THE EFFECT OF PROFITABILITY, COMPANY AGE, AND PUBLIC OWNERSHIP ON CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE

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Abstract

The objective of this study is to prove the effect of profitability, company age, and public ownership on the disclosure of Corporate Social Responsibility in manufacturing companies listed on the Indonesia Stock Exchange for the period 2015 and 2017 in 120 companies.

The data used in this research is secondary data; the sample is analyzed using Multiple Linear Regression Analysis. The results conclude that the profitability has a positive effect on disclosure of corporate social responsibility reports, while company age and public share ownership does not significantly affect the disclosure of corporate social responsibility reports.

Keywords: profitability; company age; public ownership; disclosure of corporate social responsibility

INTRODUCTION

As a profit organization, all companies have the same main goal, which is to get the maximum profit with the resources they have as short-term goals besides the continuity of the company's life. It is very absurd if the company keeps trying to make the maximum profit as much as possible, regardless of the sustainability of the company itself.

The stakeholder theory states that the company is not an entity that only operates for its interests but must provide benefits to its stakeholders (shareholders, creditors, consumers, suppliers, government, society, analysts and other parties). Thus, the existence of a company is strongly influenced by the support provided by stakeholders to the company. (Gray, Kouhy, & Lavers, 1995) say that the survival of a company
depends on stakeholder support and that support must be sought. Therefore, the company's activities are to seek that support. The stronger the influence of stakeholders, the more effort the company must make to adapt.

The stakeholder theory is related to the concept of corporate social responsibility, where its stakeholders influence the survival of the company. To fulfill the wishes of stakeholders, corporate social responsibility (CSR) and the concept of protecting the environment can be a corporate strategy for the future survival of the company. In order to achieve company goals, CSR and environmental preservation should be done well to get full support from stakeholders for the company's activities. In this era, Corporate Social Responsibility is an option to maintain the sustainability of the company's existence, in improving the company's image or company reputation in the surrounding communities where the company stands.

Corporate Social Responsibility (CSR) is a company activity which not only operates for the benefit of shareholders but also the welfare of stakeholders in business practices, namely workers, local communities, governments, NGOs, consumers. The implementation of sustainable CSR carried out by the company is expected to have a positive impact on both the company and the community, especially the local community where the company operates. A positive impact on the company can be reflected in the company's reputation, while for the community, the positive impact of CSR is increasing their welfare (Astiti & Saitri, 2016).

Several variables can influence previous research on CSR disclosure; there are profitability, company age, and public ownership. The companies examined in this study are manufacturing sector companies in the period 2015-2017. The study uses secondary data sourced from the idx.co.id.

Based on research conducted by previous researchers, several variables have not consistently influenced disclosure of corporate social responsibility reports, namely profitability, company age, and public share ownership. This study aims to make the company pay more attention to the disclosure of CSR reports and the factors that influence the disclosure of CSR reports so that investors are more interested in investing and increasing the trustworthiness of stakeholders.

LITERATURE REVIEW AND HYPOTHESIS

Stakeholder theory is organizational management theory and business ethics that addresses moral and values in managing organizations (CSR as an organizational, 1983) This theory explains the relationship between stakeholders and the information they receive (Sun, Habbash, Salama, & Hussainey, 2010). Stated by (Gray et al., 1995), information disclosed to shareholders may be considered a legitimate social contribution made by the organization. Therefore, stakeholders usually see information on social responsibility that is revealed to one of the criteria for measuring the reliability and legitimacy of the organization. The demand for CSR disclosure has been driven by an increase in the proportion of stakeholders as a means of communication between companies and stakeholders.

Safeguarding the environment is considered as part of the company's responsibility to its stakeholders. The stakeholder theory is related to the concept of corporate social responsibility, where its stakeholders influence the survival of the company. Stakeholders will give full support to company activities if CSR and
environmental preservation can be done well so that the company's goals to increase company value can be achieved.

Darwin (2004) defines CSR as an organizational mechanism to voluntarily integrate their attention to the environment and social activities into operations and interactions with stakeholders. The company's social responsibility is disclosed in the sustainability report. This report provides disclosures about the most important impacts organization, both positive and negative towards the environment, society, and economy. (Hadi, 2011) states that social responsibility carried out by companies is a form of an effort to improve products by taking into account the three bottom lines, namely a.) Profit that is the form of responsibility that must be achieved by the company. Profit is the company's main orientation, b.) People, namely the community where the company is located, and c.). The planet is a physical (physical resource) environment of a company.

