The Influence of Profitability, Leverage and Firm SizeToward Corporate Social Responsibility

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Abstract. The purpose of this research is to examine the factors that effect the level of disclosure of corporate social responsibility. These factors include profitability, leverage and firm size. The sample in this research were non-cyclical consumer sector companies listed on the IndonesiaStock Exchange during the 2017-2020 period which were taken using the purposive sampling method so that 35 companies with 124 observational data were obtained that published CSR reports and experienced profits. This research also uses multiple regression analysis. Based on the results of the analysis, it can be concluded that profitability and leverage have no effect on disclosure of corporate social responsibility and firm size has a positive effect on disclosure of corporate social responsibilities.

Keywords: profitability, leverage, firm size and corporate social responsibilities.

1 Introduction

Indonesia is a country with a lot of wealth and natural resources, therefore natural wealth is one of the main drivers of the Indonesian economy. Because the majority of the population work in agricultural sector, Indonesia is known as an agricultural country. The implementation corporate social responsibility (CSR) is a must for the companies in supporting their business activities which no only oriented on achievement profit but also becomes something learning, where each individual involved has a sense of social awareness of the environment around the company is located. Sustainability of a the company will be guaranteed if it pays attention to the social and environmental point of view the life of the surrounding community so that the company needs to be committed to providing benefit which big for Public until to program which character social, [11].

CSR regulations in Indonesia have been regulated in the Republic of Indonesia Law Indonesia Number 40 of 2007 Article 1 Number 3 concerning Limited Liability Companies reads Social and Environmental Responsibility is the company's commitment to participate in sustainable economic development in order to improve the quality beneficial life and environment, both for the company it self, the community local, nor Public on generally. Meanwhile that Constitution Number 25Article 15 Letter B of 2007 concerning Investment states that: Every cultivator capital obliged doing not quite enough answer social company. Not quite enough answer social here have meaning that every company must create connection which good with Public which there is around company [12].

The existence of the company should ideally provide more benefits for the surrounding community such as providing jobs that can suppress unemployment rate. But on the other hand, companies can alsogive impact bad like with existence exploitation source power natural, environmental damage, the problem of environmental pollution by using high technology as well as use materials chemical which dangerous and poisonous even until make noise on Public around [20].

Preview research has which discuss about CSR issues. There are several factors that influence CSR, one of them is the only one is profitability. According to [29] profitability is the ability to earns profit in a company within a certain period and the outline of the profit generated by the company comes from sales and investments made by the company can increase shareholder value. Therefore, the higher the profitability so company will tend doing and disclose not quite enough answer social [15]. Disclosure not quite enough answer social is an activity that requires large enough financing so that if an company more profitable, so allow company the for doing program CSR with more good.

Factor next which influence disclosure CSR that is leverage. According to [2], leverage is the company's ability to meet obligations long term. Companies with high levels of leverage will depend on external funding to build its assets, while companies with leverage those who are low will use their own capital to build assets [26]. It can be concluded that companies that have a level of leverage low will disclose CSR more large. Different with company which haveleverage level tall will disclose CSR more low, Thing the becausecompanies must reduce the costs of making CSR disclosures so that no Becomes highlight from para debt holders [2].

Another factor that can affect CSR disclosure is company size. According to [16] size company is scale which used in determine big or small something company. The more big size something company so the more big also attention which obtained from market nor public [3]. The extent of CSR disclosure depends on how big or small it is size company. The more big size company so the more large disclosureCSR the and so even on the

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contrary. Thing this because company which big willface a greater responsibility to society and the environment for always behave with good [19].

This study refers to on study [1] which researching relatedthe effect of profitability, leverage and liquidity on corporate social responsibility in food and beverage companies listed on the Indonesia Stock Exchange period 2014-2018. Based on results study (profitability take effect positive to CSR and leverage no take effect to CSR. There are several differences in this study with previous research, existence replacement variable independent use size company, and sample which used is company consumer non-cyclical as well as period study which used is 2017-2020. This research was conducted because future environmental problems cannot be estimated and on study this could also analyze how performance environment every company as well as how management environment which disclosed through report annual company.

Literature

Stakeholders Theory

Stakeholders theory is theory which explain how somethinggroups or individuals can effected by the achievement of goals organization [7]. This stakeholder theory explains that the existence of a The company needs various supports from stakeholders, so that activities the company must also consider the approval of the company 's stakeholdersthe [19]. Theory stakeholders this give base that company no only operate for its importance just but could provide benefits to its stakeholders [29]. These benefits can given through disclosure CSR. Disclosure CSR is wrong one whichBecomes profit as strategy company for give contribution to risk management and maintain good relations with stakeholders [24].

