

# The Effect of Company Size, Age, Growth, Profitability, and Exposure Media on Corporate Social Responsibility

Fathan Mubina, Windhy Puspitasari, Muhammad Nuryatno Amin\*

Faculty of Economics and Business

Univeritas Trisakti

Jakarta, Indonesia

\*nuryatno@trisakti.ac.id

**Abstract**—This research aims to determine the effect of company size, age, growth, profitability and media exposure on corporate social responsibility. The purposive sampling method was used to obtain the financial statement of 45 companies out of a total population of 63 listed in LQ 45 from 2015 till 2017. The statistic descriptive, frequency distribution, classical assumption, multicollinearity, and heteroscedasticity tests were used to analyze the data obtained, while the multiple regression, coefficient of determination, partial t-test and F statistic were used for the hypothesis testing. The result show that the size, profitability and media exposure have a significant effect on corporate social responsibility; meanwhile age, and growth have insignificant effect.

**Keywords**—company characteristic, profitability, media exposure, corporate social responsibility

## I. INTRODUCTION

One of the obligations and responsibilities of a company is to maintain a good relationship with all stakeholders. According to the theory, companies need to provide benefits for both internal and external parties such as shareholders, investors, governments, consumers, distributors, and the community [1]. Previously, profitability was considered sufficient to bind stakeholders, however, today the community also demands responsibility from the business processes carried out by the company. Therefore, it has become the company's priority to provide values to society and the surrounding environment. The Corporate Social Responsibility (CSR) is currently the trend of the company to provide benefits from its profits to the community as a corporate responsibility in maintaining a good relationship with its stakeholders.

CSR encompasses a variety of responsibilities owned by the company to the surrounding community where it operates [2]. The European Commission defined CSR as a concept used by companies to voluntarily contribute to the betterment of society and a cleaner environment. Basically, it is a company's commitment to the economy, society and environment. CSR is divided into three main components namely, People, Profit, and

Planet [3]. However, according to the International Organization for Standardization (ISO) 26000, there are seven main subjects in the implementation of CSR, which includes organizational governance, human rights, labor, environment, the practice of healthy institutional activities, consumers, and community development. The World Business Council for Sustainable Development (WBCSD) and the World Bank also emphasized on the implementation of business commitments that contribute to sustainable economic development by working with employees and the community to improve the quality of life.

Companies need to possess good profitability to be able to create a CSR program similar to the Djarum Foundation. According to the stakeholder theory, social responsibility provides advantages and benefits to each stakeholder; therefore, it is properly conducted when the company is able to generate profits within a certain period which is the net result of management policies in managing liquidity, assets, and corporate debt. Companies provide the most benefit in the utilization of these resources, while the community directly or indirectly bears the negative externalities [4]. Therefore, companies need to be responsible for the various negative impacts that arise by returning some of the profits obtained for the welfare of the community, through the repair of damages caused, and by providing mutual value to the stakeholders.

## II. LITERATURE REVIEW

In addition to profitability, company size, age, and growth also affect the provision and disclosure of its CSR. In accordance with agency theory, large companies tend to make wider disclosure of information to reduce costs. The larger the company size, the greater the social responsibility that arises which is also explained by the signaling theory. Large companies tend to possess greater asymmetric information, which arises due to operational activities that have a greater social and environmental impact. Company age is also related to the disclosure of corporate social responsibility. The longer it is established, the more experience and knowledge it obtains

on what is needed to maximize profit. Corporate growth is also related to corporate CSR because it shows how a company’s economic performance needs to be balanced with increased responsibility for the community and the surrounding environment. The theory stated that companies with high growth rates tend to disclose more social information to meet the expectations of stakeholders.

The use of media exposure in providing disclosure of corporate CSR is in line with the branding of the company. In addition, when a company expresses its social responsibility, it also provides good value and reputation to the community. Therefore, media exposure is one of the variables that affect the provision and disclosure of CSR from companies. This research determines the ability of company size, age, growth, profitability, and media exposure to corporate social responsibility. According to some of the previous research company size has a significant positive effect on corporate social responsibility [5,6]. It also stated that company age has a significant positive effect on corporate social responsibility while growth had no effect [5,7]. Furthermore, profitability had a significant positive effect on Corporate Social Responsibility [6,8,9]. In addition, media exposure had a significant positive effect on corporate social responsibility [6].

**III. METHODS**

This is a quantitative research, which empirically obtained data on company size, age, growth, profitability, and media exposure to corporate social responsibility. The panel data was used to obtain annual and sustainability reports, which was analyzed using the multiple linear regression method.

**IV. RESULTS AND DISCUSSION**

**A. Results**

Based on the results of descriptive statistical testing, it was known that the dependent variable in this research, which is corporate social responsibility, had an average of 52.2442. The independent variable, the company size, age, growth, profitability and media exposure, had an average of 32.09851, 47.86, 9.62520, 7.6590 and 0.97, respectively.