Hypothesis Development

Profitability shows how much the company's ability to make a profit. Profitability is directly related to the value that will be obtained by shareholders. The effect of profitability variables on CSR, according to stakeholder theory, is that the higher the company's profit, the greater the amount obtained by the shareholders. (Giannarakis, 2014) states that profitable companies tend to provide more information in the disclosure. Companies with high profits have a wide range of stakeholders, so they are responsible for disclosing corporate social responsibility. Several studies have been conducted related to the relationship between profitability and CSR, including research by (Santioso & Chandra, 2012) and (Anugerah, Hutabarat, & Faradila, 2013), with a sample of manufacturing companies. In the results of their research, they concluded that profitability had a significant effect on CSR disclosure. Contrary to this, research by (Asmeri, Alvionita, & Gunardi, 2017) and (Barnas, Hapsari, & Yudowati, 2016) by concluding the results that profitability does not significantly influence CSR disclosure. Referring to the studies that found the significant effect of profitability on CSR disclosure, the hypothesis to be tested in this study are:

H1: Profitability has a positive effect on CSR disclosure.

Measuring the age of the company reflects the length of time the company exists and conducts its business activities. The longer the company exists, the more people know the information about the company. The age of the company indicates the continuity of the company to survive and the ability to compete. Therefore, the age of the company can be related to its social responsibility. Older companies certainly have more experience and are more aware of the need for commitment or information about the company than the company that is younger or just standing and operating. Because of that, the age of the company has a significant effect on social responsibility. (Waluyo, 2017) research shows that the company's age has a positive influence on Corporate Social Responsibility (CSR) because companies that have long survival have more experience in disclosing Corporate Social Responsibility. Based on the description above, this research will be tested for the hypothesis:

H2: Company Age has a positive effect on CSR disclosure.

Companies have high credibility if the company owns shares that are owned by the public. Companies that provide appropriate dividends are considered capable of
continuing the company in the future (going concern) so that they will more often carry out corporate social responsibility. Operational activities The Company must be in accordance with the rules or norms that apply in the community. The more percentage of public share ownership shows how companies must maintain the good name of the Company. The results of the (Indraswari & Astika, 2015) research show that public share ownership has a negative effect on the disclosure of corporate social responsibility. Probably, in general, public share ownership companies in Indonesia has not counted environmental and social issues as a critical issue that must be extensively disclosed in the annual report. Based on the description above, this research will be tested by a hypothesis:
H3: Public Share Ownership has a negative effect on CSR disclosure

![Conceptual framework](image)

**Figure 1**
Conceptual framework

**RESEARCH METHODS**

This study is a hypothesis testing conducted to determine whether there is an influence between profitability, company age, and public ownership of the disclosure to Corporate Social Responsibility. This research is a quantitative research using the secondary data and the purposive sampling method as collecting data with certain criteria derived from the annual financial statements of manufacturing companies 2015-2017. The analytical tool used in this study is the multiple linear regression analysis. Corporate social responsibility (CSR) is information related to corporate responsibility in the company's annual report. Information about Corporate Social Responsibility (CSR) based on the GRI (Global Reporting Initiate) standard. GRI consists of 4 focuses, namely the practice of labor and decent work, social, Human Resources, and Product Responsibility as sustainability reporting. In this study, researchers used GRI 3.1 containing:

\[
CSRI_j = \frac{\sum X_{IJ}}{n_j}
\]

Information:

CSRI \_J = Corporate Social Responsibility Index of the company j
n\_j = Number of items for company j
X\_IJ = 1: if item I is disclosed; 0: if item I is not disclosed
Thus, 0 <CSRIj<1
Profitability is the company's ability to generate profits at an acceptable level. Profitability in this study will be measured using Return on Assets (ROA). ROA shows the company's management ability to generate income from the management of assets owned to generate profits. Also, this ratio can show a better measure for company profitability because it shows management effectiveness in using assets to generate profits. To find out the value of ROA can use the formula:

\[ \text{Return On Asset} = \frac{\text{net profit}}{\text{Total Asset}} \]

Kartika (2009) mentioned that the age of the company shows how long the company can survive in the exchange. The longer the company can survive, the more likely the company is to return the investment because of its experience. (Paramitha & Rohman, 2014) mentioned that the company’s age has a relationship to the completeness of the company’s annual report. Company age can be calculated using:

\[ \text{Age} = \text{Year of observation} - \text{Year of existence} \]

Public Share Ownership (KSP) can be seen in the company's annual report. The amount of public shares is measured by the ratio of the number of publicly owned shares to the company's total shares in Indonesia. The greater the shares held by the public, the more information should disclose in the annual report. Investors want to get the widest possible information about the place of investment. Public ownership is measured by the proxy percentage of public ownership (Prabowo & Tambotoh, 2005).

\[ \text{Public Share Ownership} = \frac{n\text{the number of shares ownership}}{\text{total shares of the company}} \]

RESULTS AND DISCUSSION

This study uses data from manufacturing companies listed on the Indonesia Stock Exchange in the period 2015-2017 whose samples were selected using the purposive sampling method which criteria: 1.) Manufacturing companies listed on the Indonesia Stock Exchange during 2015 – 2017, 2.) Companies that do not disclose the CSR report for the period, 3.) Companies that use currencies other than the rupiah (dollar) in the 2015-2017 annual report, and 4.) Companies that do not have positive earnings for 2015-2017. After being classified into criteria, the data of 120 companies were sampled in this study.

