

The Influence of Corporate Profitability and Corporate Liquidity on Corporate Social Responsibility Disclosure

Mulia Saputra¹, Nadirsyah¹, Fadli Nora Iranda¹ and Hamdani²
{mulia_1@yahoo.com}

¹ Faculty of Economic and Business, Syiah Kuala University, Darussalam Banda Aceh, Indonesia

² Department of Business Administration Studies Banking Finance, Politeknik Negeri Lhokseumawe, Aceh, Indonesia

Abstract. The study aimed to obtain empirical evidence regarding the influence of corporate profitability and corporate liquidity to corporate social responsibility (CSR) disclosure in manufacturing firm listed on Indonesia Stock Exchange year 2011-2015. This study is hypotheses testing by using random sampling method. The data used is secondary data. The study employed Multiple Linear Regression analysis. By utilizing slovin formula, the total of 60 sample studies is drawn from manufacturing firm listed on Indonesia Stock Exchange year 2011-2015. Multiple Linear Analysis provided by SPSS 21.0 version. The result shows that: (1) Corporate profitability positively influence corporate social responsibility disclosure, (2) Corporate Liquidity negatively influence corporate social responsibility disclosure, (3) Corporate profitability and corporate liquidity simultaneously affects corporate social responsibility disclosure

Keyword: Corporate profitability, Corporate Liquidity and Corporate Social Responsibility Disclosure

1 INTRODUCTION

In this globalization era, the economy continues to develop, it is indicated by the increasing number of companies that stand today either the small or the large scale. Thus, the number of companies that exist today will certainly leads to a competition among the businesses of each company. This matter certainly makes the competition among companies will be more stringent. Competition among companies today are no longer only focused on sales or draw the consumer's attention, yet has spread to many other sectors. Therefore the company in the operations are required to always give the best in order to maintain the life-sustainability of the company as well as to bring profit for the company.

Pointing to the provisions Law No. 1 of 1995, CSR for the company is not something that must be implemented by the Company, but after the enactment of Law No. 40 of 2007 on Limited Liability Company (Company Law), CSR becomes the obligation of the Company. In the provision of Article 74 paragraph (1) of the Company Law, stated, "The Company is conducting its business activities in the field and/or related to the natural resources required to

carry out the responsibilities of social and environmental." Under the provisions of Article 74 paragraph (1) of the Company Law, the CSR becomes mandatory for the company which is engaged in the field of natural resources.

There are several objectives of the establishment of a company, but main reason is to get the maximum profit or to achieve the level of maximum benefit. Success in achieving the main objectives of the course will affect the prosperity of the owner of the company or the stockholder [1]. CSR is defined more broadly as the company's commitment not only to provide goods and services that are good for the community but also maintain the quality of social and physical environment, also gave a positive contribution to the welfare of the communities places so that emphasis on how the company delivers what people needs [2].

This study aims to determine the effect of corporate profitability and corporate liquidity on CSR disclosure. Corporate profitability and corporate liquidity will be influence corporate social responsibility disclosure. The background that has been described above is shown to give the empirical evidence about the relation how CSR disclosure influences the corporate profitability and corporate liquidity

2 Literature Review

CSR is well known in many context and culture. As one of the corporate responsibilities it implies that companies have an obligation to the environment itself. This obligation represents their responsibilities to the environment and also the society beyond their other obligation to the operation of company [3].

Profitability or gain of the corporate is the outcome of management policy and decision, therefore to measure corporate profitability showed the level of every management activity, indirect ways longterm investors to have a necessity.

The influence of corporate profitability and corporate reputation is quite new research. Most of the previous research found corporate social responsibility disclosure will influence the dependent variable which is profitability and liquidity. In this study, the researcher tries to conduct the different way that CSR itself influence by the independent variable which is corporate profitability and corporate liquidity influence corporate social responsibility disclosure.

