitability, Growth, Corporate Social Responsibility.*

1. Introduction

Economic development, development, and technology today have an impact on the increasingly advanced and complex operational activities and social responsibility of the company so that the demands of the company also increase. The priority of a good company is not only to focus on profit, but also to pay attention to the environment, social, economy, and society in which the company stands. Directly or not, a company's operations can have an impact on the environment. It can also be the image or image of the company if a company can carry out its social responsibilities properly. Corporate Social Responsibility (CSR) is one form of corporate concern for the community. The company must face the fact, that although the main purpose of a company is to seek profit, it is not separated from society. In carrying out its business activities the company must remain attentive to the environment and also pay attention to the welfare of the surrounding community. Disclosure of CSR or corporate social responsibility is indispensable to protect the rights of communities affected by mining company activities as well as environmental damage caused by mining companies. The purpose of this research is to provide knowledge for the management of the company regarding the disclosure of corporate social responsibility in the financial statements presented, provide an overview of the annual financial statements so that it serves as a reference for investment decision making, and provide stimulus as a controller of corporate behavior and can increase public awareness of the rights that must be obtained.

2. Literature

Review

Firm Size

Company size (size) is a size that can indicate the size of the company through its assets. Large companies tend to need a good image to get relationships or investors, therefore large companies will reveal more information than small companies one of this information is CSR disclosure (Yasa, 2018). According to (Rectavio .2018), the size of the company is a scale that serves to classify the size of small business entities and, Firm Size is the average of the total annual assets concerned for the next upcoming years (Yeni Arie.et al.,2020) The scale of a company's size can affect the breadth of disclosure of information in its financial statements. Large companies tend to reveal more information than small companies. This is because large companies will face greater political risks than small companies. Theoretically, large companies will not escape political pressure, namely the pressure to conduct social accountability.

Profitability

In the company's operational activities, profitability is an important element in ensuring the continuity of the company. The profitability of the company will affect the policies of investors on investments made. According to (Anissya, 2019), profitability is the ability of the company to profit from sales, total assets, and own capital. According to (Ninta Katharina et al., 2021), Profitability is the result of the wisdom taken by management. Thus for long-term investors will be very interested in this profitability analysis. Another definition of profitability is also expressed by (Cashmere, 2016), he thinks profitability is a ratio to assess the company's ability to make a profit. This ratio also provides a measure of the effectiveness of a company's management. This is indicated by the profit generated from sales and investment income. From the above definitions, it can be concluded that the profitability ratio is the ratio used to measure the ability and success of the company in obtaining profits related to sales, assets, and investments. The profitability ratio has goals and benefits, not only for business owners or management but also for parties outside the company, especially those who have a relationship or interest with the company. The purpose of using profitability ratio for the company, as well as for outside parties according to (Cashmere,2018), is to measure or calculate the profit earned by the company in a given period. To assess the company's profit position in the previous year with the current year. To assess the progress of profit over time. To assess the amount of net profit after tax with its capital. To measure the productivity of all the company's funds used both loan capital and own capital. To measure the productivity of all the company's funds used both own capitals. Meanwhile, the benefits obtained according to Cashmere (2018:198), namely: Knowing the amount of profit earned by the company in one period. Know the position of the company's profit in the previous year with the current year. Know the progress of profit over time. Know the amount of net profit after tax with its capital. Knowing the productivity of all the company's funds used both loan capital and own capital. According to (Anissya, 2019), there are generally four main types used in assessing profitability levels, including.

Gross Profit Margin

This ratio measures the percentage of gross profit compared to sales. The better the gross profit margin, the better the company's operations. But it should be noted that gross profit margin is strongly influenced by the cost of goods sold. If the cost of goods sold increases,

then gross profit margin will decrease, and vice versa. Gross profit margin can be calculated by the following formula.:

$$\text{Gross Profit Margin} = \frac{\text{Net Sales} - \text{Cost Of Good Sold}}{\text{Sales}}$$

Net Profit Margin

This ratio is one of the ratios used to measure profit margin on sales. The way this ratio is measured is that sales have been reduced by all expenses including taxes compared to sales. High-profit margins are preferred because it shows that companies get good results that exceed the cost of goods sold. Net profit margin can be calculated by the following formula:

$$\text{Net Profit Margin} = \frac{\text{Earning After Tax (EAT)}}{\text{Sales}}$$

Return On Equity (ROE)

This ratio measures the extent to which a company's ability to earn a profit is available to the company's shareholders. This ratio indicates the efficiency of using the capital itself, meaning that it measures the level of profit from investments that have been made by the owner of the capital itself or the shareholders of the company. ROE can be calculated by the following formula:

$$\text{ROE} = \frac{\text{Earning After Tax (EAT)}}{\text{Shareholder's Equity}}$$

Return On Assets (ROA)

This ratio measures the extent to which the company's ability to generate profit from assets used in the company. This ratio is used for a measure of management's effectiveness in managing its investments. ROA can be calculated by the following formula:

$$\text{ROA} = \frac{\text{Earning After Tax (EAT)}}{\text{Total Assets}}$$

Researchers use Return On Assets (ROA) as the profitability ratio because ROA in the analysis of financial statements is the most highlighted ratio. After all, it can show the success of the company in making a profit. ROA provides information on how efficient a company is in conducting its business activities. The resulting figures show what companies can do with what they have. The higher the ROA, the higher the company's ability to make a profit. The higher the profit generated by the company will be easier in expressing CSR.