Descriptive statistical research provides a description or descriptive of data that can be seen from the average value (mean), standard deviation, variance, and statistical range (Ghozali, 2011).

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSRI</td>
<td>120</td>
<td>.11</td>
<td>.62</td>
<td>.2844</td>
<td>.08859</td>
</tr>
<tr>
<td>ROA</td>
<td>120</td>
<td>.00</td>
<td>.53</td>
<td>.0857</td>
<td>.08229</td>
</tr>
<tr>
<td>UP</td>
<td>120</td>
<td>7.00</td>
<td>104.00</td>
<td>42.2500</td>
<td>18.02531</td>
</tr>
<tr>
<td>KSP</td>
<td>120</td>
<td>.02</td>
<td>.67</td>
<td>.2687</td>
<td>.15867</td>
</tr>
</tbody>
</table>
The Effect of Profitability, Company Age, and Public Share Ownership on Disclosure of Corporate Social Responsibility

Based on the table of descriptive statistics above, it is known that the total number of companies sampled in the 2015-2017 period is 120 companies. Table 2 above shows that the CSRI variable has a minimum value of 0.11 with a maximum value of 0.62 CSRI. Means or average of 120 observations is 0.2844 with a standard deviation of 0.08859 smaller than one means that the spread of data is good and homogeneous.

Table 2  
Regression

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>Sig.</th>
<th>Sig. One Tailed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>0.234</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>ROA</td>
<td>0.269</td>
<td>0.029</td>
<td>0.014</td>
</tr>
<tr>
<td>UP</td>
<td>0.01</td>
<td>0.617</td>
<td>0.308</td>
</tr>
<tr>
<td>KSP</td>
<td>0.048</td>
<td>0.928</td>
<td>0.464</td>
</tr>
</tbody>
</table>

Based on the above table, the profitability variable that is proxies by ROA has a positive influence on the disclosure of corporate social responsibility; this is evident from the significance of <0.05. On the other hand, company age variables and public share ownership have no influence on disclosure of corporate social responsibility as evidenced by the significance > 0.05. While can get a regression equation, namely:

\[ \text{CETR} = 0.234 + 0.269 \text{ROA} + 0.01 \text{UP} + 0.048 \text{KSP} + \epsilon \]

The first hypothesis showed the results of statistical tests show that the sig value of profitability of 0.014 < 0.05, and it is concluded that the first hypothesis is accepted. This study concludes that profitability has a positive influence on the Disclosure of Corporate Social Responsibility. (Giannarakis, 2014) (2014) states that profitable companies tend to provide more information in the disclosure. Companies with high profits have a wide range of stakeholders, so they are responsible for disclosing corporate social responsibility. The results of this study support the results of previous studies conducted by researchers (Maiyarni, Yetti, & Erwati, 2014); (Barnas et al., 2016), (Santioso & Chandra, 2012), (Gunawan, 2013), and (Anugerah et al., 2013), which states that profitability, has a positive effect on CSR disclosure. The results of this study also support the stakeholder theory, which states that the higher the company's profit, the greater the amount obtained by shareholders. Companies with high profits have a wide range of stakeholders, so they are responsible for disclosing corporate social responsibility.

The second hypothesis showed the results of statistical tests show the magnitude of the sig value of the company age at 0.308 > 0.05; it is concluded that the second hypothesis is rejected that the age of the company does not affect disclosure of Corporate Social Responsibility. This research is in line with (Apriliani & Resmini, 2017) research result, which concludes that the longer the age of the company, the more it will understand what information should be disclosed. The information disclosed is information that is considered to have a positive influence on the company, so the company does not need to disclose all information.

The third hypothesis showed the results of statistical tests the magnitude of the sig public share ownership value of 0.464 > 0.05. It means that the third hypothesis is rejected and the conclusion is that public share ownership does not affect disclosure of Corporate Social Responsibility. This research result has the same conclusion with the research of (Indraswari & Astika, 2015), which shows that public share ownership has
a negative effect on the disclosure of corporate social responsibility. Public share ownership companies in Indonesia have not counted environmental and social issues as a critical issue that must be extensively disclosed in the annual report.

CONCLUSION, LIMITATION, AND FUTURE RESEARCH

The results conclude that the profitability has a positive effect on disclosure of corporate social responsibility reports, while company age and public share ownership does not significantly affect the disclosure of corporate social responsibility reports. As the results of this research find that the Profitability, Company Age and Public Ownership has a positive effect on CSR, the company should consider these three variables. For improvement in next research, sample and period of research should be extended.

REFERENCES


