The Influence of Size, Return on Equity, and Leverage on the disclosure of the Corporate Social Responsibility (CSR) in Manufacturing Companies

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Abstract

This research aimed at finding the influence of Size, Return on Equity, and Leverage on the disclosure of the Corporate Social Responsibility (CSR), the Population of the data from 20 manufacturing companies listed in BEI from 2011 to 2015. To discover the influence of the independent variables toward the dependent variables, this study used multiple linear regression analysis in SPSS ver.20. The results showed that: the size of the companies had partially positive and significant impact on the disclosure of the Corporate Social Responsibility (CSR) with Siq = 0.000 < 0.05, the Return on Equity had partially negative and significant impact on the disclosure of the Corporate Social Responsibility (CSR) with Siq = 0.003 <0.05, and the Leverage had partially no effect on the disclosure of the Corporate Social Responsibility (CSR) with Siq = 0.748 > 0.05. Simultaneously, all independent variables significantly influenced 62.10% of the Corporate Social Responsibility (CSR) disclosure, while 37.90% of the disclosure influenced by other factors.

Key words : Size,Return on Equity, Leverage, Corporate Social Responsibility.

1. Introduction

The increasingly tight competition level in the business world today demands companies to increase their attention on the social environment. Moreover, they should emphadize their interests of the management and the capital owners. The companies should also think of the interests of their employees, consumers, society, and the environment (stakeholder). The Companies not only have economic and legal responsibility toward their shareholders, but they also have responsibility toward others' interested parties because the companies cannot deny the fact that they cannot live, operate, survive, and gain benefits without the help of other parties. The companies do not only have a responsibility of obtaining profit, but they also need to pay attention on the social and environmental responsibilities. Therefore, in taking the social and environment responsibilities, the companies need to bear and take their social responsibility, or commonly called as the disclosure of the Corporate Social Responsibility (CSR), in order to meet the interests of their Stakeholders.

2. Literature Review

2.1 The Size of the Company

In general, large companies usually have more activities, greater impact on society, and more attention and support from the public than small companies. According to Cowen et.al (1987) in Sembiring (2003), larger companies may have shareholders who pay attention to the social programs the companies made in their annual reports, which are the media for disseminating information about the companies' social and financial responsibilities. Therefore, large companies that pay attention to their social responsibility and disclose their reports annually will likely grab more attention from their prospective shareholders or potential investors who consider of social responsibility. To illustrate, the size of a company –large or small– can be measured by the total of their assets, sales volume, the number of their labors, and the market capitalization value. The larger the total, the larger the size of the company (Triyanto, 2010). In this study, what means by the Size of a company are the total assets, because it can be used as a measurement scale and it can describe the size of a company (Yuliawati and Sukirman, 2015).

2.1 Return on Equity (ROE)

Return on Equity (ROE) is a part of Profitability ratio which, according to Harahap (2004) in Purwaningsih and Suyanto (2015), is the ability of a company to earn profit through all their capabilities and existing sources such as sales activities, cash capital, number of labors, branches, etc. Meanwhile, according to Sugiono and Edy (2016), Return on Equity (ROE) is a ratio that shows the rate of return of the business of all existing capitals. This ratio is one of the indicators used by shareholders to measure the success of the business undertaken. The higher the ratio, the better, because the position of the owners of the companies are getting stronger. According to Kasmir (2014), the measurement of this ratio is done by comparing the net profit after tax (Earning After Tax/EAT) with the total equity.

2.3 Leverage

According to Kasmir (2014), Leverage is the ratio used to measure the extent of the companies' assets financed by their debt (how much the debt burden the companies against its assets) or this ratio is to measure the companies' ability to pay all of their short and long term obligations (total debt/total assets), while in practice, to cover the shortage of the funding needs, the companies have several choices of funds sources that can be used, one source of the funds used are loan capital (debt), relatively unlimited amount of loan capital, and motivate management to work harder and more creative because they are burdened to fulfill their obligations. According to Adeline in Darmawan and Sukartha (2014), the addition of the amount of the debt will result in the emergence of the interest expenses to be paid by the companies. The components of the interest expenses will reduce the companies' profit before tax, so the amount of tax that the companies should pay will be reduced. According to Darmawan and Sukartha (2014), large companies tend to utilize their resources rather than using debt-induced financing. Big companies will become the government's spotlight, which will create a tendency for the companies' managers to be aggressive or obedient.

