THE EFFECT OF PROFITABILITY, LIQUIDITY, LEVERAGE, COMPANY SIZE, AND BOARD OF COMMISSIONERS SIZE ON CORPORATE SOCIAL RESPONSIBILITY (CSR) DISCLOSURE

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ABSTRACT

This study aims to examine the effects of profitability, liquidity, Leverage, firm size, and size of the board of commissioners on corporate social responsibility disclosure. The population of this study is all mining companies listed on the Indonesia Stock Exchange (IDX) during 2018–21. The samples were selected using a purposive sampling technique so that the total number of samples in this study was 57, consisting of 47 companies. Testing the hypothesis of this study using multiple linear regression analysis shows that the variables of profitability, liquidity, and Leverage do not affect the disclosure of corporate social responsibility. The size of the company and the size of the board of commissioners affect corporate social responsibility disclosure.

Keywords: Corporate Social Responsibility (CSR), Profitability, Liquidity, Leverage, Company Size, Board of Commissioners Size.

ABSTRAKSI

Penelitian ini bertujuan untuk menguji apakah Pengaruh Profitabilitas, Likuiditas, *Leverage*, Ukuran perusahaan, dan Ukuran Dewan Komisaris Terhadap Pengungkapan *Corporate Social Responsibility*. Populasi penelitian ini adalah seluruh perusahaan pertambangan yang terdaftar di Bursa Efek Indonesia (BEI) selama tahun 2018–2021. Hasil pengujian hipotesis menunjukan bahwa variabel Profitabilitas, Likuiditas, dan *Leverage* tidak berpengaruh terhadap Pengungkapan *Corporate Social Responsibility*. sedangkan Ukuran Perusahaan dan Ukuran Dewan Komisaris berpengaruh terhadap Pengungkapan *Corporate Social Responsibility*.

Kata Kunci: *Corporate Social Responsibility* (CSR), Profitabilitas, Likuiditas, *Leverage*, Ukuran Perusahaan, Ukuran Dewan Komisaris.

INTRODUCTION

Currently, in Indonesia there is a lot of natural damage done by irresponsible companies, they don't think that this damage will have an impact

on the people around them. many companies in Indonesia are built continuously and this shows that these companies are openly just looking for profit but there is no reciprocity (reciprocity) that the company does to the community. Many companies still do not carry out Corporate Social Responsibility (CSR) and it is not uncommon for companies to not understand on what basis Corporate Social Responsibility (CSR) is not enforced even though every company is required to carry out CSR.

Corporate Social Responsibility (CSR) is an action/attention taken by the company to stakeholders in environmental, social, and educational aspects where the company can improve the welfare of the community, protect the environment and provide public facilities. According to (Mirza Nurdin Nugroho, 2015) Corporate Social Responsibility (CSR) is a corporate responsibility activity towards stakeholders by paying attention to social and environmental aspects.

Profitability can measure company executives in creating profit levels, both profits in the form of company profits and profits in the form of economic value derived from sales activities, company net assets, and the company's capital (shareholders equity). Therefore, if the company has high profitability, the company has sufficient funds to be allocated to social and environmental activities so that the level of corporate social responsibility will be high (Arita & Mukhtar, 2019).

Liquidity is an indicator measuring the company's ability to pay all short-term financial liabilities at maturity using available current assets (Ahmad Kamil, 2019). If the company has high liquidity, the company will carry out more social-related activities and this is also a sign/signal to other companies that the company has a good performance.

According to Wiagustini, 2010:77 in (Purba & Candradewi, 2019) states that the Leverage ratio is the proportion of total debt to the average shareholder equity. Companies with a higher leverage ratio will disclose more information because the agency costs of companies with such a capital structure are higher. Therefore, companies with high leverage ratios must make broader disclosures than companies with low leverage ratios.

Company size is a scale that functions to classify companies based on the size of the company which can be reflected in the total assets owned by a company (I Gusti Ngurah Gede Rudangga, 2021). In general, this explains that large companies will disclose more social activities and social information than small companies.

CSR disclosure is also influenced by the size of the board of commissioners. The board of commissioners is an organ of the company in charge of carrying out specific and general supervision by the articles of association and providing advice to the board of directors. The existence of the board of commissioners in the company makes the company disclose more information to its stakeholders.

According to Premana, (2011) in (R. Putri et al., 2017) agency theory is an agent of a principal who represents all groups with an interest in the company. Managers are empowered by company owners, namely shareholders,

to make decisions, which creates a potential conflict of interest known as agency theory.

Stakeholder theory states that companies are required to pay attention to the interests of stakeholders and have the right to be provided with information about how the company's activities can create added value from products and services for stakeholders and maintain the sustainability of the added value created (Puspitosari, 2016). The survival of the company depends on the support of the stakeholders themselves and that support must be sought so that the company's activities can run smoothly.

