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Can Corporate Social Responsibility Turn an Asset into A Profit Boosting?

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Abstract*: This research aims to determine how much corporate social responsibility affects the level of profitability of companies in manufacturing industry sector companies listed on the Indonesia Stock Exchange in the period 2014 - 2019. This research is motivated by the existence of companies that refuse to carry out CSR programs because they are considered able to reduce revenue profit, because it will add to the company's heavy burden. The research method used in this research is the explanatory method. This research uses a sample of manufacturing industry companies in the Indonesia Stock Exchange in the 2014-2019 period, while the data analysis used in this research is the classic assumption test, simple linear regression analysis and hypothesis testing. The results showed that the implementation of corporate social responsibility affects the profitability of companies in the manufacturing industry sector. The more CSR indicators implemented, the higher the company's profitability.*

Keywords*: Corporate Social Responsibility, Profitability, ROA*

I. INTRODUCTION

Manufacturing companies show a fairly rapid development in Indonesia. The rapid development in the manufacturing sector is followed by higher demand for the needs of consumers. In this condition, manufacturing companies will take certain steps to meet increasing demand, for example by increasing production capacity, expanding the distribution network and other businesses, all of which require substantial funds. One way for companies to be able to meet their funding needs is to sell their shares on the capital market. But selling shares is not easy, there are several things that investors will see so they are interested in investing their shares in our company, one of which is seeing how the company's ability to make a profit or commonly known as profitability ratios.

In addition to finding investors for the development of a company a company has several obligations that must be met. These obligations are not only for shareholders but also obligations to other parties including the public. According to Kartika (2015), based on the characteristics of the Indonesian economic system, there are 3 groups of parties with an interest in management accountability for the management of the company, namely investors and creditors, the government and the general public. The company and the 3 groups must have good relations so that the goals of the company and each party can be achieved. Relationships can be maintained properly if the company creates good communication to each party and what is important is fulfilling the company's responsibilities to each party. For example, if the company's responsibility towards the general public is fulfilled, the reciprocity is that the public will get to know the company's products better, then the company's products will be increasingly trusted by the public so that the level of sales increases, shares increase and investor welfare is guaranteed, and the impact on the company is that investors will increasingly trust to invest their capital in the company.

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Corporate responsibility towards the community is often referred to as the Corporate Social Responsibility (CSR) event. Corporate Social Responsibility (CSR) activities carried out by companies in general will affect the increase in company profitability. Although it will add costs to the company, but there will definitely be an image of the company in the eyes of the public, which will indirectly attract the public to use the company's products, thereby increasing company profitability (Multafalia, et al. 2012)

In Indonesia, CSR is regulated in Law No. 40 of 2007 concerning Limited Liability Companies requires companies whose lines of business in or related to the field of natural resources to carry out social and environmental responsibility.

Financial performance can show the financial condition and future of the company in a certain time period. Financial ratio analysis is used to measure the merits of work performance in the financial sector. Before investors invest their capital in a company, investors have the right to know the company's financial condition. Profitability is an important consideration for investors in their investment decisions. CSR can have a positive impact on a company. In addition, investors are interested in the company because the company continues to provide annual reports, so investors and related parties can see the company's development periodically and from the ongoing annual reports it appears that the company is well-entrusted to give its responsibilities to related parties by providing annual reports in an ongoing and open manner. (Kartika, 2015)

Company activities indicate the level of effectiveness that exists in the company. The higher the level of activity in the company, the greater the cash flow received by the company means that it is more effective in managing transaction activities in the company. A high level of effectiveness indicates a high opportunity for growth in the company in the future. The ability of a company to generate profits in its operations is a major focus in evaluating company performance (fundamental analysis of the company) because corporate profits are an indicator of the company's ability to meet obligations for its funders as well as an element in creating corporate value that shows the company's future prospects (Ignatius, 2017)

According to Firdaus Bederi (2017) in www.neraca.co.id stated that the emergence of dozens of Regional Regulations on CSR in various regions have triggered the pros and cons and concerns of many parties. The Perda on CSR is considered to be able to worsen the relationship between the regional government (Pemda) and the company. In addition, the creation of a Local Regulation on CSR can also be a counter-productive policy in developing business and investment climate in the region. Because, on the one hand the local government is always trying to find investors to invest capital or open a business in the area. However, on the other hand, they make a lot of rules that complicate the bureaucracy and potentially cause high costs through CSR.

