



Effect of company profitability, size, and growth on corporate social responsibility disclosure in food and beverage sector companies

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ABSTRACT

Environmental pollution that occurs due to company activities, one of which is a food and beverage sector companies. This relates to the high level of production that will produce industrial waste to the company and the environment. Besides the environmental pollution carried out, of course every company needs to focus on CSR programs in accordance with the activities of their respective companies, in order to restore balance in the surrounding environment. Based on these conditions, further this research aims to examine the effect of profitability, size, and company growth on CSR disclosure. The population and sample in this study were 60 data from sector companies food and beverage registered on the Indonesia Stock Exchange in 2014-2017. This research uses purposive sampling method and secondary data. The analysis technique used is multiple regression analysis. The results of this study indicate that corporate profitability is one of the factors that can influence CSR disclosure. The higher the profitability of the company, the greater the disclosure of CSR made. Meanwhile, the size and growth of the company has no effect on CSR disclosure. This means that the size of the company is not a benchmark in expressing CSR, while company growth can be seen from the behavior of consumers who have not paid attention to companies that do CSR in choosing a product.

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INTRODUCTION

Corporate social responsibility in overcoming environmental problems from activities carried out as a form of realizing the role Corporate Social Responsibility (CSR). In addition to the positive impacts of the activities carried out, there are also negative impacts, especially companies related to natural resources, which indirectly have an impact on companies and the environment. According to Hemitra (2011), that companies have an obligation to provide information on activities carried out as a form of transparency of corporate social responsibility. However, regulations regarding the implementation of CSR do not provide specific guidelines regarding what information must be

reported by companies, so that disclosure of social responsibility is only a form of disclosure. image company on stakeholders with a sense of concern for the environment and society.

CSR is an action or concept carried out by companies as a form of social responsibility towards companies and the environment (Nurlela and Islahudin, 2008). Companies have an obligation to provide information on activities carried out openly to the public. CSR is the company's commitment to contribute to sustainable economic development by paying attention to corporate social responsibility towards the environment and society as a form of CSR implementation by making social responsibility reports from the activities carried out by the company. According to Christ and Darsono (2014), that social responsibility report is a report on social responsibility activities that have been carried out by the company by paying attention to social and environmental impact issues. Disclosure of social responsibility in the company's annual report related to the environment, one of which is through Global Reporting Initiative (GRI). These environmental problems are strongly influenced by the business sector, especially companies whose operational activities have an impact on the environment and society.

Several studies have conducted disclosure of social responsibility. According to Rahmayanty (2015), that company size, public share ownership, foreign share ownership, and company profitability show inconsistent results. Company profitability is the company's ability to generate profits (profit) within a certain period. The higher the profitability of the company, the greater the funds by the company. This means the better the company's ability to carry out voluntary activities. Of course the company is able to attract the attention of the customer stakeholders in fulfilling the obligations of the company. Company profitability also affects the disclosure of corporate social responsibility. This is in line with the results of research by Sari (2012), that company profitability influences the disclosure of social responsibility. Therefore, the level of corporate profitability affects the size of social responsibility disclosure.

Other research states that various factors influence the disclosure of social responsibility. According to Indraswari and Mimba (2017), that the profitability, size, and growth of the company are at the level of disclosure of social responsibility. The company's growth is a picture that shows the company's activities. There is a match between the company's activities and expectations stakeholders, become the strength of the company in improving the standard of living and environmental social activities (Indraswati and Mimba, 2017). This is a benchmark for the company to make more social responsibility disclosures to the community. This is supported by the results of Munsaidah's research, et al. (2016), that company growth affects the disclosure of social responsibility.

RESEARCH METHOD

Population and Sample

This study uses a sector company population *food and beverage* listed on the IDX in 2014-2017. This research uses *purposive sampling* which is a sampling technique through certain criteria. The following criteria are used to determine the sample for this study: (1) The company publishes *Sustainability Report* in 2014-2017, (2) the Company disclosed Corporate Social Responsibility to *Annual Report* 2014-2017, (3) The company uses the GRI G4 reporting standards.

Research variable

Dependent Variable

In this study using calculations *Corporate Social Responsibility Index (CSRI)* using variables *dummy* as a measure of CSR disclosure. Each item included in the research instrument will be given a value of 1, while those that are not disclosed will be given a value of 0. The number of items disclosed (n_j) according to the CSR disclosure guidelines, namely GRI G4 as many as 91 items (Rahmayanty, 2015). CSRI uses the following formula:

Information :

CSRI_j = Corporate Sosial Responisibility Index Company j
 n_j = Number of items for company j
 $\sum X_{ij}$ = Using a scale of 0 to 1, per indicator item disclosed.

Independent Variable

1. Company Profitability

Comparison ratio of net profit after tax with equity which becomes shareholder investment. This comparison shows how to generate a return on investment that is used in comparisons for good investment opportunities and earnings management. The results of calculating profits close to 1 show that they are more effective and efficient, on the contrary, calculating profits close to 0 shows that the company is unable to manage capital efficiently (Siregar, 2018).

