Turnitin Disclosure of Social Responsibility

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Disclosure of Social Responsibility, Profitability to Improve the Company Value

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Abstract

This study aims to examine and analyze the effect of social responsibility disclosure and profitability on firm value. Disclosure of social responsibility is measured in accordance with the concept of sustainability development in sustainability report which is based on the Global Reporting Initiative standard. Profitability is measured using return on investment and company value is measured based on stock prices. The object of this research is state-owned banks that are listed on the stock exchange. The sample was chosen based on purposive sampling conducted during 5 years of observation, namely 2014-2018, and selected as many as 4 samples of state-owned banks with 20 observations. The type of data used in this study is secondary data with descriptive quantitative analysis method. Tests on research variables are carried out using multiple linear regression analysis by performing statistical tests of classical assumptions and hypothesis testing F and t.The results of the study prove that simultaneously corporate social responsibility (CSR) and return on investment (ROI) have a positive and significant effect on stock prices with a large influence of 67.5%. Partially social responsibility disclosures do not have a significant effect on stock prices but provide a positive direction of influence of 0.061. This shows that disclosure of social responsibility has a relationship in line with stock prices. While return on investment has a positive effect of 1.667 and is significant for stock prices.The results of the study prove that simultaneously corporate social responsibility (CSR) and return on investment (ROI) have a positive and significant effect on stock prices with a large influence of 67.5%. Partially social responsibility disclosures do not have a significant effect on stock prices but provide a positive direction of influence of 0.061. This shows that disclosure of social responsibility has a relationship in line with stock prices. While return on investment has a positive effect of 1.667 and is significant for stock prices.

Keywords: Disclosure Of Social Responsibility, Profitability, Company Value

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1. Introduction

Corporate social responsibility (CSR) is used as the availability of financial and non-financial information relating to organizational interactions with the physical environment and social environment that can be made in a company's annual report or separate social report (Guthrie and Mathews 1985). Companies are increasingly realizing that the survival of the company also depends on the company's relationship with the community

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and the environment in which the company operates, therefore the company increasingly realizes the importance of implementing CSR as part of its business strategy. Disclosure of CSR is one part of voluntary disclosure. Direct disclosure of corporate social responsibility arises because of the demands of the public and users of annual financial reports on the impact of the company's business (Wijayanti, 2012). Corporate Social Responsibility disclosure is defined as a process of providing information designed to raise issues around CSR which typically can be accounted for in media such as annual reports and other forms of socially oriented advertising (Gray et al., 2001). By implementing CSR disclosure, it is expected that the company will gain social legitimacy and maximize its financial strength in the long term (Kiroyan, 2006) and it is hoped that investors consider CSR disclosed in the company's annual report, so that investors are not solely based on additional information to investors other than those already included in accounting profits. This indicates that companies that implement CSR will be responded positively by market players.

In addition to corporate social responsibility (CSR), profitability is also one of the important factors in a company because it can sustain a company's life. Companies must be in favorable conditions so that investors are interested in investing in the company concerned. Robert (2005: 32) states that profitability analysis makes it possible to better estimate returns and risk characteristics of a company and distinguish between performance related to funding and investment capabilities. Profitability can be measured by Return On Investment (ROI) or return on investment, this ratio looks at the extent to which the invested investment is able to provide returns as expected. Some of the research results show consistency in their findings where social responsibility disclosure and profitability influence the same price, namely research by Sulistiyana (2017), Anwar (2014) and Mawarni (2014) and Arna (2015). But partially there are results of the study of Elita Dwi Jayanti (2015) showing that the return on investment (ROI) does not affect the stock price so that investors respond negatively.

2. Methods and Equipment

The object of this research is limited to banking companies listed on the Indonesia Stock Exchange (BEI) that publish auditors' annual financial statements from 2014 to 2018. The reason for choosing state-owned banking companies on the BEI is that the majority of shares owned by the government and state-owned banks can be said as a bank that can become a benchmark for the community.

The research method used in this study is a study that explains explanatory research (Cooper, 2008). Explanatory research methods are carried out to obtain clarity of phenomena that occur at the empirical level (real world) and try to get (verificative) answers. Explanatory research is a study that explains the symptoms caused by an object of research that aims to explain the causality relationship between variables through hypothesis testing.