Prior research studies shown that there is a positive correlation between the proportion of corporate profitability and the CSR disclosure [4]. However, there are many opinions came from previos research about the correlation itself. As resulted in the Meta Wahyu Rindawati (2015), shown that the profitability has a significantly positive to influence CSR disclosure. While, Maiyarni, Yetti and Erwati [5], told that profitability itself resulted negatively significant towards CSR disclosure.

According to Brigham and Houston [6], profitability is the net profit gained based on the policies and decisions taken by the company. Kashmir [7] told that profitability as one of the factor in measuring company health is the ability of companies in earning profit and having a highly effectiveness management of a company that is shown by profits which is generated from vantage company activity. Thus, based on these definitions can be concluded that profitability is a net profit generated by the company from its operations during a certain period. Liquidity has a strong possibility to be as an indicator to inform how well the ability of company to pay its short-range financial obligation as it due by using available liquid assets [8]. The formula used in this research is the current ratio as the measurement of liquidity.

According to Sutrisno [9], the current ratio is used to measure the proportion both current assets and current liabilities. The current assets is composed of cash, account receivable, inventory and so on. Liquidity ratios indicated a company's capability to complete its short-range financial duty. In case, the company needs to have a lot of resources to pay its lenders when the payment are due [10].

A number of previous studies test the association between Liquidity and corporate social responsibility disclosure. This liquidity ratio is used to provide an overview of the influence of availability companies against disclosure corporate social responsibility (CSR). Companies that are healthy finances, will likely more revealing CSR information compared with companies with low liquidity [11]. The previous research related to the influence of liquidity shows that no significant influence between liquidity challenge and CBZ bank's corporate social responsibility programs [12]. While, Maiyarni and Erwati [5] resulted the liquidity was negatively influenced corporate social responsibility disclosure.

3 METHODS

The research about the influence of corporate profitability and corporate liquidity on corporate social responsibility shows that the company has well performance in gaining the profit. They have the ability in influencing those activities such as social responsibility, otherwise the liquidity of the corporate also has an effect in influencing the corporate social responsibility, for example this company has good liquidity means that they have chance to do the social responsibility. In this research, author used research variable, corporate profitability, corporate liquidity, and corporate social responsibility disclosure, which is the sample from manufacturing company lists on Indonesia Stock Exchange year 2011-2015.

While, the sample in this research study is all the manufacturing company sector listed on Indonesia stock exchange (IDX) years 2011-2015 that has met the criterion of this study. This research used random sampling technique which choose the sample based on the distribution patterns of the characteristics that researcher are interested in investigating the population. In determining the sample the researcher uses the slovin formula to define the minimum sample in this research. The sample of study in this research as follows:

Table 1. Sample of Study

Research Scope	Number of Companies
Total Manufacturing firm from the year of 2011-2015	152
Total Sample used from Manufacturing companies 2011-2015	60
Total companies used as the sample 60 x 5 years	300

Source: Data Processed (2017)

According to Sevilla et.al. [13] the slovin formula can be used to find the minimum sample in the research, the formula as follows:

$$\frac{152}{1 + 152(10\%)^2}$$

n = 60

The secondary data that collected in this study are used from the annual report that listed on Indonesia stock exchange (IDX) year 2011-2015. hence, it becomes necessary to collect data that are appropriate. The data collection method in this study is the annual report of each manufacture company which already available in Indonesia stock exchange, the data collected includes books, thesis, relevant journal, another documentation, and published annual report of manufacture companies listed on Indonesia Stock Exchange year 2011-2015. The annual report can be found by downloading directly from Indonesia stock exchange Website www.idx.co.id.

Dependent variable in this research is corporate social responsibility (CSR) disclosure. is measured by the corporate social responsibility (CSR) disclosure Index (CSRDI). Based on GRI-G4, the CSR includes 3 dimensions of economic, environmental, and social. The independent variable is a variable because a causal relationship or something that condition the occurrence of a change in another variable [14]. The operationalization of the independent variable consist of corporate profitability, and corporate Liquidity.