Based on the results of the frequency distribution test, 3.2% of companies did not use social media/websites in their CSR disclosures. The normality test results using the One-Sample Kolmogorof-Smirnov obtained a significant value of 0.168 > 0.05. It also showed that Kolmogorov-Smirnov was greater than the table value of 0.05 and was normally distributed.

The multicollinearity testing result shows the VIF value of company size, age, growth, profitability, and media exposure were 1.285, 1.428, 1.085, 1.671 and 1.044, respectively. The value was below the multicol limit, which is 10; therefore, Ho was accepted. The tolerance value of each variable was also greater than 0.10 (> 0.10); therefore it was concluded that there was no multicollinearity between the independent variables in the regression model. Similarly, the heteroscedasticity test from the result of the gletsjer test, showed that the significance value

of each independent variable was > 0.05, therefore, Ho was accepted, and it was concluded that there was no heteroscedasticity on the independent variables.

The table shows an R square value of 0.177, which means that the variability of the CSR dependent variables explainable by the independent variables of company size, age, growth, profitability, and media exposure at 17.7% while the rest at 82.3% explained the variables outside the research model.

Based on the t-test (partial) results on the regression model, the significance value of the company size variable was 0.021 < 0.05, while on the age variable it was 0.630 > 0.05. Furthermore, the t-test results on the growth variable using the regression model, showed a significance value of 0.466 > 0.05, while on the profitability variable it was 0.027 < 0.05, and on the media exposure, it was 0.032 < 0.05. Therefore, it was concluded that partially company size, profitability, and media exposure variables had a significant effect on corporate social responsibility variable, while age and growth had no effect.

Based on the results of multiple regression analysis, the following regression model was generated:

$$Y = 157,348 - 3,953X1 + 0,071X2 - 0,131X3 - 0,682X4 + 25,724X5$$

The t-test results shown in Table 1.

TABLE I. T-TEST RESULTS

<b>T-TEST PARTIAL</b>		
<b>COEFFICIENT: CORPORATE SOCIAL RESPONSIBILITY</b>		
<i>MODEL</i>	<i>B</i>	<i>Sig.</i>
(Constant)	157.348	.005
SIZE	-3.953	.021
AGE	.071	.630
GROWTH	-.131	.466
ROA	-.682	.027
MEDIA	25.724	.032

Source: processed data

The F-test result is shown in Table 2.

TABLE II. F-TEST RESULTS

<b>F-TEST SIMULTAN</b>		
<b>ANOVA: CORPORATE SOCIAL RESPONSIBILITY</b>		
<i>Model</i>	<i>F</i>	<i>Sig.</i>
Regression	2.457	.044b

Source: processed data

Based on the table, a significance value of 0.044 was obtained which was smaller than the significance level of 0.05 or 0.044 < 0.05. It means that the variables of company size, age, growth, profitability, and media exposure together had a significant effect on CSR.

## B. Discussion

The results of multiple linear regression tests showed that the company size had a significance value of 0.021 or 2.1 percent, therefore, Ha1 was accepted. This was in line with the studies carried out by Waluyo, Wulandari and Zuhaimi, Yanti and Budiasih [5,6,10], which stated that company size had a significant effect on corporate social responsibility. It also showed that its size depicted by total assets affects the company's ability in disclosing its CSR.

The results of multiple linear regression tests showed that the significance value of the company age was 0.630 or 63 percent, therefore, Ha2 was rejected. This means that the company age variable had no significant effect on corporate social responsibility. The results of this research were not in line with Yanti and Budiasih [10] which stated the company age variable did not significantly affect corporate social responsibility. It showed that its age was not a factor with the ability to increase the disclosure of corporate social responsibility.

The results of multiple linear regression tests showed that the significance value of the company age was 0.466 or 46.6 percent, therefore, Ha3 was rejected. This means that the company growth variable had no significant effect on corporate social responsibility. The results were in line with the research conducted by Waluyo, Wulandari and Zuhaimi [5,6] which stated that company growth insignificantly affected corporate social responsibility. It showed that growth was not one of the factors that encourage companies to increase corporate social responsibility disclosure.

The results of multiple linear regression tests showed that the significance value of profitability was 0.027 or 2.7 percent, therefore, Ha4 was accepted. The results were in line with the research conducted by Wulandari and Zuhaimi, Widiawan, and Widiastuti [6,8,9] which stated that the profitability described by ROA affected companies to intensify corporate social responsibility activities and disclosures.

The results of multiple linear regression testing showed that the significance value of profitability was 0.032 or 3.2 percent, therefore, Ha5 was accepted. This was in line with the research by [5-7], which stated that media exposure had a significant effect on corporate social responsibility. It showed that in the current era, is supported by sophisticated technology and media facilities which influenced the company decision in expressing its social responsibility.

## V. CONCLUSIONS

In conclusion, company size, profitability, and media exposure had a significant effect on corporate social responsibility, while age and growth had no effect. Based on the results, it is suggested to the companies to proportionally utilize media exposure in fulfilling CSR liabilities. It also suggested to Financial Services Authority (OJK) to pursue public companies in utilizing media exposure in fulfilling their CSR liabilities.

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