Company characteristics and CSR disclosure toward environmental performance

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Abstract. The term CSR in Indonesia has been known in the 1980s. But long before that, the application of CSR has been carried out as a philanthropic or humanitarian activity, for example, natural disaster assistance, hunger, and scholarships. But in terms of the application on the CSR fund management, the company is considered to merely maintain a reputation for stakeholders. In addition, with the publishing of the regulation Number 40 of 2007 concerning the obligations of Limited Liability Companies, companies were considered to be merely complying with the government regulations. This research aimed to examine the characteristics of the company proxies through Profitability and Environmental Performance as an independent variable on Corporate Social Responsibility Disclosure as the dependent variable. The population of this research was companies registered in the Jakarta Islamic Index (JII) during the period 2013-2017. The data collection used in this research was a purposive sampling method. The data were analyzed using multiple linear regression. The findings of this research revealed that profitability has no effect on CSR because it has a significant level of 0.595 or greater than 0.05 while the environmental performance has an effect on CSR because it has a significant level of 0.012 or less than 0.05. Based on the results of this research, it can be concluded that profitability cannot guarantee that companies will disclose CSR in their financial statements while environmental performance through the Ministry of Environment (KLH) assessment program can have an influence on the disclosure of corporate CSR.

1. Introduction
Corporate social responsibility is a process of communicating the social and environmental impacts of an organization's economic activities towards specific groups of interests and to the community as a whole [1]. CSR aims to create a better standard of living, by maintaining the continuity of business profits for stakeholders as expressed in the financial statements. Financial reports are a tool for reporting company activities and providing information to stakeholders because they contain disclosures about company performance and one of them is CSR disclosure [2].
This research seeks to reveal things that can influence the disclosure of CSR. One of the things that can affect CSR is profitability. Profitability shows the level of net profit that the company can achieve. Increasing profitability will make the company reveal broader social information. Some research results show that profitability affects CSR disclosure. According to Ebiringa et al [3] profitability has a significant effect on corporate social responsibility because it has a probability of 0.0209 <\alpha> 0.05. However, other research shows that profitability does not affect the disclosure of CSR. Saputra’s research [4] through the data processing process using an error rate of 0.05. The results obtained show that the probability value of 0.9861> \alpha 0.05, which means that profitability measured by return on assets does not significantly influence the amount of disclosure of corporate social responsibility in high profile companies on the Indonesia Stock Exchange. Besides, the environmental performance as measured by the PROPER performance rating scheme by the Ministry of Environment (KLH), which is divided into five colors, namely gold, green, blue, red and black, also has an important influence on the company. A good company will get a gold color while a bad company will get black. The results of the study showed that environmental performance has an effect on CSR. Devita’s research [5] gives a probability of 0.00 <\alpha> 0.05 which indicates that environmental performance has an effect on CSR. While other studies show that environmental performance has no effect on CSR. Oktalia’s research [6] gives a probability of 0.3554> \alpha 0.05 which indicates that environmental performance has no effect on CSR.

2. Methodology

This research was quantitative research. The data used is secondary data by looking at annual reports of companies registered in the Jakarta Islamic Index (JII). The use of secondary data in this study is based on several reasons as follows: data is easy to obtain, saves time and costs, the annual report data has been used in various previous studies, both domestic and foreign research and annual report data has the reliability that can be justified because it has been audited by an independent auditor.

The population in this study was a company registered in the Jakarta Islamic Index (JII) with a 5-year diving observation period, 2013-2017. The sample used was a company that publishes its annual report. The next step was taking samples using purposive sampling technique with sample criteria including companies that use Rupiah as Currency, the company publishes a report that ends on December 31 and he company publishes annual reports in a row from 2013-2017.

The data collection method used in this study is the documentation study method through an annual report on the sitewww.idx.co.id. CSR disclosure indicators are based on disclosure items determined by GRI obtained from the website www.globalreporting.org. Measurement of variables is in the following Table 1.

| Table 1. Variable measurement |
|-------------------------------|
| **Variable** | Measurement |
| 1 Independent variable: Profitability (P) Environmental Performance (KL) | ROA (earning after tax/total assets)[7] ETR (effective tax rate /earning before tax) [8] PROPER includes company ratings in 5 (five) colors, namely: 1. Gold; excellent, skor = 5 2. Green;very good, skor = 4 3. Blue; good, skor = 3 4. Red; Poor, skor = 2 5. Black; Very poor, skor = 1[5] |
| 2 Dependent Variable Corporate Social Responsibility Disclosure | The number of disclosures by the company Total item of company disclosure[9] |

As an effort to answer various problems in this study, the researchers used multiple linear regression analysis. Regression analysis is basically a study of the dependence of the dependent
variable with independent variables, with the aim of estimating and/or predicting the population average or the values of the dependent variable based on the value of the known independent variable [10].

This multiple linear regression analysis test was used to determine whether the independent variables namely profitability, tax aggressiveness and environmental performance had an effect on the dependent variable, namely corporate social responsibility disclosure. This study used hypothesis testing (1). Hypothesis testing is a statistical test of research that results from the acceptance or rejection of the research hypothesis. Hypothesis testing can be done by using the t-test. The t statistical test in this study used to show how much influence an independent variable individually has on explaining the variation of the dependent variable. This test tested the significance of the coefficient of the independent variable in predicting the dependent variable. The level of significance used in this study was 0.001, 0.05, 0.10 (α = 1%, 5% and 10%).

\[ CSRD = \alpha + \beta_1 P + \beta_2 KL + e \] (1)

3. Results and discussions

Table 2 shows that the greater the CSR value, the more companies disclose CSR items. Based on the calculation results, it was known that the CSR numbers in this study ranged from 0.22 to 0.57. The lowest CSR was owned by PT. Bumi Serpong Damai Tbk. then the highest is PT. Semen Indonesia Tbk.