Company profitability uses the following formula:

ROE

Information :

ROE = Return on equity / shareholder investment ratio

IN = net profit

BUT = average equity

2. Company Size

Company size shows the amount of total assets (fixed assets, intangible assets, and other assets), total sales, and total workforce owned by the company until the end of the financial reporting period (Sembiring, 2005). In this study, company size can be expressed by the company's total assets. Company size can be calculated by calculating the logarithm of the company's total assets (Almilia, *et al.* 2011).

Company size uses the following formula:

$Size = \text{Log} (\text{total company assets})$

3. Company Growth

The company's growth can be seen from the flow of funds obtained by the company due to the impact of changes in the company's operational activities caused by an increase in business volume. In this study the company's growth can be calculated through the company's sales growth rate (Munsaidah, *et al.* 2016).

The growth of the company uses the following formula:

Information :

Sales t = net sales (*net sales*) period of the current year

Sales $t-1$ = Net sales (*net sales*) of the previous year's period.

RESULTS AND DISCUSSIONS

Effect of Company Profitability on CSR Disclosure

Based on the results of the study indicate that the company's profitability affects the disclosure of CSR. This can be seen through a significance value of 0.01 (<0.05) and a positive coefficient value. The test results show that the hypothesis is accepted, meaning companies that have a high ability to generate profits through the use of assets with a larger amount of cash. This will be very profitable for the company in the future (Agustina, 2013).

The thing that makes the company's profitability affect CSR disclosure is the company's ability to obtain net profit through net sales and measures the company's ability to carry out the company's operational activities by maximizing profits. The greater the profit generated, the better the company's performance. This means increasing the value of the company in the eyes of investors in investing shares in the company, so that it becomes an attraction for investors towards the company in making investment decisions (Lamia, *et al.* 2014).

Effect of Company Size on CSR Disclosure

Based on the results of the study, it shows that company size has no effect on CSR disclosure. This can be seen through a significance value of 0.10 (> 0.05) and a negative coefficient value. The test results show that the hypothesis is rejected, meaning that investors buy company shares not only by looking at how big the company's activity is, but also through financial statements, dividend policy, and the company's good name. In addition, company size has no effect on CSR disclosure, because it cannot guarantee high corporate value, so it has not been able to provide confidence to investors (Purwanto, 2011).

The thing that causes company size to have no effect on CSR disclosure is that there is a different effect on company value, given the large total assets. Companies will certainly have more freedom in using company assets. Suspicion arises of excessive use of assets outside the company's activities. This is a concern for asset owners, so that from the perspective of company owners a large number of assets will reduce the value of the company. In addition, size cannot guarantee high company value, so it cannot provide confidence to investors about the company's ability to manage these assets, so that it can be said that company size has not been able to influence company value (Siregar, 2018).

Effect of Company Growth on CSR Disclosure

Based on the results of the study indicate that the company's growth has no effect on CSR disclosure. This can be seen through a significance value of 0.91 (> 0.05) and a negative coefficient value. The test results show that the hypothesis is rejected, meaning that the high or low growth of the company does not affect the company in disclosing corporate social responsibility. In addition, company size has no effect on CSR disclosure, because it is related to consumer behavior which tends not to pay attention to CSR activities in choosing a product (Sari, 2012).

The thing that causes company growth has no effect on CSR disclosure that company sales are closely related to consumer behavior. Basically, there are many phenomena from consumers who tend not to pay attention to CSR activities when buying a product. Unlike what happened in several developed countries, when buying a product, ask about the product being produced according to standards. In addition, policy labelling become an obligation in carrying out business ethics. If a company's product meets the requirements related to CSR, it will be given this label, whereas in Indonesia this is not an obligation. This shows that the implementation of CSR in developed countries is better than in Indonesia (Yusof, 2011).

CONCLUSION

This study aims to examine the effect of profitability, size, and company growth on CSR disclosure in sector companies food and beverage listed on the IDX. The data used uses secondary data with techniques purposive sampling and regression analysis. Corporate CSR disclosure is measured based on the GRI index (Global Reporting Initiative) G4.

The results of this study prove that company profitability is one of the factors that can influence CSR disclosure. The higher the profitability of a company, the better the prospects for the company, so that the company can make more CSR disclosures. Therefore, the company is in a good financial performance condition and has a very strong competitive position, so that it becomes a trigger for reactions from investors stakeholders to encourage companies to achieve improvement efforts and concern for the social environment.

Limitations and suggestions in this study, there are aspects of the subjectivity of researchers that allow the items that must be disclosed by the company to be missed. This is likely to occur due to differences in CSR disclosure in the annual reports of each company. The next research is expected to use other methods, in order to further minimize the level of subjectivity.

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