Corporate Social Responsibility (CSR) is a corporate responsibility activity towards stakeholders by paying attention to social and environmental aspects. According to Hadi, 2011 in (R. A. Putri & Christiawan, 2014) explains that the disclosure of social responsibility is a report on social responsibility activities that have been carried out by companies both related to attention to issues of social and environmental impacts,

Liquidity can be formulated as the level of a company's ability to be able to pay its obligations/debts that have matured (Putra & Lestari, 2016)

Leverage is a measurement ratio that shows the amount of company debt where this debt is used to finance the company.

According to Fahma and Jensen, 1983 (Thesarani, 2017) the board of commissioners is the highest internal control mechanism of a company that is responsible for monitoring the actions of top management.

Companies that have high profitability show the company can generate high profits. It states that the company can carry out CSR activities, but if on the other hand, the company has low profitability, the company will consider implementing CSR activities.

H1: Profitability affects the disclosure of Corporate Social Responsibility (CSR)

The level of liquidity of a company affects CSR disclosure where the company has low liquidity, the company will focus on paying off all company obligations compared to carrying out social responsibility activities. On the other hand, companies with high liquidity will carry out broader CSR activities.

H2: Liquidity affects the disclosure of Corporate Social Responsibility (CSR)

The board of commissioners has great power in the company, including in the disclosure of the company's Corporate Social Responsibility. Therefore, the bigger a company, the company will tend to carry out its Corporate Social Responsibility activities in this case by agency theory where the board of commissioners will provide information related to the company.

H3: Leverage affects the disclosure of Corporate Social Responsibility (CSR)

The level of the breadth of information on company disclosure will increase along with the increase in company size, this is in line with agency theory. It can be concluded that the wider the number of assets of a company, the wider the disclosure of social responsibility carried out by the company.

H4; Company size affects the disclosure of Corporate Social Responsibility (CSR)

The board of commissioners has great power in the company, including in the disclosure of the company's Corporate Social Responsibility. Therefore, the bigger a company, the company will tend to carry out its Corporate Social Responsibility activities in this case by agency theory where the board of commissioners will provide information related to the company.

H5: The size of the Board of Commissioners affects the disclosure of Corporate Social Responsibility (CSR)

This research includes quantitative research to answer the research hypothesis. According to (Muh, 2013) the quantitative approach is the measurement of quantitative data and objective statistics through scientific calculations using a numerical calculation approach. Research using this approach will test a theory by detailing a specific hypothesis, then collect sample data to support or refute these hypotheses.

The population in this study are all mining companies listed on the Indonesia Stock Exchange (2018-2020). The sampling technique in the sample research in this study was carried out using the purposive sampling method. The criteria for selecting the sample in this studies are mining sector companies listed on the IDX during 2018-2020. Companies whose financial statements have positive current year profits are used to calculate the ROA of mining sector companies. Companies that disclose information about Corporate Social Responsibility (CSR) in the 2018 – 2020 annual report.

The type of data used in this research is secondary data. Secondary data was obtained from the Indonesia Stock Exchange website (www.idx.co.id).

The descriptive statistical analysis aims to find out the general illustration of all the variables used in this study, namely by paying attention to the descriptive statistical tables that provide the results of measuring the mean, minimum, and maximum values, along with revised data for all these variables.

According to Ghozali (Ghozali, 2016:154), The purpose of the normality test is to test whether the independent variables and dependent variables are normally distributed or not. In research. The normality test used was the Kolmogorov-Smirnov (K-S) test. K-S test can be used to determine whether the residuals are normally distributed. The basis for making the decision is if $p\text{-value} > 0.05$, then the data is normally distributed. If the $p\text{-value} < 0.05$, then the data is not normally distributed.

This test was conducted to test whether in the regression model there is a correlation between the independent variables (Ghozali, 2016: 103). If there is no correlation between the independent variables, it is called a good regression model. To find the presence or absence of multicollinearity can be seen from the value of Tolerance Value (TV) and Variance Inflation Factor (VIF). The decision making criteria in the multicollinearity tests are if the variable has a VIF value < 10 and a TF value > 0.1, it means that it does not have multicollinearity. If the variable has a VIF value > 10 and a TF value < 0.1, it can be interpreted as having multicollinearity

This test aims to test whether in the regression model there is an inequality of variance from the residuals of one observation with another observation (Ghozali, 2016: 134). If the variance from one observation to another observation does not change (fixed), then this is called heteroscedasticity. The model without heteroscedasticity is a good regression model. This study uses the Glejser test to detect the presence or absence of heteroscedasticity. The basis for decision making are if sig > 0.05, then there is no heteroscedasticity. If sig < 0.05, then there is heteroscedasticity

According to (Ghozali, 2016:107), the autocorrelation test aims to determine whether or not there is a correlation between the confounding variables in period t and errors in period $t_{(-1)}$ (previous). The usual way to detect autocorrelation is the Durbin-Watson (DW) test, the criterias are A DW value below -2 means that there is a positive autocorrelation. The DW number between -2 to +2 means that there is no autocorrelation. A DW number above +2 means that there is a negative autocorrelation.