Also quoted from the daily news www.tribunnews.com in 2018 said According to Hariyadi (2018), so far CSR is voluntary and not mandatory. Existing schemes, CSR is given after the company reaches a profit point and pays all its obligations. In fact, in developed countries such as the United Kingdom and the United States (US) Corporate Social Responsibility is not mandatory. Especially if in the calculation, the Social Responsibility funds that must be spent by the company are determined by a certain percentage, it is considered very burdensome.

Other previous research by Multafia Almar, et al in 2012 in "The Influence of Corporate Social Responsibility (CSR) Disclosure on Company Profitability" suggests based on research conducted on 3 (three) cement industry companies that dominate the domestic market share and also are on the Indonesia Stock Exchange (IDX)) In 2008 - 2010, the authors concluded that there was a positive and significant effect between CSR disclosure and company profitability as measured by ROA and NPM. So it can be said that the higher the company's CSR disclosure will increase the company's profitability.

Another research from Kartika (2015), with the results of research that has been done states in her research that CSR disclosure has no effect on profitability.

Based on the description of the above research, the authors are interested in re-examining the effect of CSR (Corporate Social Responsibility) on the profitability of companies, especially in manufacturing sector companies in which in this research profitability will be calculated using the ROA ratio. Therefore the author will conduct research by taking the title "Can CORPORATE SOCIAL REPONSIBILITY make an asset boost profits (Empirical Research of Manufacturing Sector Companies listed on the Indonesia Stock Exchange (IDX) Period 2014-2019)"

II. LITERATUR REVIEW

Financial statements

According to Harahap (2009: 105), financial statements describe the financial condition and results of operations of a company at a certain time or a certain period. The types of financial statements that are commonly known are balance sheets, income statements or operating results, statements of changes in equity, statements of cash flows, statements of financial position. While according to Gitman (2012: 44) are:

"Annual reports that publicly owned corporations must provide to shareholders; it summarizes and documents the firms financial activities during the past year. "

Financial Statement Analysis

According to Munawir (2010: 35), financial statement analysis is an analysis of financial statements consisting of a review or research of relationships and tendencies or tendencies (trends) to determine the financial position and results of operations and development of the company concerned. According to Harahap (2009: 190), financial statement analysis means breaking down financial statement accounts into smaller information units and seeing the relationship that is significant or has meaning between one and the other both between quantitative data and non-quantitative data with the aim is to find out more about the financial condition which is very important in the process of producing the right decision.

Profitability Measurement Method

There are several ratios that are commonly used to see the development of company profitability, in this research the authors take one ratio as a research that is the ROA raiso.

Return On Asset (ROA)

One of the company's information that investors need to know is the company's profitability. Investors need to know the company's ability to increase its profits. The level of profitability can be measured using the ratio of return on assets (ROA). Hanafi and Halim (2007: 37)

The formula for calculating ROA is as follows:

$$\text{ROA} = \frac{Net\ Profit}{Total\ Asset} x\ 100\ \%$$

Sustainability Report

The Global Reporting Initiative (GRI) formulates GRI (2006: 3) defines Sustainability report as follows:

"Sustainability reports are the practice of measurement, disclosure and accountability of organizational performance in achieving sustainable development goals to both internal and external stakeholders."

Whereas the National Center for Sustainability Report (NCSR) website defines sustainability reports as follows:

"Sustainability reports are reporting on the economic, environmental and social policies, impacts and performance of an organization and its products in the context of sustainable development."