The populations of the study were state-owned banking companies listed on the Indonesia Stock Exchange in 2014 and 2018. The sample selection was done using purposive sampling. The criteria that will be used are: (1). BUMN banking companies listed on the IDX for 2014-2018, (2). Provide complete annual reports for 2014-2018, and (3). Have complete data related to the variables used in the study. The list of state-owned banking companies listed on the Indonesia Stock Exchange in 2014 to 2018 that meet these purposive sampling criteria can be seen in table 1 below.

TABLE 1: Banking Sub-Sector Registered on the Stock Exchange in 2014-2016 that meets the Criteria.

Code	Issuer Name
BBNI	PT. Bank Negara Indonesia (Persero) Tbk
BBRI	PT. Bank Rakyat Indonesia (Persero) Tbk
BBTN	PT. Bank Tabungan Negara (Persero) Tbk
BMRI	PT. Bank Mandiri (Persero) Tbk

The type of data used in this study is secondary data. The technique of data collection is done by tracing the selected annual report to the sample. As a guide, a research instrument is used in the form of a checklist or a list of questions containing items of disclosure of social responsibility.

The analysis model used in this study is multiple linear regression analysis. by doing a statistical test that is a classic assumption test in the form of: (1). Normality test with statistical test used is normal probability plot, (2) Multicollinearity test can be seen from tolerance value or variance inflation factor (VIF), (3) Autocorrelation test by statistical tests through Durbin-Waston test (DW test), and (4) The Heteroscedasticity test is carried out by looking at the plots graph between the variable predictive value (ZPRED) and the residual (SRESID).

Hypothesis testing is done by the F test which is to test the significance of the influence of all de-

pendent variables together on the independent variable, and the t test is to test the regression coefficient partially from the independent variable. Statistical hypothesis testing for testing each research hypothesis is as follows.

Hypothesis Test 1: Disclosure of CSR and Profitability Significantly Influences the value of the company

H0 = 0; Disclosure of CSR and Profitability simultaneously does not have a significant effect on firm value.

Ha≠ 0; Disclosure of CSR and profitability simultaneously has a significant effect on firm value.

Test criteria If F count> F table then Ho is rejected and Ha is accepted, and if F count< F table then Ho is accepted and Ha is rejected

Hypothesis Test 2: CSR disclosure has a significant effect on the value of the company

H0 = 0; Disclosure of CSR does not have a significant effect on company value.

Ha≠ 0; Disclosure of CSR has a significant effect on firm value.

Test criteria if tcount> t table then Ho is rejected and Ha is accepted, and if t count< t table then Ho is accepted and Ha is rejected.

Hipothesis Test 3: Profitability Significantly Influences the value of the company

H0 = 0; Profitability does not have a significant effect on firm value. Ha≠ 0; Profitability has a significant effect on firm value.

Test Criteria, If tcount> t table then Ho is rejected and Ha is accepted, and if t count< t table then Ho is accepted and Ha is rejected

3. Results

The results of testing classical assumptions obtained normal distribution data, there is no multicollinearity problem, there is no autocorrelation and there is no heteroscedasticity. All the probability values of the correlation coefficient obtained are significant, namely sig. (2 tailed)> 0.05 indicates that the correlation of each variable is a significant relationship.

3.1. Testing the first hypothesis: The effect of corporate social responsibility disclosure and return on investment simultaneously on stock prices

Simultaneous testing criteria (Test F) by comparing F count with F table at a significant level α = 0.05. Based on table 4.1. Obtained (Fcount 15.304> Ftable 3.59) or sig value 0.00 <α = 0.05 means that there is a significant influence between variables of corporate social responsibility disclosure and return on investment simultaneously on stock prices. Following are the F Test results processed using SPSS 20 presented in the following table:

TABLE 2: Simultaneous Test Table (F test).

