

# Strategic Corporate Social Responsibility (CSR): Financial Performance, Slack Resources, and Income Response Coefficient

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**Abstract.** The purpose of this study was to examine the effect of slack resources, Coefficient Response Earnings and the company's financial performance on the disclosure of corporate social responsibility. slack resources, Coefficient Response Earnings and Inventory Turnover. Cash flow represents a measure of slack resources as it shows the unrestricted money available for charity and other policy purposes. company's financial performance as measured by using the Inventory Turnover. While the earnings response coefficient is an indicator that can be used to measure the actual quality of earnings through information in abnormal returns. The sample selection is purposive sampling. The results of this study state that slack resources.

**Keywords:** slack resources, Coefficient Response Earnings, company financial performance, Abnormal return, Inventory turnover, corporate social responsibility, food and beverages.

## 1. Introduction

The company is one of the business entities that has provided various benefits for the community and the country, including providing employment opportunities and providing goods and services according to the demands of the community. But with the establishment of the company, of course, it can also have a bad impact in the form of environmental damage caused by the activities of the company where the company is founded. Corporate Social Responsibility (CSR) is a form of corporate responsibility in the social field to all stakeholders, the community and the environment so that the company restores a bad image by providing good benefits [1], There are growing demands for companies where in addition to focusing on the company's main goal, namely to achieve profit, companies are also required to pay attention to and involve management elements in fulfilling community welfare and actively contribute to preserving the environment where the company operates either directly or indirectly. or indirectly. Corporate Social Responsibility (CSR) is a good idea that requires companies to focus on triples bottom lines, namely the value of the company seen through the triple "P" (people, profit, and planet) [2]. According to the World Business Council for Sustainable Development, CSR is considered a company's commitment in the business world to contribute directly or indirectly to economic development by improving the welfare of employees and the surrounding community as well as the community with a wider and further

reach from the company environment [3]. . In principle, companies in Indonesia have carried out CSR activities quite well, but in Indonesia it can still be said that it still ranks at the bottom in the implementation of its Corporate Social Responsibility activities when compared to seven other Asian countries [4]. CSR activities in Indonesia there are still companies that have not carried out this CSR activity by considering many reasons. Usually companies that have high economic growth tend to disclose Corporate Social Responsibility in practice. The relationship between company growth and CSR disclosure can be explained by agency theory which assumes that large companies are not able to meet their own capital needs and need shareholders as principals of the company so that it is very important that the company must become the image of the company in the eyes of the wider community [5].

## **2. Literature Review**

### **2.1 Grand Theory**

#### **Resources based theory**

This resource theory was developed to analyze the advantages of a company to highlight the advantages of its assets. In practice, some people believe that a good company is a company that has superior resources.

#### **Agency theory**

In theory, it is said that the company can be said to be a meeting place for various relationships, both the company's relationship with the government, the company's relationship with investors, and the company's relationship with the community [6]. The existence of this agent theory tries to analyze this relationship. The agency theory has a very important role in accounting activities, in other words, it provides information for stakeholders in the company to make decisions that can minimize the risks posed by the company. Usually there is always a conflict that occurs between the management and the owner of the company in terms of risk responsibility, this is due to the difference in the interests of the two parties. Of course, the conflict of interest will cause problems in the company. Based on the problems that arise, it is mandatory to supervise the authority carried out by the manager.

#### **Feminist ethical theory**

Feminist ethical theory is a theory that is very closely related to the figure of women in company leadership. A woman has a different view when communicating her opinion, if this is related to the corporate governance system, the opinion can influence decisions regarding a policy within the company[7]. The relationship between feminist ethical theory and CSR disclosure is that the presence of women will influence policies on CSR, because women have high social and environmental concerns[8].

### **2.2 Slack resources**

Slack resources can be said as the advantages of superior and potential resources owned by a company and these resources can be used to reduce a bad situation from various bad effects faced by the company [9]. Slack resources provide certain benefits such as reducing conflict,

helping the company's relationship with the government, improving the company's image in the community and also increasing and attracting investors for investment.