The linear regression models used are:

$$CSRDI = a + b_1 CPOF + b_2 CLIQ + e$$

Where:

CSRDI = Corporate Social Responsibility Disclosure

a = Constant

b_1, b_2 = Regression Coefficients

CPOF = Corporate Profitability

CLIQ = Corporate Liquidity

E = Error Term

4 . RESULT

4.1 Empirical Result

The following table of descriptive statistics of the research data can be seen in Table as follows.

Table 2. Descriptive Statistics

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
CSRDI	300	.00	1.00	.6272	.30557
Profitability	300	-27.92	71.00	6.8020	12.72505
Liquidity	300	-.49	67.70	2.4888	4.56967
Valid N (listwise)	300				

Source: Output SPSS 21.0 (2017)

Table 4.1 shows the descriptive statistics for the variable of profitability (POF), Liquidity (LIQ), and Corporate Social Responsibility Disclosure (CSR) of the total sample 300 sample studies. From the table, it can be seen that profitability has value of -27,92 minimum, 71,00 maximum, and 6,8020 at mean of manufacturing companies. Liquidity is -0,49 at minimum and 67,70 at maximum and 2,4888 at mean. While, Corporate social responsibility disclosure has 0,00 at minimum, 1,00 at maximum, and 0,6272 at mean value.

4.2 Classical Assumption Test Result

Based on Multicollinearity, Heteroscedasticity and Autocorrelation to see Classical Assumption. The result of no multicollinearity, no Heteroscedasticity and no autocorrelation. can seen in table as follows:

Table 3. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig	Collinearity Statistics	
	β	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.616	.021		29.713	.000		
Profitability	.006	.001	.264	4.709	.000	.977	1.024
Liquidity	-.013	.004	-.190	-3,401	.001	.977	1.024

Dependent Variable: CSR
Source: Output SPSS 21.0 (2017)

Table 4. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin -Watson
1	.301	.090	.084	.29239	1.657

a. Predictors : (Constant), Liquidity, Profitability

b. Dependent Variable: CSR

Source: Output SPSS 21.0 (2017)

Based on the table above, it shows that VIF less 10. The value is 1,024. That is no multicollinearity. And the result of heteroscedasticity using Durbin Watson value is 1,657. The Durbin Watson value will be compared with the constant Durbin-Watson table that has the significance value 5% with the total sample (N) 300 and 3 variables (K). According to the constant Durbin-Watson table, the upper limit score (du) is 1,824110 while (4-du) value is 2,17589. The provision equation of no correlation happened between the variables.

The value of Durbin Watson is 1,704 meaning that $1,824110 < 1,657 < 2,17589$. In conclusion, with the data value 1,657, there is no autocorrelation happened between the residuals in this research because the d value is greater than du and less than (4-du).

4.3 Multiple Linear Regression Analysis

This research is to test the hypotheses that using multiple linear regression analysis to determine whether there is influence of corporate profitability and corporate liquidity to corporate social responsibility disclosure either simultaneously or partially. Multiple linear regression analysis is used to obtain the regression coefficient that will determine whether the hypotheses is made will be accepted or rejected using a significance level of 0,05 (5%). The hypoteses can be seen in Table as follows:

Table 5. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig	Collinearity Statistics	
	β	Std. Error	Beta			Tolerance	VIF
1 (Coanstant)	.616	.021		29.713	.000		
Profitability	.006	.001	.264	4.709	.000	.977	1.024
Liquidity	-.013	.004	-.190	-3,401	.001	.977	1.024

Dependent Variable: CSRD

From the Table it can be written as follows:

$$Y = 0,616 + 0,006 X1 - 0,013 X2 + e$$

Therefore, the linear regression equation in this research are:

$$CSR D = 0,616 + 0,006 POF - 0,013 LIQ + e.$$

Based on the equation of regression, it can be seen that:

1. Constant value of 0,616 means that if the factors of profitability and liquidity is considered constant then the value of corporate social responsibility disclosure is 0,616
2. Regression coefficient of Profitability (X1) is 0,006 means any 100% change on corporate profitability, it will decrease corporate social responsibility disclosure in manufacturing companies 0,6 % with an assumption that others variable are constant. Therefore the higher profitability the company can make then less the corporate social responsibility disclosure on manufacturing companies.
3. Regression coefficient of Liquidity (X1) is -0,013 means any 100% change on profitability, it will decrease corporate social responsibility disclosure in manufacturing companies 1,3 % with an assumption that others variable are constant. Therefore the higher liquidity the company can make then less corporate social responsibility disclosure on manufacturing companies.

