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Corporate Management Reviewed from Financial Performance Viewed from Corporate Social Responsibility

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ABSTRACT
This research aims to examine the financial performance viewed from corporate social responsibility in manufacturing companies enlisted in the Indonesian Stock Exchange in 2017. The population of the research consisted of manufacturing companies enlisted in the Indonesian Stock Exchange. The sample employed was manufacturing companies enlisted in the Indonesian Stock Exchange in 2017. The sampling technique used was purposive sampling. Data analysis was conducted using multiple linear regression. The result of the research showed that media exposure and firm size affect positively and significantly the disclosure of corporate social responsibility. Meanwhile, leverage and profitability affect positively but insignificantly the disclosure of corporate social responsibility in manufacturing companies. The result of the adjusted R^2 test in this research showed a value of 0.297. It means that the disclosure of corporate social responsibility is affected by media exposure variable, firm size, leverage, and profitability by 29.7%, while the rest of 79.3% was affected by other factors excluded from this study.
Keywords: financial performance, corporate social responsibility

INTRODUCTION

Corporate social responsibility (CSR) is the company's care about the environment and community. Based on Law Number 40 of 2007 about Limited Incorporation, an operating company should obligatorily undertake social and environmental responsibility. If the provision is not obeyed, some sanctions will be imposed according to the legislation. Besides, corporate social responsibility is also important to ensure the company's sustainable growth. An appropriate and clear media exposure is required to enable the company to report corporate social responsibility and to get public trust. Media exposure is a company's medium to communicate with its stakeholders. Currently, there are some media exposures the companies have used to communicate their corporate social responsibility programs: the company's website and advertisement. Firm size is also very important in disclosing corporate social responsibility. Firm size is a variable used widely to explain social exposure conducted by a company in an annual report. Firm size can be assessed from some aspects. Firm size can be measured based on total asset value, total sale volume, market capitalization, number of a worker, etc. The larger the value of an item, the larger is the size of the firm. The large company tends to get more attention from the public. A large company usually tends to maintain its stability and condition. To maintain its stability and condition, the company will attempt to maintain and to keep improving its performance. Leverage also affects the corporate social responsibility policy. Saputra (2016)'s study found that leverage is a media the stakeholders have to find out the company's ability to manage fund source it has, particularly debt and capital. The leverage or big loan rate the company has is not an excuse to avoid the implementation of corporate social responsibility. Profitability also plays an important role in the corporate social responsibility activity. A previous study (Rofiqkoh and Priyadi, 2016) found that profitability is an indicator of performance conducted by management in managing the company's wealth, as indicated with the profit yielded. One of the company's goals is to gain profit that in turn will improve the wellbeing of stakeholders. Besides, the company with high profitability has bigger responsibility for doing its social activity because the larger the profit of a company, the larger is the availability of fund sources for social activity.

METHODS

The population of the research consisted of manufacturing companies enlisted in the Indonesian Stock Exchange. The sample employed was manufacturing companies enlisted in the Indonesian Stock Exchange in 2017, consisting of 99 samples. The sampling technique used was purposive sampling. The variables of research were media exposure, firm size, leverage, profitability, and corporate social responsibility disclosure. This research employed a multiple linear regression. The data analysis stage was conducted using classical assumption, multiple linear regression, hypothesis, and determinacy tests.

RESULTS AND DISCUSSION

Table 1
Result of Classical Assumption Test

Classical Assumption Test	Result
Normality Test	Distributed normally
Multicollinearity Test	No multicollinearity occurs
Heteroscedasticity Test	No heteroscedasticity occurs
Autocorrelation Test	No autocorrelation occurs

The results of the classical assumption test above all can fulfill the requirement of the next test. The next test is the regression test.

Table 2
Result of multiple linear regression test

		Unstandardized Coefficients			
Model		B	Std Error	t	Sig
1	(Constant)	-.130	.080	-1.630	.106
	Media Exposure	.092	.020	4.546	.000
	Firm Size	.020	.005	3.631	.000
	Leverage	6.596	.000	1.421	.158
	Profitability	1.637	.000	1.395	.166

To examine the effect of independent variables including media exposure, firm size, leverage, and profitability, on a dependent variable, the disclosure of corporate social responsibility, the following equation is formulated. Regression equation:

$$Y = -0.130\ (\alpha) + 0.092\ (X_1) + 0.020\ (X_2) + 6.596\ (X_3) + 1.637\ (X_4)$$

α = -0.130, which means that the disclosure of corporate social responsibility has a constant (α) of -0.130. The result of the calculation implies that when independent variables are considered constant, the value of corporate social responsibility disclosure is -0.130.

β_1 = 0.092 means that the coefficient of regression value for media exposure is 0.092. indicating that each one-unit increase in media exposure will increase the corporate social responsibility disclosure by 0.092 points, ceteris paribus. The positive coefficient means that there is a positive effect of media exposure variable on the corporate social responsibility disclosure. The larger the value of media exposure, the larger is the corporate social responsibility disclosure.

β_2 = 0.020 means that the coefficient of regression for firm size is 0.020, indicating that each one-unit increase in firm size will increase the corporate social responsibility disclosure by 0.020 points, ceteris paribus. The positive coefficient means that there is a positive effect of firm size variable on the corporate social responsibility disclosure. The larger the value of firm size, the larger is the corporate social responsibility disclosure.