H1 : Slack resources affect CSR disclosure

H2 : Slack resources effect on ERC

### **2.3 Inventory turnover**

The financial performance of a company can be said to be good if the reporting is in accordance with applicable accounting standards and a thorough evaluation is always carried out so that the information can be well received by its users [10]. Inventory turnover can be used as an illustration in measuring how fast the company can sell its inventory and analyzing the current industry average [11]. If the Turnover Ratio has increased, it can be ascertained that the sales that have occurred have increased and vice versa if the turnover ratio is low, the sales have decreased or there has been excess inventory [12]. It can be said that a good Turnover Ratio is a high turnover ratio. Inventory Turnover can be said to be one way to see a good inventory turnover, so it can be taken into consideration in investing because companies with good inventory turnover describe the cycle in this company well [13]. In linking Inventory Turnover with corporate social activities, if this company experiences a good turnover, it will benefit from the profits earned, because the value of CSR is obtained from the percentage of profits. In this study the coefficient of profitability measurement used is Inventory Turnover, this coefficient is a coefficient that is rarely used.

H3 : Inventory turnover affect CSR

H4 : Inventory turnover effect on ERC

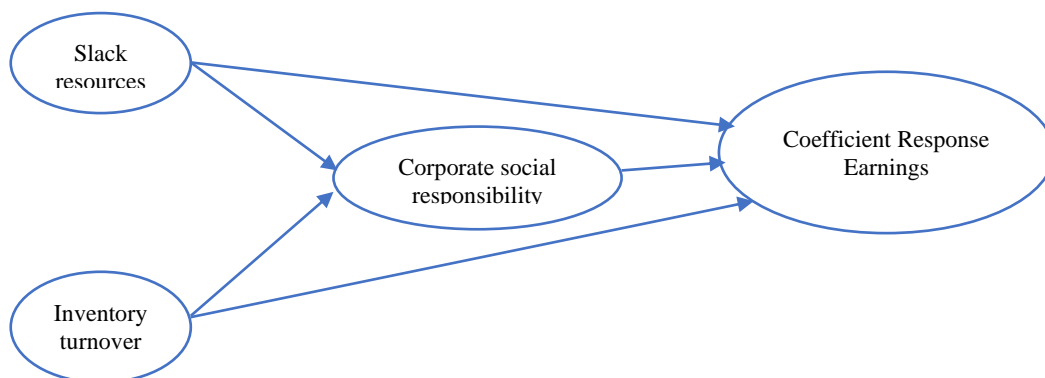
### **2.4 Corporate social responsibility (CSR)**

All activities or activities carried out by the company must be accounted for. Corporate social responsibility can be said to be a form of responsibility carried out by the company to various parties inside and outside the company [14]. In its implementation, the corporate social responsibility program is one way to create a good corporate image [15]. The corporate social responsibility program shows that the company cares about the community environment and the surrounding natural environment [16]. In addition, the corporate social responsibility program provides benefits not only to the community but also maintains good relations with the government, shareholders and other parties outside the company.

H5 : CSR affects ERC

### **2.5 Coefficient Response Earnings (ERC)**

Generally, in knowing the quality of good earnings can be measured using Coefficient Response Earnings. In measuring the quality of good earnings, it is needed as information for investors in making investment decisions, besides that it is also used as information for management in decision making [17]. earnings response coefficient is a coefficient in measuring the response of abnormal returns of securities to unexpected earnings, as a measure of changes in stock prices to accounting earnings.[18]. It can be said that the low earnings response coefficient indicates that earnings do not provide information for investors to make decisions whether to continue investing or stop investing [19].



### 3. Research Methods

In this study, the population used are companies listed on the Indonesia Stock Exchange where the researcher takes companies in the food and beverage manufacturing sector for the 2019-2021 period. The sample selection in this study used purposive sampling method. The criteria used to select the sample are as follows:

- (1) Manufacturing companies listed on the Indonesia Stock Exchange in the food and beverage sector during the 2019-2021 period.
- (2) The company publishes and publishes an annual report and has a complete financial report and share price for the period 2019-2021
- (3) The company issues a social responsibility report and/or sustainability report for the period 2019-2021.
- (4) Have complete data according to the variables used in the study.

So from the criteria that have been applied, the sample obtained is that there are 22 active companies that disclose corporate social responsibility during 2019 to 2021, so the total sample for this research is 66 companies in the food and beverage sector.