2.4 Corporate Social Responsibility (CSR) Disclosure

Each company had a purpose to gain profit. Today, companies are not only responsible to their owners (shareholders), but they must also be responsible to the social community (stakeholder). This is because the companies cannot break away with their surrounding social environment. Therefore, they must be able to position themselves in the increasingly advanced society. According to Hendriksen (2000) in Yintayani (2011), disclosure is the presentation of the amount of information needed to optimize the operation of efficient capital markets. Meanwhile, according to Sujarwo (2005) in Triyanto (2010), disclosure is the way to explain informative matters that are considered important and useful to the users other than what can be stated through the main financial statements. In general, the purpose of disclosure is to provide information that is deemed necessary to achieve the purpose of the financial reporting and serve various parties who have different interests.

One of the information required to be disclosed by the companies is the information of the companies' social responsibility or Corporate Social Responsibility (CSR).

According to Hadi (2014), Corporate Social Responsibility (CSR) is a report of social responsibility activities that have been done by a company related to the social concerns and the environment, that can be proxied by comparing how many items revealed divided by the total items that should be revealed (79 items).

3. Methodology

3.1. Sample and Data

The objects of this study were 20 manufacturing companies listed on the Indonesia Stock Exchange (IDX) in the period from 2011 to 2015. The method of taking the data was by sampling. The data observed were sourced from the financial statements of companies listed on the Indonesia Stock Exchange (IDX). The independent variables were: Size, Return on Equity, and Leverae, while the Dependent Variable was the Corporate Social Responsibility (CSR) disclosure.

3.2. Methode of Analysis

The data analysis used in this study was multiple linear regression analysis in SPSS.Ver.20.

Model Regreesion

The model of multiple linear regression analysis data in this study was done after the data processing through SPSS Ver-20 that is described as follows:

CSR = -0,188 + 3,301SIZE - 0,146ROE + 0,000LEV

Descriptions:

CSR	=	Corporate Social Responsibility
SIZE	=	the size of the companies
ROE	=	Return on Equity
LEV	=	Leverage

4. Finding and Discussion

Table 1. Regresion Result

Variable	Std.Eror	t-statistics	Sig
SIZE	0.435	7,580	0.000
ROE	0.048	-3.060	0.003
LEVERAGE	0.001	0.322	0.748

Table 2. Regresion Result

Model	Df	F-statistics	Sig
Regression	3	20.042	0.000b
Residual	96		
Total	99		

Table 3. Regresion Result

Model	R	F Change	Sig.F Change
1	0,621	20.42	0.000

The result that presented regression in Tabel., tabel 2 and Tabel.3

4.1. The Influence of the Company Size on the Corporate Social Responsibility (CSR) Disclosure

Based on Table 1, the size of the companies had partially positive and significant impact on the Corporate Social Responsibility (CSR) disclosure with Siq = 0.000 < 0.05.

4.2. The Influence of the Return on Equity on the Corporate Social Responsibility (CSR) Disclosure

Based on Table 1, the Return on Equity had partially negative and significant impact on the Corporate Social Responsibility (CSR) disclosure with Siq = 0.003 <0.05.

4.3. The Influence of the Leverage on the Corporate Social Responsibility (CSR) Disclosure

Based on Table 1, the Leverage had partially no effect on the Corporate Social Responsibility (CSR) disclosure with Siq = 0.748> 0.05.

4.4. The Influence of the Company Size, Return on Equity, and Leverage to the Corporate Social Responsibility (CSR) Disclosure

Based on Table.2, the size of the companies, Return on Equity and Leverage simultaneously had significant effects on the Corporate Social Responsibility (CSR) disclosure with Siq = 0.000 < 0.05. Based on Table.3, the size of the companies, Return on Equity, and Leverage simultaneously had 62.10% significant effects on the Corporate Social Responsibility (CSR) disclosure, while 37.90% were influenced by other factors.

5. Conclusions

Based on the results of the study, the conclusions are:

5.1 The size of the Companies (Size) had partially a significant positive effect on the Corporate Social Responsibility (CSR) disclosure.

5.2 Return on Equity (ROE) had partially negatively significant effect on the Corporate Social Responsibility (CSR) disclosure.

5.3 Leverage had partially no effect on the Corporate Social Responsibility (CSR) disclosure.

5.4 The size of the companies, Return on Equity (ROE), and Leverage simultaneously affected the disclosure of the Corporate Social Responsibility (CSR).

6. Recommendation

6.1. The Size of the companies had positive effect, which means that the bigger/higher the companies' assets, the higher the companies' responsibility to reveal their Corporate Social Responsibility (CSR) higher.

6.2. Return on Equity (ROE) had negative effect, which means that the higher companies' net profit, the lower the companies' responsibility to reveal their Corporate Social Responsibility (CSR).

6.3. Leverage had no effect on the disclosure of the Corporate Social Responsibility (CSR), because the higher the leverage, the higer the debt than the companies' assets.

6.4. For the future researchers, it is better to use broader objects of research, both companies and period of the research.