Growth

One of the factors that influence the consideration of investors in investing in the growth of the company, where companies that have a high growth rate certainly generate a promising return or profit as well. According to (Prasetyo and Anny, 2019) companies that have a high growth rate will get a lot of attention so it is predicted that the company will be wider in the disclosure of corporate social responsibility.

$$Growth = \frac{Penjualan_t - Penjualan_{t-1}}{Penjualan_t}$$

According (Munsaidah, et al. 2016) stated that growth is the company's growth rate as measured by the company's sales growth. Companies with high growth will be highlighted so it is predicted that companies that have a higher growth chance tend to make more disclosures of social responsibility.

Corporate Social Responsibility

According to The World Business Council on Sustainable Development (Waluyo,2017) defines CSR is an ongoing effort of business groups to implement ethical behavior and contribute to economic development and create community welfare. According to (Anggiat Sinurat, et al.,2020), CSR or corporate social responsibility is seen as an obligation that agreed between the company and the community, where the community gives permission to the company to manage its natural and human resources in carrying out its operations.

Corporate Social Responsibility is a form of social responsibility for a business that includes the economy, legal, ethics, and discretionary that people expect for an organization at that time. CSR is one of the efforts made by management to improve the company's reputation and provide a positive view (image) to the company and stakeholders, namely with the implementation of CS (Witjaksono and Syahril, 2018). From some of the above understandings, it can be concluded that CSR is related to stakeholders, community welfare, and the survival of the company. In essence, CSR is an action taken by the company as a form of social and environmental responsibility around the company. And it can be concluded that the purpose of the company to conduct CSR is not only to seek profit but for socioeconomic activities for the surrounding community.

Referring to CSR Asia (Anissya ,2019) CSR elements consist of three "bottom lines" namely: Environmental (Environment) Social and Economic. In this study, researchers identified CSR disclosures using G4's GRI (Global Reporting Initiative) standard consisting of 91 CSR disclosure items consisting of the economy (9 items), environment (34 items), labor practices (16 items), human rights (12 items), social (11 items), and product responsibility (9 items). The CSR disclosure index calculation formula is as follows:

$$CSRDI = \frac{\sum X}{\sum CSR}$$

Information:

CSRDI = CSR disclosure index

$\sum X$ = Total items in CSR aspects disclosed

$\sum CSR$ = Total total items in CSR aspect

3. Research Method

According to (Sujarweni,V Wiranata 2017), Population is the total number of objects or subjects that have certain characteristics and qualities set by researchers to be studied and then drawn conclusions. The selection of samples in this study using purposive sampling method with the criteria that have been determined obtained 35 companies for 3 years so that

the total sample used is 105 data. The sampling method used in this study was chosen based on purposive sampling techniques. Calculations performed for multiple linear regression testing are assisted by SPSS 23 software. The following results are processed multiple linear regression analysis using SPSS software.

Statistical testing of t-tests assisted with SPSS 23, Presented in table 4.10 as follows:

Table 4.10				
Regression Analysis				
	B	Std.dev	t	Sig.
(Constant)	.893	.296	3.020	.003
Firm Size	-.020	.009	-2.196	.031
Profitabilitas	.031	.356	.088	.930
Growth	.081	.100	-.806	.422
R Square	.043			
Adj. R Square	.015			
F-Sig	.142			

Source: Author-processed data, 2020

4. Results and Discussion

Based on table 4.10 above, the significance value of 0.031 is less than 0.05. means that there is an influence between Firm Size on CSR on companies listed on the Indonesia Stock Exchange for the period 2016 to 2018. These results are in line with previous studies conducted by Nasution, et al., Rectavio, Wahyuningsih, and Nera, as well as Bimaswara, et al. (2018), Waluyo (2017), and Munsaidah, et al. (2016) that Firm Size affected CSR. However, compared to the research of Prasetyo and Anny (2019), Manurung, et al. (2017), and Pradnyani and Eka (2015) that Firm Size does not affect CSR.

Based on table 4.10, the significance value is 0.930 greater than 0.05. means that there is no influence between Profitability on CSR in companies listed on the Indonesia Stock Exchange for the period 2016 to 2018. These results are in line with previous studies conducted by Prasetyo and Anny (2019), Rectavio, and Bimaswara, et al. (2018), and Manurung, et al. (2017) that Profitability does not affect CSR. However, compared to the research of Nasution, et al., and Wahyuningsih and Nera (2018), Sukenti, et al. (2017), Munsaidah, et al., and Tasya (2016), as well as Pradnyani and Eka (2015) that Profitability affects CSR.

Based on table 4.10, the significance value is 0.422 greater than 0.05. this means that there is no influence between Growth and CSR on companies listed on the Indonesia Stock Exchange for the period 2016 to 2018. This result is in line with previous studies conducted by Prasetyo and Anny (2019), Waluyo (2017), and Tasya (2016) that Growth does not affect CSR. However, in contrast to the research of Sukenti, et al. (2017), and Munsaidah, et al. (2016) that Growth has an effect on CSR.

Based on table 4.10 significant value of 0.142 greater than 0.05 then simultaneously there is no influence between Firm Size, Profitability, and Growth on Corporate Social

Responsibility on companies listed on the Indonesia Stock Exchange for the period 2016-2018.

Based on the above processing results, obtained the value of the coefficient of determination shown in column R Square of 0.043 which indicates that independent variables affected by dependent variables by 4.3%, meaning that there is an influence between variables Firm Size, Profitability, and Growth to CSR by 4.3% while the remaining 95.7% is influenced by other variables that the authors did not involve in this study.

5. Conclusion

Based on research that has been conducted on the Influence of Firm Size, Profitability, and Growth on Corporate Social Responsibility empirical studies on public go companies in Indonesia, it can be concluded as follows: Firm size affects CSR on public go companies in Indonesia. Return on assets has no influence on CSR in public go companies in Indonesia, Growth has no effect on CSR on public go companies in Indonesia, while simultaneously from firm size, profitability, and growth has no effect on Corporate Social Responsibility in public go companies in Indonesia.

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