CSR Disclosure in Indonesia

Chariri (2013: 58) said that CSR disclosure has a very big role for companies, one of which is used to attract investment funds for the community.

According to Hackston and Milne (1996) in Sembiring (2005) disclosure of corporate social responsibility is often referred to as corporate social responsibility or social disclosure, corporate social reporting, social reporting is the process of communicating the social and environmental impacts of economic activities of organizations to specific groups of interest and towards society as a whole. Disclosure of social responsibility can also be interpreted as a moral responsibility of a company towards its strategic stakeholders, especially the community and the community around the work area and its operations.

CSR component

There is a variety of information regarding the contents of the CSR disclosure. The survey conducted by Ernst and Ernst (1998), in Chariri and Nugroho (2009: 35) found that disclosures are said to be related to social and environmental issues if the disclosures contain information that can be categorized into the following groups:

- Environment
- Energy
- Fair business practices
- Human Resources
- Community involvement
- Products produced
- Other disclosures

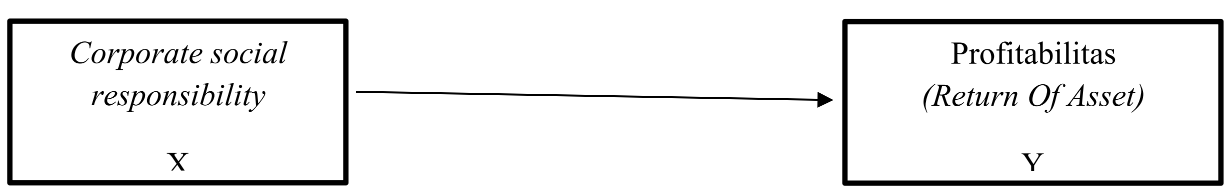
There is also a saying that corporate social disclosure in 7 categories mentioned by Heckston and Milne (1996) in Anggraini (2006: 25), namely: environment, energy, health and safety of labor, other labor, products, community involvement and general. The seven categories are divided into 90 disclosure items.

According to Kartika (2015: 38), there is one standard for measuring the disclosure of social and environmental responsibility is the Global Reporting Index (GRI) guidelines of the Global Reporting Initiatives. These guidelines from GRI are widely used by researchers to measure corporate social responsibility disclosure policies. Therefore, the corporate social responsibility disclosure policy in Indonesia is still voluntary, so in practice there is still a wide variability in the extent of items reported or disclosed. Seven basic elements of CSR practices that can be carried out by companies (ISO 26000).

Framework

According to Kartika (2015: 38), profitability is a picture of management's performance in managing a company. Size of profitability can be various kinds such as: operating profit, net income, the rate of return on investment / assets, and the rate of return on owner's equity. According to Sancahya (2010: 46), CSR is openness in expressing the activities of companies that are related to social activities, where disclosure is not limited to company financial information, but is also expected to provide information about the impact caused by company activities especially those related to the environment and social issues.

Framework Research



Ho : Disclosure of corporate social responsibility has no significant effect on return on assets.

Ha : Disclosure of corporate social responsibility has a significant effect on return on assets

III. METHOD

Object of research

The object of research is something that is targeted in scientific research, the object of this research is the target in research to get answers or solutions to problems that occur.

Understanding the object of research proposed by Sugiyono (2014: 13) that,

"The object of research is a scientific goal to get data with specific goals and uses about something objective, valid, and reliable about a thing (certain variables)".

The object of research in this research is Corporate Social Responsibility and Profitability in Manufacturing Companies listed on the IDX and the sustainability report for the period 2014-2019.