4.4 F-Statistical Test Result

The result of F-test can be seen in the table as follows:

Table 6. ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig
1 Regression	2.527	2	1.263	14,776	,000 ^a
Residual	25.392	297	.085		
Total	27.918	299			

Source: Output SPSS 21.0 (2017)

In the table 4.5 it can be seen that the significance is 0,000 and lower than the significance level of 0,05 (5%). The results, the first hypotheses (H1) is accepted because the independent variable simultaneously affected the corporate social responsibility disclosure.

T-Test Result

The result of T-test can be seen in the table 4.4 and it can be described as follows:

1. The corporate profitability (X1) has a value of t 4,709 with the significance level of 0,000. The significance value is greater than the significance level of 0,05 (5%). Therefore, it shows that corporate profitability have effect on corporate social responsibility disclosure. Thus, the second hypotheses (H2) is accepted.
2. The corporate Liquidity (X2) has a value of t -3,401 with the significance level of 0,001. The significance value is greater than the significance level of 0,05 (5%). Therefore, it shows that corporate profitability have effect on corporate social responsibility disclosure. Thus, the third hypotheses (H3) is accepted.

4.5 Coefficient Determination (R²)

The test of multiple regression The result can be seen in the table as follows:

Table 7. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin -Watson
1	.301	.090	.084	.29239	1.657

- a. Predictors : (Constant), Liquidity, Profitability
- b. Dependent Variable: CSR

The table 4.6 above shows that the R square value is 0,090. It means that 9% from the change in dependent variable can be explained by the corporate profitability (X1) and corporate liquidity (X2). Meanwhile, the other 91% can be influenced by other variables that are not used in this research.

Based on the table 4.2 The value of regression coefficient for corporate profitability (X1) has a value of t 4,709 with the significance level of 0,000 which is lower than the significance level of 0,05 (5%). This means that in every 100% increase of profitability it will increase the corporate social responsibility by 470,9%. Based on the regression coefficient, It shows that the corporate profitability positively effect the corporate social responsibility in this study.

5 DISCUSSION

5.1 The Influence of Corporate Profitability to Corporate Social responsibility Disclosure

Based on the table 4.2 The value of regression coefficient for corporate profitability (X1) has a value of t 4,709 with the significance level of 0,000 which is lower than the significance level of 0,05 (5%). This means that in every 100% increase of profitability it will increase the corporate social responsibility by 470,9%. Based on the regression coefficient, It shows that the corporate profitability positively effect the CSR in this study.

This is contradictive with the result Meta wahyu (2015), who have found that profitability is positively influence corporate social responsibility disclosure. Based on the assumption, the greater number of this ratio means the company is considered to gain more profit. The higher ratio shows the better performance of the company in obtaining profit and also to avoid the default risk

Therefore, this result is inconsistent with the previous research that has been done by Mairani Reka et.al (2014), which stated that profitability negatively influence corporate social responsibility disclosure on the LQ-45.

5.2 The Influence of Corporate Liquidityto Corporate Social responsibility Disclosure

The corporate liquidity (X2) has a value of t -3,401 with the significance level of 0,001 which is lower than the significance level of 0,05 (5%). It shows that the corporate liquidity negatively effect the corporate social responsibility disclosure in this study. This is contradictive with the result liquidity negatively influences corporate social responsibility disclosure.

This means that in every 100% increaseof liquidity ratio it will increase the corporate social responsibility disclosure by 340,1%. This research is contradictive with the result of Maiyarni Reka, Susfayetti and Misni Erwati (2014), resulted that the liquidity negatively influence corporate social responsibility disclosure.

