Budapest International Research and Critics Institute-Journal (BIRCI-Journal)
Humanities and Social Sciences
ISSN 2615-3076 Online)
ISSN 2615-1715 (Print)
www.bircu-journal.com/index.php/birci
Budapest Institute

The Effect of Company Profitability and Size on Corporate Social Responsibility Disclosure (Study on Manufacturing Companies in the Consumer Goods Industry Sector Listed on the Indonesia Stock Exchange 2016-2020 Period)

Bambang Subiyanto[1], Arni Karina[2], Dewandaru Agung Pramita[3], Nadya Putri Alvionita[4]
[1,2,3,4]Faculty of Economics and Business, Universitas Nasional, Jakarta, Indonesia
bams.undip@gmail.com

Abstract

This study aims to determine whether Profitability and Company Size affect corporate social responsibility disclosure in Manufacturing Companies in the Consumer Goods Industry Sector listed on the Indonesia Stock Exchange (IDX). 2016-2020 period. The sample in this study amounted to 25 companies obtained based on the purposive sampling method. The data in this study were obtained through documentation and taking secondary data. This study uses multiple linear regression analysis techniques assisted by using the SPSS Version 25 application. This study indicates that profitability has a positive and significant effect on the disclosure of Corporate Social Responsibility, and company size has no effect on the disclosure of Corporate Social Responsibility.

Keywords
corporate social responsibility (CSR); profitability; size

I. Introduction

The company is part of the community and the surrounding environment because it requires both to meet the company's operational needs (Digdowiseiso, 2021). There is a very important linkage between companies, society, and the environment. At this time, the company is not only responsible to investors and creditors but also to stakeholders. Interests include employees, society, consumers, and the environment around the company.

Several case phenomena in Indonesia related to social-environmental problems arise because the company does not pay attention to the surrounding conditions in carrying out its operations (see Digdowiseiso et al., 2022a; Digdowiseiso et al., 2022b; Digdowiseiso et al., 2022c). Therefore, companies must pay more attention to the social environment to create an interchange between the company and the environment and society. One form of responsibility is to disclose social responsibility, commonly referred to as Corporate Social Responsibility (CSR) (see Meini et al., 2022; Subiyanto et al., 2022a; Subiyanto et al., 2022b).

Basically, in Indonesia, reports that reveal Corporate Social Responsibility (CSR) regarding the need to maintain social and environmental responsibility have been regulated by the government in the Limited Liability Company (PT) Law No. 40 article 74 of 2007, which explains that in carrying out operational activities related to natural resources Nature (SDA) is obliged to carry out social and environmental responsibilities. This is also stated in Article 66 paragraph 2c of Law no. 40 of 2007 that all Limited Liability Companies (PT) are required to report CSR implementation in their annual reports. The benefits obtained by companies by disclosing CSR, among others, can improve the company's image, can bring the company's fortune, and can guarantee the company's sustainability.

DOI: https://doi.org/10.33258/birci.v5i2.5079

Mardikanto (2014) states that corporate responsibility in the CSR concept does not only cover the corporate environment, but CSR has a fairly broad field and idea regarding ethics and sustainability at the market and local levels. Environmental issues are increasingly interesting to study, along with technological developments and the world's global economy. Slowly, there is a fundamental change in the pattern of social life, which directly or indirectly affects the environment (Hadi, 2014).

The economic condition of the population is a condition that describes human life that has economic score (Shah et al, 2020). Economic growth is still an important goal in a country's economy, especially for developing countries like Indonesia (Magdalena and Suhatman, 2020).

The case regarding environmental pollution by consumer goods industrial companies is the case that occurred at PT Unilever Indonesia, Tbk. The company is engaged in producing soaps, detergents, margarine, vegetable oils, and foods made from milk, ice cream, and food and beverages from tea and cosmetic products. In 2014 one of the suppliers of raw materials for Unilever products, namely palm oil (CPO) from PT SMART, Tbk, received a report from Greenpeace that there was a violation of land expansion for oil palm plantations which resulted in forest destruction. Based on this case, Unilever was imposed environmental pollution sanctions by the Ministry of Environment (KLH) and was required to consider the surrounding environment's condition in the production process (antarnews.com). This case has proven that companies are still doing environmental damage. The many losses and problems that arise due to irresponsible environmental management encourage the government, business players, environmentalists, and the community to carry out CSR development. Companies that intentionally cause damage to natural ecosystems can be subject to penalties so that forest damage does not happen again and again; this is regulated in Law-No.41(1999) on Forestry.