β_3 = 6.596 means that the coefficient of regression for leverage is 6.596, indicating that each one-unit increase in leverage will increase the corporate social responsibility disclosure by 6.596 points, ceteris paribus. The positive coefficient means that there is a positive effect of the leverage variable on the corporate social responsibility disclosure. The larger the value of leverage, the larger is the corporate social responsibility disclosure.

β_4 = 1.637 means that the coefficient of regression for profitability is 6.596, indicating that each one-unit increase in profitability will increase the corporate social responsibility disclosure by 6.596 points, ceteris paribus. The positive coefficient means that there is a positive effect of the profitability variable on the corporate social responsibility disclosure. The larger the value of profitability, the larger is the corporate social responsibility disclosure.

Considering the result of hypothesis testing as shown in Table 2, it can be interpreted as follows:

1. Media exposure affects positively and significantly the corporate social responsibility disclosure so that hypothesis 1 is supported.
2. Firm size affects positively and significantly the corporate social responsibility disclosure so that hypothesis 2 is supported.
3. Leverage affects positively and insignificantly the corporate social responsibility disclosure so that hypothesis 3 is not supported.
4. Profitability affects positively and insignificantly the corporate social responsibility disclosure so that hypothesis 4 is not supported.

Table 3
Result of Coefficient of Determinacy Test (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,571	,326	,297	,09427	1,784

The result of the adjusted R^2 test in this research obtains a value of 0.297. It indicates that CSR disclosure is affected by media exposure, firm size, leverage, and profitability by 29.7%, while the rest of 70.3% is affected by other factors excluded from this research, such as stock ownership structure and environmental performance.

Media exposure affects positively and significantly the corporate social responsibility disclosure. This finding confirms the result of a previous study conducted by Sparta and Rheadanti (2019). The result of the research shows that the media exposure variable affects positively and significantly the corporate social responsibility disclosure. It indicates that information disclosure through a company's media is responded to positively by the stakeholders, thereby can affect the management's action in disclosing corporate social responsibility.

Firm size affects positively and significantly the corporate social responsibility disclosure. This finding confirms the result of previous studies conducted by Asrori et al (2019) and Plorensia and Hardiningsih (2015). The result of researches shows that the firm size variable affects positively and significantly the corporate social responsibility disclosure. The higher the total asset a company has, the more is the fund source available to do social responsibility activity. It indicates that the larger firm or company tends to disclose corporate social responsibility more widely than the smaller one. Besides, the higher the total asset the company has, the bigger is the demand for the company's good performance. Good performance can be shown, among others, by paying attention to social environment conditions, i.e. by disclosing corporate social responsibility more widely to improve the public trust in the company with a good reputation. Thus, if a company carries out its social responsibility sustainably, it will run well.

Leverage affects positively and insignificantly the corporate social responsibility disclosure. This finding confirms the result of a previous study conducted by Sparta and Rheadanti (2019). The study found that the leverage variable has a positive but insignificant effect on the corporate social responsibility disclosure. The positive relationship occurring proves that the company with higher debt (loan) rate means that it neglects its social responsibility disclosure. The company with a higher leverage ratio will disclose more information to remove doubt and to improve the stakeholders' trust. The company with a higher leverage ratio should make disclosure more widely than the one with a lower leverage ratio. The wider the disclosure, the more is information obtained by investors. It is intended to make the investors sure that their rights as the creditor will be guaranteed. The higher leverage will encourage a company to disclose social responsibility more widely. It is because the company with higher leverage gets larger pressure from the bank, creditor, or investor; thus, the company will attempt to mitigate this pressure by making more disclosures to convince the bank, the creditor, or investor. The company with higher leverage tends to disclose social responsibility more widely. It is intended to reduce information likely leading to the creditor and investor's strengthened pressure against the company. Through information disclosure, the stakeholders including creditors and investors can see the guarantee of the company's sustainability, so that their rights as creditor and investor remain to be guaranteed and they will not impose much pressure on the company.

Profitability affects positively but insignificantly corporate social disclosure. This finding confirms the result of a previous study conducted by Rofigko dan Priyadi (2016). The study found that the profitability variable affects positively but insignificantly the corporate social responsibility disclosure. The presence of a positive relationship between profitability and corporate social responsibility disclosure can be interpreted as the higher the profit got by a company, the higher is the cost assumed by the company to make wider corporate social responsibility disclosure. The company's ability to increase the frequency of corporate social responsibility disclosure is affected not only by the profit position the company has but also by all fundamental elements of financial performance. These are integrated and overlapping systems. A company with higher profitability not always carries out more social activities. It may occur because the company is more profit-oriented. In such a condition, it can be interpreted that the size of profitability in a company does not affect substantially the disclosure of social responsibility made by the company.

CONCLUSION

Media exposure, and firm size affects positively and significantly the corporate social responsibility disclosure.

Leverage, and profitability affects positively but insignificantly the corporate social responsibility disclosure.

The result of the coefficient of determinacy (R^2) calculation provides the proportion of the effect of independent variables on a dependent variable, 29.7%. Meanwhile, the rest of 70.3% is affected by other variables excluded from this research, such as company value and environmental performance. Considering the conclusion above, the company is recommended to reduce its debt or loan and to improve its performance.

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