Therefore, this research result is inconsistent with the previous research that has been done by Ngwenya and chiwawa (2016). they found that liquidity has no significance influence to the corporate social responsibility disclosure.

6 CONCLUSIONS

The purpose of the study is to measure the influence of corporate profitability and corporate liquidity on CSR disclosure in manufacturing companies that listed on Indonesia Stock Exchange during 2011-2015. Based on the result and discussion of the research that has been started, it can be concluded that: Corporate profitability affects corporate social responsibility disclosure of financial report in manufacturing companies listed on Indonesia Stock Exchange year 2011-2015. Corporate Liquidity affects corporate social responsibility disclosure of financial report in manufacturing companies listed on Indonesia Stock Exchange year 2011-2015.

References

- [1] Martina, "Dampak Set Peluang Investasi Terhadap Nilai Perusahaan Publik di Bursa Efek Indonesia," *J. Akunt. dan Audit. Indones.*, vol. 9, pp. 117–126, 2012.
- [2] I. Wahyudi and B. Azheri, *Corporate social responsibility: Prinsip, pengaturan dan implementasi*. Institute for Strengthening Transition Society Studies (In-Trans Institute ...), 2008.
- [3] J. Snider, R. P. Hill, and D. Martin, "Corporate social responsibility in the 21st century: A view from the world's most successful firms," *J. Bus. ethics*, vol. 48, no. 2, pp. 175–187, 2003.
- [4] R. W. E. Putri and Z. Baridwan, "Pengaruh Profitabilitas Terhadap Pengungkapan Corporate Social Responsibility Studi Empiris Pada Perusahaan Pertambangan Yang Terdaftar Di Bursa Efek Indonesia (BEI) Pada Tahun 2010-2012," *J. Ilm. Mhs. FEB*, vol. 2, no. 2, 2013.
- [5] R. Maiyarni, S. Yetti, and M. Erwati, "Pengaruh Profitabilitas, Ukuran Perusahaan, Likuiditas, dan Leverage terhadap Pengungkapan Corporate Social Responsibility (CSR) pada Perusahaan LQ-45 yang terdaftar di Bursa Efek Indonesia Periode 2009-2012," *J. Cakrawala Akunt.*, vol. 6, no. 1, 2016.
- [6] E. F. Brigham and J. F. Houston, *Manajemen Keuangan*. Jakarta: Erlangga, 2001.
- [7] Kasmir, *Bank dan Lembaga Keuangan Lainnya*. Jakarta: Raja Grafindo Persada, 2014.
- [8] L. Syamsuddin, *Manajemen Keuangan Perusahaan: Konsep Aplikasi dalam Perencanaan, Pengawasan, dan Pengambilan Keputusan*. Jakarta: Rajawali Press, 2004.
- [9] E. Sutrisno, *Manajemen Sumber Daya Manusia*. Jakarta: Kencana Prenada Media Group, 2009.
- [10] R. A. Samad, R. A. Wahab, and S. Christabel, *Financial Management for Beginners*. Malaysia: McGraw-Hill, 2006.
- [11] R. Arthana, "Pengaruh Karakteristik Perusahaan Terhadap Pengungkapan Tanggung Jawab Sosial Perusahaan (CSR) Pada Perusahaan Yang Terdaftar Di Indeks LQ45 Bursa Saham Indonesia (BEI)," *J. Akunt. Fak. Ekon. dan Bisnis*, vol. 4, no. 1, 2009.
- [12] B. Ngwenya and D. Chiwawa, "Impact of liquidity crisis on bank's response towards corporate social responsibility: A Case Study of Commercial Bank of Zimbabwe (CBZ) Ltd Harare period (2009-2014)," *Int. J. Res. Reports*, vol. 2, no. 2, pp. 55–64, 2016.
- [13] C. G. Sevilla, J. A. Ochave, T. G. Punsalan, B. P. Regala, and G. G. Uriarte, *Research Methods*. Quezon: Rex Printing Company, 2007.
- [14] U. Silalahi, *Metode Penelitian Sosial*. Bandung: PT. Refika Aditama, 2009.