This study uses multiple linear regression analysis methods. This method is used to find out whether two or more independent variables affect the dependent variable (Mona et al., 2015).

This test is intended to find out how far the influence of the independent variable for the dependent variable is individually (Ghozali 2016:97). This study uses a significant level of 0.05. The test criteria using the t-test are if the value of Sig > 0.05 then the regression model is not feasible so this model cannot be used for research. If the value of Sig < 0.05 then the regression model is not feasible so this model can be used for research.

F test or the so-called model feasibility test. The feasibility test of the model is to test overall whether there is a significant effect on the regression model (Ghozali 2016:96). Decision making on the model feasibility test (Goodness of Fit) are if the value of Sig > 0.05 then the regression model is not feasible so this model cannot be used for research. If the value of Sig < 0.05 then the regression model is feasible so that this model can be used for research.

The coefficient of determination test is a test that shows how much the model's ability to explain the variation of the dependent variable (Ghozali 2016:95). The value of the coefficient of determination (R^2) ranges between 0 and 1. The above criteria can be explained are if the value of R^2 is close to the value of 1, then there is a strong relationship between the independent variable and the dependent variable. If the value of R^2 is close to 0, then there is a weak relationship between the independent variable and the dependent variable.

Based on the descriptive statistics, the total number of data is 57 data. Descriptive statistical results for the independent variable Profitability are measured using the calculation of Return On Assets. Stating a minimum value of 0.0023 owned by J Resources Asia Pacific Tbk (PSAB) in 2020 and a maximum value of 0.45558 owned by Bayan Resources Tbk (BYAN) in 2019. The average value (mean) of this variable is 0.977675 with a standard deviation of 0.8777034.

Descriptive Statistical Results for the Liquidity variable were measured using the Current Ratio (CR) calculation. Stating a minimum value of 0.46609

owned by the Cita Mineral Investindo Tbk (CITA) company in 2018 and a maximum value of 10,07431 owned by the Harum Energy Tbk (HRUM) company. The mean (mean) of this variable is 2.1028724 with a standard deviation of 1.89120060.

Descriptive Statistical Results for the Leverage variable were measured using the Debt to Equity Ratio (DER). Shows a minimum value of 0.09654 owned by Harum Energy Tbk (HRUM) and a maximum value of 1.94699 owned by Radiant Utama Interinsco Tbk (RUIS). The mean (mean) of this variable is 0.8094769 with a standard deviation of 0.53715112.

Descriptive Statistical Results for the Firm Size variable were measured using the natural logarithm of total assets. Which shows a minimum value of 27.62135 owned by Radiant Utama Interinsco (RUIS) and a maximum value of 32.25922 owned by Adaro Energy Tbk (ADRO). The mean (mean) of this variable is 29.8693234 with a standard deviation of 1.05718257.

Descriptive Statistical Results for the variable Size of the Board of Commissioners are measured using the number of members of the board of commissioners in the company, the lowest number is owned by the company J Resources Asia Pacific Tbk (PSAB) respectively in 2018 and 2019 with 2 members of the board of commissioners. Meanwhile, the highest number was owned by the company Vale Indonesia Tbk (INCO) in 2020 with 10 members of the board of commissioners. The mean (mean) of this variable is 5.04 with a standard deviation of 1.65.

Descriptive Statistical Results for the dependent variable of Corporate Social Responsibility as measured by the percentage of corporate social responsibility disclosures. Stating the minimum value is 0.03297 owned by the Mitrabara Adiperdana Tbk (MBAP) company in 2019 and the maximum value is 0.59341 owned by the Adaro Energy Tbk (ADRO) company in 2020. The average value (mean) of this variable is 0.2265279 with a standard deviation of 0.13963203.

Based on the results of the normality test, the Asymp value. Sig. (2-tailed) is 0.001 which is less than 0.05. This indicates that the data is not normally distributed. Thus, normality testing was carried out using the transformation method with the SQRT formula which was first identified using a histogram graph. The following is a histogram graph of each variable.

Based on the normality test, the Asymp value. Sig. (2-tailed) is 0.024 which is smaller than 0.05. This shows that the normality test using the transformation is still not normally distributed. Thus, normality testing was carried out using the outlier method. Detection is done by looking at the z score. The sample data (less than 80) has an outlier score limit of -2.5 to 2.5 (Ghozali, 2018). In this study, there were 57 data and after removing 5 extreme data that had a value of more than 2.5, namely 3,7,17,18, and 45, the data changed to 52 data.