Profitability is the ability of a company to earn profits (Tumanggor, 2020). High profits as a result of customer satisfaction with the company's products. Companies with high profits must actively carry out corporate social responsibility activities. Therefore, the greater the profit received by the company, the more disclosures of Corporate Social Responsibility (CSR) are revealed. Return On Assets (ROA) compares net income and total assets. According to Harahap (2010), the higher the ratio, the better the results because it is believed that the company can make better use of its assets and generate profits. Research from Indriastuty & Tasman (2019), Ruroh & Latifah (2018), and Sugeng (2020) shows that profitability has a positive effect on Corporate Social Responsibility. A positive relationship between the profitability variable and the disclosure of corporate social responsibility means that high profitability indicates that the company's performance is good and the targets achieved have been successful.

Company size is a variable widely used to explain the social information disclosed by the company in its annual report. Nur & Priantinah (2012) and Ruroh & Latifah (2018) show that company size has a significant positive effect on the disclosure of social responsibility. Theoretically, large companies cannot be separated from political pressure, namely pressure to carry out social responsibility. Greater social disclosure is a way for companies to reduce their political costs. Oktariani & Mimba (2014) show that company size does not affect corporate social responsibility disclosure.

The sample in this study took the object of manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX). This company was chosen because its business activities are directly related to stakeholder theory. The theory states that all information disclosed by a company needs to be accountable to stakeholders involved in the company to avoid disputes.

II. Review of Literature

2.1 Profitability

Profitability is a ratio to assess the company's ability to earn a profit (Kasmir, 2012; Digdowiseiso & Agustina, 2022; Digdowiseiso & Santika, 2022; Digdowiseiso & Putri, 2022). Using ROA (return on assets), profitability measurement indicators compare net income after tax and total assets.

2.2 Size

Company size describes the size of the company, which can be seen from total assets, number of employees, sales, market capitalization, and share value (Gendro Wiyono, 2017).

2.3 CSR Disclosure

CSR disclosure is carried out as a common form of the impact of company activities on social and environmental activities (Wardhani & Muid, 2017).

III. Research Method

In writing this thesis, the object of research is the effect of profitability and company size on the effect of corporate social responsibility in manufacturing companies in the consumer goods industry sector listed on the Indonesian stock exchange for the 2016-2020 period.

The population used in this study is the annual financial statements of manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the 2016-2020 period, as many as 52 companies. Sampling in this research uses purposive sampling. Purposive sampling was carried out using a sampling of 52 companies for five periods from 2016-to 2020 (Digdowiseiso, 2017). The sample selection criteria in this study include 1) Manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the 2016-2020 period. 2) Manufacturing companies in the consumer goods industry that are not listed on the Indonesia Stock Exchange during the 2016-2020 period. 3) Companies that do not publish annual reports in a row for the 2016-2020 period. 4) Companies that have negative profits.

IV. Results and Discussion

4.1 Results

Table 1. T-test Results

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-0.018	0.040		-0.439	0.662		
	LAG_X1(Roa)	0.271	0.048	0.475	5.672	0.000	0.993	1.007
	LAG_X2(Size)	0.004	0.002	0.156	1.868	0.064	0.993	1.007

a. Dependent Variable: LAG_Y(CSR)

Based on the table above, it can be concluded that the results of hypothesis testing are as follows:

a. Profitability. The results from the table above have a t-value of 5.672 with a significance of 0.000 < 0.05, so Ha is accepted. This shows that the company's profitability has a positive and significant effect on the disclosure of Corporate Social Responsibility (CSR).
b. Company size. The results from the table above have a t-value of 1.868 with a significance of 0.064 > 0.05, so Ha is rejected. This means that the firm size variable has no effect or is not significant on the disclosure of Corporate Social Responsibility (CSR).

4.2 Discussion

a. Effect of Profitability on Disclosure of Corporate Social Responsibility (CSR).

The first hypothesis can be concluded that Profitability has a significant influence on the Disclosure of Corporate Social Responsibility (CSR). It is proven that the t value of 5.672 and the significance (sig) of 0.000 is smaller than 0.05. Company profitability is one factor that provides freedom and flexibility for management to disclose social responsibility to shareholders. The greater the level of corporate profitability, the higher the level of disclosure of social responsibility. The results of this study are supported by research by Aini (2016) and Giannarakis (2014), showing that profitability has a significant effect on the disclosure of Corporate Social Responsibility.

b. Effect of Company Size on Corporate Social Responsibility Disclosure

The second hypothesis can be concluded that company size does not affect Corporate Social Responsibility (CSR) Disclosure. The t value is 1.868, and the significance (sig) of 0.064 is greater than 0.05. This is contrary to stakeholder theory, which shows that companies with large values will perform better in CSR disclosure, which causes management to make wider disclosures to meet stakeholder expectations. This is because the company intends to grow bigger and be more concerned with management matters that are less concerned with social responsibility and the environment around the company. The results of this study are supported by research conducted by Pradnyani & Sisdyani (2015) and Susilatri, Agusti, & Indriani (2011), which states that company size has no significant effect on Disclosure of Corporate Social Responsibility.