7.Limitation

The research limitation, futher study a expected to use a large sample size and more variable that can influence the disclosure social responsibility, so as to show the reaction of the owner company to carry out such social activities. This study is limited only the manufacturing companies, with these limitations, realize that there is not a perfect study, so we need to carry next research with such feedback that can provide better results from this study.

8. References

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Attachments

Coefficient Correlations[a]

Model			LEV	SIZE	ROE
1	Correlations	LEV	1.000	.081	.091
		SIZE	.081	1.000	-.193
		ROE	.091	-.193	1.000
	Covariances	LEV	3.202E-007	1.985E-005	2.452E-006
		SIZE	1.985E-005	.190	-.004
		ROE	2.452E-006	-.004	.002

a. Dependent Variable: CSR

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	.3146665	.5535555	.4207000	.05241520	100
Std. Predicted Value	-2.023	2.535	.000	1.000	100
Standard Error of Predicted Value	.007	.067	.011	.007	100
Adjusted Predicted Value	-.3039017	.5514098	.4132456	.08954779	100
Residual	-.17468044	.15412430	0E-8	.06623062	100
Std. Residual	-2.597	2.292	.000	.985	100
Stud. Residual	-2.655	2.310	.012	1.005	100
Deleted Residual	-.18254066	.73390168	.00745440	.10012730	100
Stud. Deleted Residual	-2.744	2.365	.009	1.015	100
Mahal. Distance	.036	96.942	2.970	10.004	100
Cook's Distance	.000	29.446	.302	2.944	100
Centered Leverage Value	.000	.979	.030	.101	100

a. Dependent Variable: CSR

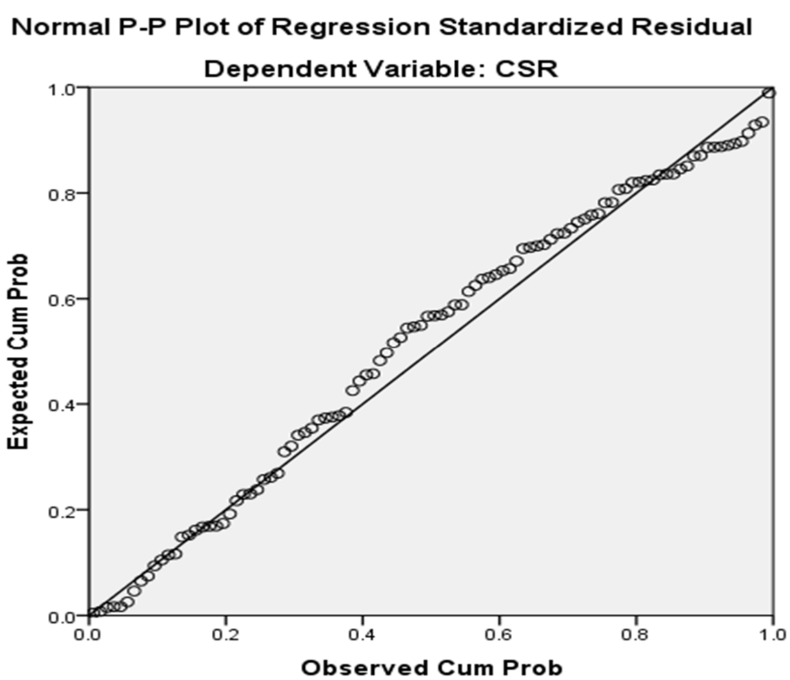
Classical Tests:

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		200
Normal Parameters[a,b]	Mean	0E-7
	Std. Deviation	.08700645
Most Extreme Differences	Absolute	.065
	Positive	.065
	Negative	-.052
Kolmogorov-Smirnov Z		.923
Asymp. Sig. (2-tailed)		.362

a. Test distribution is Normal.

b. Calculated from data.



Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-.188	.083		-2.270	.025	-.353	-.024					
	SIZE	3.301	.435	.621	7.580	.000	2.436	4.165	.568	.612	.607	.953	1.049
	ROE	-.146	.048	-.251	-3.060	.003	-.240	-.051	-.129	-.298	-.245	.952	1.051
	LEV	.000	.001	.026	.322	.748	-.001	.001	-.009	.033	.026	.982	1.019

a. Dependent Variable: CSR

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.272	3	.091	20.042	.000[b]
	Residual	.434	96	.005		
	Total	.706	99			

a. Dependent Variable: CSR

b. Predictors: (Constant), LEV, SIZE, ROE

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.621[a]	.385	.366	.06725751	.385	20.042	3	96	.000	.521

a. Predictors: (Constant), LEV, SIZE, ROE

b. Dependent Variable: CSR