Based on the calculation of profitability in table 1, it was known that the ROA in this study ranged from 0.02 to 0.87. The lowest ROA was owned by PT Kalbe Farma Tbk. Then the highest is PT. Lippo Karawaci. In Table 2, based on the calculation results, it was known that the PROPER value of environmental performance in this study ranged from 1.00 to 5.00. The lowest PROPER value was owned by PT. Astra International Tbk. then the highest was PT Unilever Indonesia Tbk.

Table 2. Descriptive statistics

|                          | N   | Minimum | Maximum | Mean     | Std.Deviation |
|--------------------------|-----|---------|---------|----------|---------------|
| Corporate Social         | 60  | 0.22    | 0.57    | 0.3703   | 0.08107       |
| Responsibility Disclosure| 60  | 0.02    | 0.87    | 0.1438   | 0.16380       |
| Profitabilitas           | 60  | 1.00    | 5.00    | 2.5000   | 1.28221       |
| Environmental Performance| 60  |         |         |          |               |

Table 3 shows the results of the hypothesis testing by using multiple regression analysis. Based on the data above, the analysis model was obtained as formula 2:

\[ CSRD = 0.323 - 0.033P + 0.021KL + e \] (2)

The constant coefficient based on the regression results is 0.323 with a positive value, it can be interpreted that the Y value (CSR) would be 0.323 if the independent variables namely profitability (P) and environmental performance (KL) is 0. In other words, before there is an effect of profitability (P) and environmental performance (KL), then the amount of CSR = 0.323.

Table 3. The results of multiple regression analysis

|                 | Coefficient | T calculate | Sig   |
|-----------------|-------------|-------------|-------|
| (Constant)      | 0.323       |             |       |
| Profitability   | -0.033      | -0.535      | 0.595 |
| Environmental   | 0.021       | 2.602       | 0.012 |
| Performance     |             |             |       |
Table 4 Correlation coefficient value (R) shows the close relation between the independent variable profitability (P) and environmental performance (KL) with the dependent variable CSR disclosure (CSR), the value of the correlation coefficient is 0.327. This value shows that the relation between independent variable profitability (P) and environmental performance (KL) with the dependent variable CSR disclosure (CSR) is quite strong or strong enough. The coefficient of determination or R² is used to measure how far the ability of the model in explaining the variation of non-dependent variable (CSR) is 0.107. This means that 10.7% of CSR disclosure index can be explained by the variable profitability (P) and environmental performance (KL) while the remaining 89.3% is influenced by other variables outside the model studied.

| Model | R       | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|---------|----------|-------------------|---------------------------|
| 1     | 0.327   | 0.107    | 0.075             | 0.07796                   |

Table 5 shows the F Test Statistics = 3.401 with a significant 0.040 <0.05 at α = 5%, then H1 is accepted, so it can be concluded that the independent variables consisting of profitability (P) and environmental performance (KL) has a simultaneous or joint influence on the dependent variable, namely CSR disclosure.

| Model    | Sum of Squares | df | Mean Square | F     | Sig   |
|----------|----------------|----|-------------|-------|-------|
| Regression | 0.041          | 2  | 0.021       | 3.401 | 0.040 |
| Residual  | 0.346          | 57 | 0.006       |       |       |
| Total     | 0.388          | 59 |             |       |       |

Table 6 shows the t-test was conducted to determine the effect of partial independent variables on the dependent variable, whether the effect is significant or not. The formulation of the hypothesis in this test is as follows: H0: means, the independent variable does not have a significant effect partially on the dependent variable; H1: means, independent variables have a partially significant influence on the dependent variable; The significance level (α) is the amount of tolerance in accepting the results of the hypothetical error against the value of the population parameters. The significance level in the form of% is generally 1%, 5% and 10% written α 0.01; α 0.05; α 0.1. The amount of the error is a critical region of a test or region of rejection. The real level used in this study is α = 0.05 * assuming that the confidence level is 95% of the sample examined. The results of testing the t-test of each independent variable profitability and environmental performance expressed in table 7.

| Model                     | Unstandardized coefficients | Standardized coefficients | t      | Sig   |
|---------------------------|------------------------------|---------------------------|--------|-------|
| (Constant)                | 0.323                        | 0.023                     | 14.015 | 0.000 |
| Profitability of          | -0.033                       | -0.068                    | -0.535 | 0.595 |
| Environmental Performance | 0.021                        | 0.008                     | 2.602  | 0.012 |

Based on the table 7, the value of the t count of the independent variable profitability (P) is -0.535 with a significant value t of 0.595 which means a significance value of t > 0.05 (greater than α = 5%). This shows that H0 is accepted and H1 is rejected so that the independent variable profitability (P) does not have a significant effect on CSR disclosure. The value of the t count of the independent variable Environmental performance (KL) (table 7) is 2.602 with a significant value t of 0.012, means
a significance value of $t < 0.05$ (being smaller than $\alpha = 5\%$). This shows that $H_0$ is rejected and $H_1$ is accepted so that the independent variable Environmental Performance (KL) has a significant influence on CSR disclosure.

4. Conclusion

Environmental performance variable has a role to be able to influence prospective investors or stakeholders in investing in companies more than other variables. This is proven by the regression testing presented above that the level of significance of environmental performance is 0.012 $< 0.05$. Therefore, it is important for companies to keep the PROFER level in gold or green.

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