V. Conclusion

The factors used to see how much influence Profitability and Company Size have on the Disclosure of Corporate Social Responsibility (CSR). Based on the discussion results, two conclusions can be drawn. First, profitability partially has a positive and significant impact on Corporate Social Responsibility (CSR) Disclosures in Manufacturing Companies in the Consumer Goods Industry Sector listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period. Second, Company size partially has no significant effect on Corporate Social Responsibility (CSR) Disclosures in Manufacturing Companies in the Consumer Goods Industry Sector listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period.

References

Aini, Agustya Kurratul. (2016). Pengaruh Karakteristik Perusahaan Terhadap Pengungkapan Tanggung Jawab Sosial Perusahaan (CSR) Pada Perusahaan yang Terdaftar di Indeks LQ45 Bursa Efek Indonesia (BEI). *KINERJA*, *12*(1).

Digdowiseiso, K. (2017). *Metodologi Penelitian Ekonomi dan Bisnis*. Jakarta: Lembaga Penerbitan Universitas Nasional (LPU-UNAS).

Digdowiseiso, K. (2021). The Effects of Capital Adequacy Ratio, Non-Performing Loan, Loan to Deposit Ratio, and Return on Assets on Stock Prices in Banking Sector over the Period 2015–2019. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)*, 4(4), 11286-11293.

Digdowiseiso, K., Subiyanto, B., & Lubis, R.F. (2022a). Analisis Determinan Kualitas Pelaporan Keuangan Perusahaan Non Jasa Keuangan di Bursa Efek Indonesia. *Fair Value: Jurnal Ilmiah Akuntansi dan Keuangan*, 4(6), 2581-2595.

Digdowiseiso, K., Subiyanto, B., & Priadi, J.I. (2022b). Faktor-Faktor yang Mempengaruhi Kemampuan Auditor dalam Mendeteksi Kecurangan (Fraud): Studi Empiris pada Auditor BPK RI di Jakarta Pusat. *Fair Value: Jurnal Ilmiah Akuntansi dan Keuangan*, 4(6), 2621-2627.

Digdowiseiso, K., Subiyanto, B., & Irnandi, K. (2022c). Pengaruh Current Ratio, Debt to Equity Ratio, dan Long-Term Debt to Equity Ratio terhadap Pajak Penghasilan Badan Terutang (Studi Empiris pada Perusahaan yang Terdaftar di BEI tahun 2015-2019). *Jurnal Akuntansi dan Pajak*, 22(2), 887-892.

Digdowiseiso, K., & Santika, S. (2022). Pengaruh Rasio Solvabilitas, Profitabilitas, Dan Likuiditas Terhadap Pertumbuhan Laba Pada Perusahaan Pertambangan Batubara Yang Terdaftar Di Bursa Efek Indonesia Periode 2013-2020. *Fair Value: Jurnal Ilmiah Akuntansi dan Keuangan*, 4(Special Issue 3), 242-252.

Digdowiseiso, K., & Agustina. (2022). Pengaruh Current Ratio, Net Profit Margin, dan Debt to Equity Ratio terhadap Earning Per Share pada Perusahaan Farmasi yang Terdaftar di Bursa Efek Indonesia Tahun 2014-2020. *Syntax Literate: Jurnal Ilmiah Indonesia*, 7(3), 2889-2901.

Digdowiseiso, K., & Putri, F.A. (2022). Pengaruh Debt To Equity Ratio, Price To Earning Ratio, dan Dividend Payout Ratio terhadap Price Book Value Perusahaan Subsektor Hotel, Restoran, dan Pariwisata yang Terdaftar di Bursa Efek Indonesia Pada Periode 2016-2020. *Syntax Literate: Jurnal Ilmiah Indonesia*, 7(3), 2916-2931.

Gendro Wiyono, Hadri Kusuma. (2017). *Manajemen Keuangan Lanjutan: Berbasis Corporate Value Creation*.

Giannarakis, Grigoris. (2014). The determinants influencing the extent of CSR disclosure. *International Journal of Law and Management*.

Hadi, N. (2014). *Corporate Social Responsibility*. Graha Ilmu.

Harahap, Sofyan Syafri. (2010). Analisa Kritis atas Laporan Keuangan (Cet 11). *PT RajaGrafindo Persada*.