The criteria for determining the samples used in this research are as follows:

1. Manufacture companies on the Indonesian Stock Market for the period 2014-2019
2. Manufacture companies are listed on the Indonesia Stock Exchange since the beginning of the 2014-2019 period
3. Manufacture companies that have variables related to research in the 2014-2019 period

Table

Sample Selection Process

No	Sample Criteria	amount
1	Manufacturing companies that listing on Indonesian Stock Market in the)14-2019 period.	154
2	Unregistered manufacturing companies that listing on Indonesian Stock Market since the beginning of the 2014- 2019 eriod	(31)
3	Manufacturing companies that do not have variables related to the research period 2014-2019	(88)
4	The selected company is the sample	35

Source: Data processed

Linear Regression Analysis

Regression analysis is based on the functional or causal relationship between the independent variable and the dependent variable. The form of a simple linear regression equation is:

$$Y = \alpha + bX$$

Dimana :

X = Subjects to independent variables that have certain values

Y = The subject in the predicted dependent variable

α = constant

b = The direction number or regression coefficient which indicates an increase or decrease in the dependent variable based on the independent variable. (Ghozali dan Ratmono, 2013:101)

IV. FINDINGS

Research result

In this research, the object of the research will be measure used is the cost of Corporate Social Responsibility (CSR) and company profitability. The subjects in this research were manufacturing industry companies listed Indonesian Stock Market during the period 2014 - 2019.

Effect of CSR on Company Profitability

This section will describe the results of a simple linear regression equation to determine the impact of CSR costs on company profitability. The cost of CSR is calculated by the percentage of the indicators - indicators that have been implemented by the company and compared with the standards set here researchers chose the GRI G4 standard in which there are 91 indicators, and whether the cost of implementing this CSR affects the company's financial condition, especially the income statement and company profitability as measured by the Return on Assets (ROA) ratio (Hussain et al., 2020).

ROA Linear Regression Analysis Test

Tabel

Linear Regression Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	747.587	67.050		11.150	.000		
	CSR	.145	.041	.528	3.572	.001	1.000	1.000

a. Dependent Variable: ROA

According to the table above the value of 747,587, this figure is a constant number which means that if there is no CSR then the consistent value of the ROA profitability ratio is 747,587. Value of 0.145, this number implies that every 1% increase in the level of CSR, the ROA profitability will increase by 0.145%.

V. HYPOTHESIS TEST

ROA Hypothesis Test

Tabel

T Test Results

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

1	(Constant)	747.587	67.050		11.150	.000
	CSR	.145	.041	.528	3.572	.001

a. Dependent Variable: ROA

Based on the SPSS output table "Coefficient" above it is known that the significance value (Sig) of the CSR variable on the ROA Profitability Ratio is 0.001. Because the value of Sig. 0.001 <0.05, it can be concluded that Ha or the hypothesis of the influence of CSR on the ROA Ratio is accepted. Then it is known that the t value of the CSR variable on profitability with a ROA ratio of 3,572> 2.03452 (T Table), then Ho is rejected Ha is accepted, it can be concluded that CSR affects the profitability of the company with the ROA proxy ratio.

VI. DISCUSSION AND CONCLUSION

Based on the results of research that has been conducted as well as in the discussion of Chapter IV regarding the effect of Corporate Social Responsibility (CSR) on the profitability of companies, especially in manufacturing industry companies, the authors draw conclusions and provide suggestions as input for the company.

Conclusion

Based on the results of the discussion, the authors get many things that are useful in this topic, so that the authors can draw conclusions:

- Corporate Social Responsibility (CSR) disclosure has a positive effect on company profitability

Suggestion

Based on the conclusions that the author has described, the authors feel there are still things that must be addressed. On this occasion, the authors want to provide suggestions that are expected to help to overcome weaknesses / deficiencies in the implementation:

1. Advice for Science Developers.

For Science Developers, research on CSR is very important to learn and understand related to CSR improvement programs that will affect earnings. But it would also be better to use the latest research periods, so that further research can provide better impact CSR to Companies Profit.

2. Suggestions For Operations.

For the company, the researcher suggests that the implementation of CSR activities will be further improved, meeting each standardized indicator given the many benefits or benefits that companies can get if implementing CSR

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