After doing the outlier method on the normality test as in the table above the Asymp value. Sig. (2-tailed) for the residual value after outliers have a value greater than 0.05, which is 0.093. This shows that the data is normally distributed.

The tolerance value for each variable is greater than 0.1 and the VIF value is greater than 10. This shows that there is a relationship between the independent variables and avoids the symptoms of multicollinearity.

States that all variables in this regression model have a significance value of more than 0.05. So it can be concluded that there is no heteroscedasticity in this regression model

States that the significance value generated through the Run test is 0.161. It can be concluded that there is no autocorrelation in this research data.

The adjusted R^2 value of 0.395 is closer to zero, which is where this research model has a poor ability to explain the effect of the independent variable on the dependent variable. This is because the independent variables can only explain 39.5% of the dependent variable, namely corporate social responsibility. While the remaining 60.5% of the Corporate Social Responsibility disclosure variables are influenced by other variables not discussed in this study (Ghozali 2016:95).

The F value is 7.668 with a significance value of 0.000. Where the significance value of 0.000 is less than 0.05 and the value of calculated F is 7.668 which is greater than the F table (5%) of 2.40. It is stated that this regression model in this study is feasible.

Based on the results of the t-test, it can be seen that the significance value of the variables with a value greater than 0.05 is ROA and DER. This states that the variables ROA, and, DER do not affect CSR disclosure. Meanwhile, the CR variable, firm size, and the size of the board of commissioners affect the dependent variable because the value of the variable is smaller than 0.05.

The profitability variable has a significance value of 0.489, where the significance value of 0.489 is greater than 0.05 indicating that the profitability variable does not affect the disclosure of Corporate Social Responsibility, so the first hypothesis is rejected.

The results of this study indicate that companies with high profitability do not necessarily carry out CSR activities, the reason for these results is when the company has high profitability, the company feels that it no longer needs to carry out its social responsibility activities with the assumption that readers can see the company's financial statements that show the company's financial statements. the company is in good condition, in this case, is the profitability of the company itself.

The liquidity variable has a significance value of 0.014, where the significance value of 0.014 is smaller than 0.05 indicating that the liquidity variable affects the disclosure of Corporate Social Responsibility, then the second hypothesis is accepted.

The explanation shows the company's ability to pay its short-term financial obligations on time. does not see how much liquidity is when making social responsibility disclosures. In the regulations/rules that require companies to disclose their social and environmental responsibilities, companies must carry out their obligations as part of the social community.

The Leverage variable as measured by the Debt to Equity Ratio (DER) has a significance value of 0.138, where the significance value is greater than 0.05 indicating that the Leverage variable does not affect the disclosure of Corporate Social Responsibility, so the third hypothesis rejected.

About agency theory, companies with a high level of leverage make management reduce their social responsibility disclosures. Companies that have high leverage will of course get attention, but this does not make the company stop its social responsibility.

The firm size variable has a significance value of 0.008, where the significance value is smaller than 0.05 indicating that the firm size variable affects the disclosure of Corporate Social Responsibility, so the fourth hypothesis is accepted.

The results show that large companies usually have complex operational activities, have a large impact on the community, have many stakeholders, and also get more attention from issuers or the public, therefore large companies have great pressure to disclose their social responsibility.

The variable size of the board of commissioners has a significance value of 0.001, where this significance value is smaller than 0.05 indicating that the variable size of the board of commissioners affects the disclosure of Corporate Social Responsibility, then the fifth hypothesis is accepted.

The size of the board of commissioners has a significant effect on the disclosure of Corporate Social Responsibility, which means that the number of commissioners in a company can affect the disclosure of the company's Corporate Social Responsibility.

CLOSING

From the results of the tests carried out in the previous chapter, it can be concluded that the profitability variable as measured by Return On Assets (ROA) does not affect the disclosure of Corporate Social Responsibility. The liquidity variable measured using the Current Ratio (CR) affects the disclosure of Corporate Social Responsibility. The Leverage variable measured using the Debt to Equity Ratio (DER) does not affect the disclosure of Corporate Social Responsibility. Firm size variable which is measured using natural logarithm affects Corporate Social Responsibility disclosure. The variable size of the board of commissioners as measured by the number of commissioners affects the disclosure of Corporate Social Responsibility.

Based on the results of the research that has been done, the authors give some suggestions to further researchers so that adding or using several other independent variables that may be able to influence the disclosure of Corporate Social Responsibility such as audit committee, managerial ownership, and shared ownership. Further research can expand the sample not only using one company sector but can use several sectors of companies listed on the IDX. It is hoped that future researchers when using the variable size of the board of commissioners can more specifically mention the independent or dependent board of commissioners.

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