Indriastuty, Shelly, & Tasman, Abel. (2019). Pengaruh Profitabilitas, Leverage Dan Ukuran Perusahaan Terhadap Pengungkapan Corporate Social Responsibility Pada Perusahaan Sektor Pertambangan Yang Tercatat Di BEI Tahun 2013-2017. *Jurnal Ecogen*, *2*(3), 532–541.

Kasmir. (2012). *Analisis Laporan keuangan*. Jakarta: PT Raja Grafindo Persada.

Magdalena, S., Suhatman, R. (2020). The Effect of Government Expenditures, Domestic Invesment, Foreign Invesment to the Economic Growth of Primary Sector in Central Kalimantan. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)*. Volume 3, No 3, Page: 1692-1703.

Mardikanto, Totok. (2014). *Corporate Social Responsibility (tanggung jawab Sosial Korporasi) Alfabeta*. Bandung.

Meini, Z., Karina, A., Digdowiseiso, K., & Rini, N.A. (2022). Do Work Experience, Independence, Auditor Competency, And Time Budget Pressure Matter On Audit Quality? *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)*, 5(1), 1205-1213

Nur, Marzully, & Priantinah, Denies. (2012). Analisis Faktor-Faktor Yang Mempengaruhi Pengungkapancorporate Social Responsibility Di Indonesia (Studi Empiris Pada Perusahaan Berkategori High Profile Yang Listing Di Bursa Efek Indonesia). *Nominal: Barometer Riset Akuntansi Dan Manajemen*, *1*(2), 22–34.

Oktariani, Ni Wayan, & Mimba, Ni Putu Sri Harta. (2014). Pengaruh karakteristik perusahaan dan tanggung jawab lingkungan pada pengungkapan tanggung jawab sosial perusahaan. *E-Jurnal Akuntansi*, *6*(3), 402–418.

Pradnyani, I. Gusti Agung Arista, & Sisdyani, Eka Ardhani. (2015). Pengaruh ukuran perusahaan, profitabilitas, leverage, dan ukuran dewan komisaris pada pengungkapan tanggung jawab sosial perusahaan. *E-Jurnal Akuntansi*, *11*(2), 384–397.

Ruroh, Ivon Nurmas, & Latifah, Sri Wahjuni. (2018). Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan dan Risk Minimization terhadap Pengungkapan Corporate Social Responsibility (CSR). *Jurnal Akademi Akuntansi*, *1*(1).

Shah, M. M., et al. (2020). The Development Impact of PT. Medco E & P Malaka on Economic Aspects in East Aceh Regency. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)*. Volume 3, No 1, Page: 276-286

Subiyanto, B., Digdowiseiso, K., & Mandasari, N. (2022a). Pengaruh Pengalaman Kerja, Skeptisme Professional, dan Tipe Kepribadian terhadap Kemampuan Auditor dalam Pengungkapan Kecurangan (Fraud). *Fair Value: Jurnal Ilmiah Akuntansi dan Keuangan*, 4(6), 2609-2620.

Subiyanto, B., Pradani, T., Digdowiseiso, K., & Virgita, N. (2022b). The Effects of Inflation, Exchange Rate, and Import on Value Added Tax and Sales Tax of Luxury Goods. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)*, 5(1), 338-345.

Sugeng, Andry. (2020). Pengaruh Ukuran Perusahaan, Leverage, Ukuran Dewan Komisaris Dan Profitabiltas Terhadap Pengungkapan Corporate Social Responsibility (Studi Empiris Pada Perusahaan Pertambangan Yang Go Public Tahun 2016-2018 Di Bursa Efek Indonesia). *GOING CONCERN: JURNAL RISET AKUNTANSI*, *15*(3), 405–416.

Susilatri, Susilatri, Agusti, Restu, & Indriani, Deri. (2011). Pengaruh Leverage, Profitabilitas, Size, Umur Perusahaan dan Ukuran Dewan Komisaris Terhadap Pengungkapan Tanggung Jawab Sosial Perusahaan (Studi Pada Perusahaan Pertambangan yang Listing di BEI Tahun 2004-2008). *Jurnal Pendidikan Ekonomi Dan Bisnis*, *3*(01), 8967.

Tumanggor, Cahaya Fuja Sari. (2020). *Pengaruh Current Ratio (CR) dan Return on Asset (ROA) Terhadap Harga Saham Pada PT Indofood CBP Sukses Makmur Tbk Periode 2016-2018*.

Wardhani, Rizky Amalia, & Muid, Dul. (2017). Pengaruh Agresivitas Pajak, Ukuran Perusahaan Dan Profitabilitas Terhadap Corporate Social Responsibility (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar di Bursa Efek Indonesia Tahun 2014-2015). *Diponegoro Journal of Accounting*, *6*(3), 752–761.