Legitimacy theory

Existence theory legitimacy encourage companies to convincing that its activities and operational performance can be accepted by the community and provide base that company must obey norms which apply in Public so that no occur conflict so that activity company could walk with fluent [14]. This theory too be the one who underlying disclosure CSR. With existence disclosure CSR by company will have a direct impact on legitimacy by society and can also increase the valuecompany especially on aspect social [12]. Disclosure CSR is a business company for communicating activities social which has conducted by company for get legitimacy from Public so that the survival of the company is guaranteed [23]. Companies use annual report to describe social and environmental responsibilities so thatacceptable to society. With CSR, companies can provide contribution positive to Public so that could accept existence company inenvironment around.

Agency theory

The explain connection agency in the theory agencythis that company is gathering Among owner source power economical(principal) and agent who regulate the use of resource control the [9]. Theory agency appear for resolve conflict agency which could occur inconnection agency. Happening conflict of interest Among principal and agent trigger emergence agency cost. Company which face cost contract and cost supervision which low tend will report net profit which low also.With say other company will reduce costs for interest management like cost which could increase reputation company in the eyes community [19]. As a form of responsibility, managers as agent will attempted fulfill desire principal that is with disclosure responsibility information answer corporate social responsibility [14]. By because that company will report activity by volunteer with destination for build image which positive.

Influence Profitability Against *Corporate Social Responsibility*

Profitability is the ability of a company to generate profits during period certain on level sale, asset and capital share certain [27]. The higher the level of profitability, the greater the disclosure CSR. This can be related to stakeholder theory, because companies have not quite enough answer to stakeholders for fulfill needs information for the sake of maintain support from stakeholders [17]. Profitability describes the company's performance measures that are used to measure ability company in produce net profit based on level asset certainby using the return on asset (ROA) ratio [22]. This matter supported with existence results study before from [6], [10] and [15], which state that profitability positive effect on corporate social responsibility. Based on the description above,then can formulated hypothesis as following:

H1 : Profitability has a positive effect to Corporate Social Responsibilities.

Influence *Leverage* To *Corporate Social Responsibility*

Leverage is ability company inmeet its long-term obligations [2]. Companies which high leverage will depend on foreign loan for build the assets, whereas company with level low leverage which use own capital for build the asset [26]. Could concluded that company which have leverage level low will disclose more CSR large. Different withcompany which have level leverage high will disclose CSR more low, because company must reduce costs for disclosure CSR so that no Becomes highlight from debt holders [2]. Previous research results which is conducted by [18], [2 9] which state that leverage take effect positive to corporate social responsibilities. Based on description in on then can formulated with hypothesis as following:

H2 : Leverage has a positive effect to Corporate Social Responsibility

Influence Size Company To *Corporate Social Responsibility*

According to [16], size company is scale which used in determine big or small something company. The more big size something company so the more big also attention which obtained from market nonpublic [3]. The extent of CSR disclosure depends on how big or small it is size company. The more big size company so the more large CSR disclosure the and so even on the contrary. Thing this because company which big willface a greater responsibility to society and the environment for always behave with good [20]. Previous research results conducted by [5], [3] and [2] states that company size has a positive effect on corporate social responsibilities. Based on description in on so could formulated hypothesis asfollowing:

H3 : Firm Size has a positive effect to *Corporate Social Responsibility*

Research Methods

Sample

The population used in this study is all sector companies *consumer non-cyclicals* on the main board listed on the Indonesia Stock Exchange (IDX) in 2017-2020. Sampling in this study used the method sample selection using certain criteria (*purposive sampling*). Sample in this study 124 observation data for analysis.

Definition Operational and Measurement Variable

Corporate Social Responsibility

On study this measurement CSR use indicator GRI-G4 which reached 91 items consisting of economic, environmental and social aspects which include labor practices, human rights, society, product responsibility. If the information item is not in the annual report, it is given a score of 0 and if there isso given score 1.

Profitability

Ratio profitability calculated use Return of Asset (ROA).

Leverage

Ratio *leverage* calculated using Debt to equity Ratio (DER)

$$DER = \frac{\text{Total debt}}{\text{Total capital}}$$

Size Company

Size company be measured with logarithm natural from total asset which ownedcompany.

$$TA = LnTA$$

Analysis Data

Analysis data to data which obtained from observation which shaped numberwhich could be measured and obtained from list question. Formula :

$$CSR = a + b_1ROA + b_2Lev + b_3Size$$

Results and Discussion

Statistics Descriptive

Statistics descriptive used for analyze data quantitative for provides an overview seen from the mean, standard deviation, variance, maximum, minimum in describing research variables. Therefore, contextually easy to understand by the reader. Descriptive statistical analysis results served on table 1

Table 1. Results Statistics Descriptive

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	124	0.35	60.72	10.2585	11.72165
Leverage	124	-2.13	3.17	0.8700	0.75831
Size Company	124	27.22	37.09	29.7953	1.84198
CSR	124	0.13	0.48	0.3227	0.7608

Table 1 show that CSR have score average as big as 0.3227. Profitability have score average as big as 10.2585, next leverage have score average as big as 0.8700 and size company have score average as big as 29.7953.

Analysis Multiple Regression

Analysis multiple regression used for knowing influence variable independent of the dependent variable. The results of multiple regression analysis are presented in table 2.