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.724	2	.862	15.304	.000b
Residual	.901	16	.056		
Total	2.625	18			
a. Dependent Variable: Log_HargaSaham					
b. Predictors: (Constant), Log_ROI, Log_CSR					

Based on table 4.1 above, corporate social responsibility disclosure and return on investment simultaneously influence the value of the company so that H0 is rejected and Ha is accepted, meaning the first hypothesis is accepted. The magnitude of the influence of corporate social responsibility and return on investment variables is able to explain changes in stock prices in the BUMN banking sub-sector listed on the BEI by 65.7% and 34.3% due to other variables outside the variables studied. The results of this study are in line with the results of research conducted by Sulistiana (2017) which states that simultaneous corporate social responsiveness (CSR) and profitability ratios affect the stock price of manufacturing companies listed on the BEI.

3.2. Testing the second hypothesis: The effect of corporate social responsibility disclosure on stock prices

From the results of data processing using the SPSS 20 program, the t test results are obtained as follows:

Based on table 4.2 above, the tcount of corporate social responsibility variable is 0.253 and ttable is 2.110, from the comparison results it can be seen that t count is smaller than t table, or sig value 0.804> α = 0.05 then Ho is accepted and Ha

TABLE 3: Partial Test Table (t test).

	Model B	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	(Constant)	-.302	.936		-.323	.751
1	Log_CSR	.061	.243	.037	.253	.804
	Log_ROI	1.667	.301	.810	5.531	.000

is rejected significant between the variables of corporate social responsibility (X1) on stock prices (Y) in the BUMN banking sub-sector listed on the IDX for the period 2014-2018. The results of this study are not in line with the results of research conducted by Anwar (2014) which states that corporate social responsibility (CSR) has a positive and significant effect on stock prices.

3.3. Testing the third hypothesis: Effect of return on investment on stock prices.

Based on table 4.3 above can be seen tcount value of 5.531 and ttable of 2.110 from the results of the comparison it can be seen that t count is greater than t table, or sig value 0.00 <α = 0.05 then Ho is rejected and Ha is accepted means that there is a significant influence between variables return on investment towards stock prices in the BUMN banking sub-sector listed on the IDX for the 2014-2018 period. The results of this study are in accordance with the results of research conducted by Mardani (2008) which states that return on investment (ROI) has a positive and significant effect on stock prices.

4. Discussion

This research is based solely on BUMN companies which are taken by purposive sampling. The use of purposive sampling is likely, affecting the generalization of the results of this study. In addition, if the available data allows the use of longer time series data, it might be able to improve predictability in analyzing the influence of corporate social responsibility disclosure, profitability and company value. This study measures the disclosure of corporate social responsibility, profitability and company value for 4 state-owned banking companies in Indonesia, for future research to be carried out not only limited to state-owned banks but in the banking sector, telecommunications companies, agribusiness companies and others.

This study has limitations, namely:

The number of samples is only limited to BUMN banking companies because of the difficulty of researchers in obtaining annual report data published in internet sites and limited research time.

There is a subjective element in assessing the extent of disclosure. This happens because there is no standard provision that is used as a standard and reference, so that the index determination also varies between each researcher.

Limitations are found in seeking disclosure of corporate social responsibility in the annual report. Because the average company in CSR disclosure is not based on Initiative Global Reporting (GRI).

5. Conclusions

The empirical conclusions of the results of the study of the effect of CSR disclosure and profitability on company value in state-owned banking companies in Indonesia are as follows:

CSR disclosure as measured by economic, environmental, labor practices, human rights, social, and product performance indicators and profitability as measured by return on investment in state-owned banking companies has a positive and significant effect on firm value. This empirical finding is in line with the research hypothesis which states that disclosure of CSR and profitability has a positive and significant effect on firm value.

Disclosure of CSR as measured by indicators of economic performance, environment, labor practices, human rights, social, and product performance in state-owned banking companies has a positive and insignificant effect on the value of corporate companies. This empirical finding is not in line with the research hypothesis which states that CSR disclosure has a positive and significant effect on firm value.

Profitability as measured by return on investment in state-owned banking companies has a positive and significant effect on firm value. This empirical finding is in line with the research hypothesis which states that profitability has a positive and significant effect on firm value.

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PAGE 3

PAGE 4

PAGE 5

PAGE 6

PAGE 7

PAGE 8

PAGE 9