#### 3.1 Earnings Response Coefficient (ERC)

The amount of the Earnings Response Coefficient is obtained by performing calculations. First calculate cumulative abnormal return (CAR)[20]. Sample Cumulative abnormal return (CAR) is a proxy for stock prices or market reactions[21].

$$Ab(R) = Rit - RI$$

Ab(R) : Abnormal return of the I-th security in the event period t

Rit : Return the i-th share in the t event period

Ri : Return the expectation of the I security in the t event period

Actual stock income (actual return), Actual return is the income that has been received by investors in the form of capital gains obtained from the calculation:

$$Rit = \frac{Pt - Pt-1}{Pt-1}$$

Rit = Actual return of Company i's shares on day t

Pt = stock price on day t

### 3.2 Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is a form of corporate responsibility in the social sector to all stakeholders, society and the environment[22]. Disclosure of Corporate Social Responsibility used in this study refers to the standards set by GRI(G4) or the fourth generation Global Reporting Initiative[23]. The CSR disclosure variable in this study was measured by the content analysis method, which is a method of measuring data using a quantitative scale[24]. Measurement of CSR disclosure in this study uses the following formula:

$$CSR = \frac{\sum X_{ij}}{N_j}$$

CSR = Company's Corporate Social Responsibility Index

X<sub>ij</sub> = Number of CSR Items disclosed by the company

N<sub>j</sub> = Number of standard CSR disclosure items

### 3.3 Slack Resources

Slack resources are excess resources owned by the company and their availability has not been used for the activities of a company [25]. Measurement of slack resources in this study is proxied by the value of cash and cash equivalents from the company[26]. Slack resources in this research are measured using the following formula:

SR = LN Total Cash and cash equivalent

SR = Slack Resources

LN = Natural Logarithm

### 3.4 Inventory Turnover

Inventory turnover, or inventory turnover, is a financial ratio that shows how many times your company sells and replaces inventory in a certain period. The measurement is using

$$\text{Inventory turnover} = \frac{\text{Penjualan}}{\text{Persediaan}}$$

## 4. Result and Discussion

### 4.1 Normality test

This test was carried out with the non-parametric Kolmogorov Smirnov test statistic. Asymp value. Sig (2-tailed) obtained from the results of normality testing > 0.05. In this study, the Sig value was 0.172 > 0.005. This means that the regression model in this study is normally distributed.

### 4.2 Heteroscedasticity Test

This study uses the heteroscedasticity test using the glesjser test. The method used in the glesjser test is to regress the independent variables to the Abs\_Res value. The basis of decision making in the heteroscedasticity test is as follows: If the significant value (sig) 0.05 then there is no heteroscedasticity, if the significant value (sig) <0.05 then heteroscedasticity occurs.

Based on the results of the significance in the statistical test of 0.005 on the slack resources variable, 0.000 on the inventory variable, so that the Slack resource and inventory variables occur heteroscedasticity with CSR and the slack resources variable the significance value is 0.822, the Inventory variable has a significance value of 0.484, the CSR variable has a significance value of 0.746 so that the slack resources and inventory variables occur heteroscedasticity while the ERC test and CSR variables do not occur heteroscedasticity

### 4.3 Autocorrelation test

This test describes a situation where in the regression model there is a correlation between residuals in a certain period (t) and residuals in the previous period (t-1). A good regression model is a model that does not occur autocorrelation. The results in this test can be explained by the Asymp. Sig (2-tailed) < 0.05 then autocorrelation occurs, if the value of Asymp. Sig (2-tailed) > 0.05 then there is no autocorrelation. The test in this study shows the test results from the autocorrelation test using the Run Test. Based on the results of output 1 testing the Asymp value. Sig (2-tailed) is 0.647, so it can be concluded that there is no autocorrelation because of the Asymp value. Sig (2-tailed) > 0.05 and based on the results of output 2 testing the Asymp value. Sig (2-tailed) is 0.019, it can be concluded that there is an autocorrelation due to the Asymp value. Sig (2-tailed) < 0.05.

### 4.4 Multiple regression analysis

This analysis aims to determine whether there is a relationship between two or more variables. In this study using multiple regression equations which explain whether or not there is a relationship between the independent variables and the dependent variable. This study also explains whether there is an influence between variables.

**Table 1.** Multiple Linear Regression Test

Model	Unstandardized	Coefficients	Standardized			Sig	
	B	Standar Error	Beta	t			
1	(Constant)	-20766225.052	17048026.913		-1.218	.233	
	Slackresource	-4.985E-6	.000		-.329	-.2995	.005
	inventory	.027	.004		.785	7.152	.000
<b>Variable</b>	<b>Dependent :</b>	<b>CSR</b>					
1	(Constant)	-89396114.273	59017227.589		-1.515	.140	
	Slackresource	2.173E-5	.000		.042	.227	.822
	inventory	.008	.012		.158	.708	.484
	CSR	-.069	.212		-.075	-.327	.746
<b>Variable</b>	<b>Dependent :</b>	<b>ERC</b>					

The explanation of the equation is as follows:

- a. Slack resources regression coefficient of -0.329 indicates that for every increase of one unit of slack resources, it will increase corporate social responsibility by -0.329 for output 1. Slack resources regression coefficient of 0.227 indicates that for every increase of one unit of slack resources, it will increase ERC by 0.227 for 2 . output
- b. Inventory regression coefficient of 0.785 indicates that for every increase of one unit of Inventory, it will increase corporate social responsibility by 0.785 for output 1. Inventory

regression coefficient of 0.708 indicates that for every increase of one unit of Inventory, it will increase ERC by 0.708 for output 2.

c. CSR regression coefficient of -0.327 indicates that for every increase of one CSR unit, it will increase ERC by -0.327 for output 2.

#### **4.5 Hypothesis test**

In testing this hypothesis, the researcher tries to determine the effect of either partially or simultaneously the independent variable on the dependent variable. If the independent variable has an influence on the dependent variable, the regression equation model is included in the suitable criteria. On the other hand, if there is no effect, then it is included in the unsuitable category. The criteria for testing the F test and T test here is if the significance value of F count  $0.05$ , it means that the regression model does not fit, while if the F-count significance  $< 0.05$ , it means that the regression model is fit. In this study, the results of the F test and T test were obtained, namely;

shows that the value of  $\text{sig} = 0.715$ , then the value of  $\text{sig} \geq 0.05$ . From these results it can be concluded that the model is fit and cannot be interpreted further about the effect of slack resources, inventory on CSR and the value of  $\text{sig} = 0.903$ , then the value of  $\text{sig} \geq 0.05$ . From these results it can be concluded that the fit model can be interpreted further about the effect of slack resources, inventory, CSR on ERC.

#### **H1: Effect of Slack resources on CSR disclosure**

Slack resources are one of the resources owned by the company. The implementation of CSR requires more resources. The more Slack resources in a company, the more the company can use them to practice and disclose CSR [27]. Slack resources are measured by the LN formula of cash and cash equivalents. The results of hypothesis testing state that slack resources have an effect on corporate social responsibility, because the t value of the slack resources variable is -2,995 with a significance value of 0.005 for output 1,

#### **H2 : Effect of Slack resources on ERC**

As has been explained, Slack resources are excess resources in a company. The excess of resources owned by the company does not add to the company's profits, because excess resources are not included in the profits generated by the company. The results of the study state that slack resources have no effect on ERC. , because the t value of the slack resources variable is 0.708 with a significance value of 0.822 for output 2.

#### **H3 : Effect of Inventory Turnover on CSR Disclosure**

The results of hypothesis testing state that Inventory Turnover has an effect on corporate social responsibility, because the t value of the Inventory Turnover variable is 7.152 with a significance value of 0.000 for output 1. The results of this study indicate that the size of the company's inventory turnover level will affect the disclosure of corporate social responsibility in a company. The higher the inventory turnover of a company, it indicates the ability of an expert company to manage its assets. Good asset management will bring the company towards better and more reliable financial conditions and performance [28].

#### **H4 : Effect of Inventory Turnover on ERC**

Inventory Turnover has no effect on ERC, because the t value of the Inventory Turnover variable is 0.708 with a significance value of 0.484 for output 2. The results of this study indicate that the size of the company's inventory turnover level will affect CSR disclosure in a company but does not determine the amount of its ERC.

#### **H5 : Effect of CSR Disclosure on ERC**

The results of hypothesis testing state that CSR has no effect on ERC, because the t value of the CSR variable is -0.327 with a significance value of 0.746. It can be said that CSR disclosure does not require a percentage of how many stock returns are distributed.

### **5. Conclusion**

In the research conducted, it can be concluded that slack resource and inventory turnover have an effect on CSR while slack resource, inventory turnover and CSR have no effect on ERC. Companies that fulfill their obligations to the social environment tend to practice corporate social responsibility, have superior resources and turnover. inventory can support CSR disclosure in contrast to resources, inventory and CSR do not have any impact in terms of increasing company profits. In this study, researchers also faced various obstacles and limitations, including: First, the number of samples used was limited to food and beverages companies, so the results of this study cannot be generalized to other types of industries. Second, the researcher does not pay attention to other confounding effects that occur simultaneously with the publication of financial statements that can affect abnormal returns. Third, as for the limitations that researchers face, there are many companies that do very little CSR disclosure so that researchers find it difficult to find facts in the financial statements presented, the role of the government here is still minimal in helping to disclose CSR itself, even though there are laws and regulations that regulate it.

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