Table 2. Results Analysis Regression linear multiple

Model		Unstandardized Coefficients	t	Sig.
		B		
1	(Constant)	-0.112	-1.046	0.298
	Profitability	0.000112	-0.207	0.837
	Leverage	0.001	0.079	0.937
	Firm Size	0.015	4,007	0.000

Score constant as big as -0.112 with score negative could with assumeprofitability, leverage and size company worth constant, so disclosure CSR will have score -0.112. Variable profitability have coefficient regression as big as0.000112 with score positive. Could interpreted if occur increase variable profitability is 1 with the assumption that the variable leverage and firm size are constant,then CSR disclosure tends to increase by 0.000112. Variable leverage has a regression coefficient of 0.001 with a positive value. Can be interpreted that if there is an increase in the leverage variable 1 assuming the profitability variableand firm size is constant, CSR disclosure tends to increase of 0.001. Firm size variable has a regression coefficient of 0.015 with positive value. Could interpreted that if every 1 increment size variable company with assumption variable profitability and leverage constant, so disclosure CSR will experience increase as big as 0.015.

Coefficient Determination (Adjusted R2)

The coefficient of determination is obtained from the Adjusted R Square value of 0.114. Corporate Social Responsibility Disclosure variable can be explained by variable profitability, Leverage and Size Company. Whereas the rest as big as88.6% explained by variable other outside model study.

Table 3. Coefficient of Determination (Adjusted R 2)

Model	R Square	Adjusted R Square
1	0.136	0.114

Test Model Fit (Test Statistics F)

In accordance with the results of the calculation of the significance test, output under this score Sig.< a = 0.001 < 0.05 so that could concluded that modelregression worthy used as study.

Table 4. Results Test Statistics F

Model	F	Sig.
Regression	6.243	0.001 [b]

Test Significance Parameter Individual (Test Statistics t)

The t-test shows the extent to which the independent variables are individual explains the variation of the dependent variable. Acceptance of the hypothesis is done if t-value > t-table or probability (t-value) < significance level (sig < 0.05), then Ha accepted and Ho is not accepted or vice versa. As shown in table 5, the variable profitability, leverage and company size have sign values of 0.837, 0.323, 0.000. Thing this showing that profitability and leverage no take effect to disclosure CSR. Firm size has a positive effect to CSR disclosure.

Table 5. Results Test Statistics t

Model	t	Sig.
(Constant)	-1.046	0.298
Profitability	-0.207	0.837

Leverage	0.079	0.323
Size Company	4.007	0.000

Discussion

Influence Profitability To Disclosure *Corporate Social Responsibility*

Based on the value of coefficients as big as 0.000112 with directionpositive and level significant 0.837. Can be known score significant > 0.05 is 0.837 >0.05 which means that profitability has no effect on CSR disclosure. So could concluded Ho received and Ha is not accepted. Hypothesis which show thatprofitability has a positive effect on CSR disclosure is not accepted. This is because the size of the profitability of the company is prioritized for the benefit of operational so that utilization for social activities is smaller, thus management only will focus on disclosure information finance [25].

Influence *Leverage* To *Corporate* disclosure *Social Responsibility*

Based on the value of coefficients of 0,001 with a positive direction and a significant level of 0,323. It can be seen that the significant value > 0,05 is 0,323 > 0.05 which means that leverage has no effect on CSR disclosure. So it can be concluded that Ho is accepted and Ha is not accepted. The hypothesis showing that leverage take effect positive to disclosure CSR is not accepted. Thing this because a company with a high level of leverage indicates that the company is very depend on financing that comes from debt, so the company will reduce the costs of covering the debt. Companies will tend to reduce disclosure CSR which higher cost, so that could cause supervision tall which conducted by debt holders to activity company [15].

Influence Size Company To Disclosure *Corporate Social Responsibility*

Based on the coefficient value of 0.015 with a positive direction and a significant level of 0.000. It can be seen that the significant value < 0.05 is 0.000 <0.05 which it means that size company take positive effect to disclosure CSR.So could concluded Ho rejected and Ha accepted. Hypothesis which show thatfirm size has a positive effect on acceptable CSR disclosure. This matter because company which big will more many have information compared with company which small, so that items which must disclosed in financial statements including CSR disclosures will be more. Big company more many becomes attention government and public, it will be meaning importance disclosure CSR in explain other costs incurred. Large companies also tend to have more shareholdings so that the number of shareholders more will require greater financial information [17].

Conclusion and Suggestion

Based on the results of the analysis that has been carried out, conclusions can be drawn as following: Profitability has no effect to disclosure corporate social responsibilities. Leverage has no effect on corporate social disclosure responsibilities. Firm size affects corporate social responsibility disclosure. Based on conclusion and implication which outlined above, then researchergive suggestion for study next: Increasing the number of samples studied, not only covering sector companies consumer non-cyclical. But it can be expanded to other sectors listed instock Exchange Indonesia. Extend period study and add variable other so that could obtained results study which more good and accurate.

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