The Effect of Disclosure of Corporate Social Responsibility and Good Corporate Governance to ROA in Sri Kehati Index

Syahrul Effendi

Department Of Management

Sekolah Tinggi Ilmu Ekonomi Indonesia Jakarta

Jakarta, Indonesia

Syahrul.effendi@stei.ac.id

Abstract—**The purpose of this study was to examine the effect of disclosure of Corporate Social Responsibility and Good Corporate Governance to the ROA of a company incorporated in Sri Kehati index in the Indonesia Stock Exchange in the period 2011-2015. This research is a correlation regression testing as an article describing the phenomenon in the form of the relationship between variables. The research data was obtained from annual reports and financial sites Indonesia Stock Exchange (BEI). Samples used as many as 14 companies qualified financial reports, sustainability reports listed in Indonesia Stock Exchange in 2011-2015. The sampling technique used literature. This study uses multiple regression analysis.**

Keywords—corporate social responsibility; good corporate governance; board of commissioner size; independent commissioner; audit committee; ROA

I. INTRODUCTION

The presence of the Indonesian Biodiversity Foundation (KEHATI) since January 12, 1994 is intended to collect and manage resources which are then channeled in the form of grants, facilitation, consultations and various other facilities to support various programs to conserve Indonesian biodiversity and use it fairly and sustainably. The existence of the KEHATI Foundation was inseparable from the implementation of the Earth Summit in Rio de Janeiro in 1992 and the Tokyo Declaration in 1993 where the leaders of three countries, namely the United States, Japan and Indonesia, agreed to collaborate to help sustain biodiversity conservation programs in Indonesia. Emil Salim, who in 1993 has finished serving as Minister of State for Population and Environment, was asked by the Government of Indonesia to form non-governmental organizations as a container and implementer of the biodiversity program with the help of grants from the United States Government. With the help of colleagues from non-government organizations, such as Koesnadi Hardjasomantri, Ismid, Hadad, Erna Witoelar, M.S. Kismadi, and Nono Anwar Makarim, the articles of association, organization and work program of the Indonesian Biodiversity Foundation were compiled, abbreviated KEHATI.

Corporate Social Responsibility (corporate social responsibility) is conceptually the concern of the company based on triple bottom lines, namely profit (seeking profit), people (prospering people) and planet (guaranteeing the continuity of the planet). CSR is a form of company sincerity to set aside some of the company's assets to reduce the possible negative impacts and try to maximize the positive impact of the company's operations on all parties interested in economic, social and environmental activities [1]. With the disclosure of CSR, it will help the company to convey to the public and investors that in addition to wanting to get profit, the company also pays attention to the social and environmental conditions. Social information disclosure means or sustainability reporting is useful to provide information to investors about various social activities that have been carried out by the company because individual investors are interested in the social information reported in the annual report. The development of sustainability reporting in Indonesia is quite good after the ISRA (Indonesia Sustainability Reporting Award). At present, in Indonesia, many companies that make sustainability reports with reference to the reporting standards issued by the Global Reporting Initiative (GRI) are even able to occupy the highest position in the ASEAN region. Increased CSR disclosures which are seen from the progress of sustainable reports are expected to improve the company's image in the eyes of the community and attract investors to invest and play a role in enhancing economic development.

Good Corporate Governance (GCG) is a system, and a set of rules that govern the relationships between various interested parties, especially in the narrow sense of the relationship between shareholders and the board of commissioners and the board of directors in order to achieve corporate goals. The National Committee on Corporate Governance Policy establishes GCG guidelines to facilitate business people in managing and directing all parties involved in business activities [2]. GCG is believed to have many benefits, if applied consistently. The benefits of implementing GCG include: company performance continues to improve, stock prices and corporate image continue to increase, the credibility of the company continues to rise beyond national borders, both in the eyes of investors, partners or creditors and

other stakeholders. Although the implementation of GCG can provide benefits for the company, the implementation of GCG in Indonesia is still uneven.

Return on Assets (ROA) is the ratio used to measure the ability of a company's management to obtain profits by utilizing the total assets owned [3].

II. THEORETICAL FRAMEWORK

A. Corporate Social Responsibility

Corporate Social Responsibility (CSR) is an accounting concept that can make companies driven to carry out their responsibilities to the environment and society. CSR arises as a result of the company's operational activities which not only have a positive impact, but also have a negative impact, especially for the community and the environment around the company. CSR will proactively raise public interest by encouraging community growth and development. Basically, CSR is an action taken by a company in an effort to raise public interest by paying attention to the three bottom lines: People, Planet, and Profit. So far there has not been a single theory accepted to explain social and environmental accounting, so there are still many variations in terms of theoretical perspectives that can be adopted [4].

B. Good Corporate Governance

Corporate Governance is a set of relationships between the management of the company, the board, shareholders, and other parties who have an interest in the company. Corporate Governance also requires a device structure to achieve the objectives and supervision of performance. Good corporate governance can provide incentives for the board and management to achieve goals that are in the interests of the company and shareholders must facilitate effective supervision so as to encourage companies to use resources more efficiently [2].

C. The Board of Commissioners

The board of commissioners (BOC) is the highest internal control mechanism responsible for monitoring the actions of top management [5]. The Board of Commissioners as a corporate organ is collectively responsible and responsible for supervising and providing advice to the board of directors and ensuring that the company implements GCG [6]. The board of commissioners measurement used in this study uses the number of commissioners in the company [6].

D. The Independent of Commissioners

The independent commissioner (IC) is an entity within a company that usually consists of an independent board of commissioners who are from outside the company whose function is to assess the company's overall and overall performance. Independent commissioners are unaffiliated parties with controlling shareholders, directors and other commissioners, and the company itself in the form of both business and family relationships [5].

E. The Audit Committee

The audit committee (AC) is tasked to assist the board of commissioners to ensure that financial statements are presented fairly in accordance with generally accepted accounting principles, the structure of the company's internal control is carried out properly, internal and external audits are carried out in accordance with applicable audit standards, and follow-up to audit findings carried out by management [5].

F. Return on Assets

The Return on Assets (ROA) is the ratio used to measure the ability of a company's management to obtain profits by utilizing the total assets [3]. ROA measures how effectively a company can convert revenue from its return on investment into assets. The higher the ROA of the company, the better [7].

$$ROA = \frac{Net\ Income}{Total\ Assets}$$

III. METHOD

A. Object of Research

In this research dependent variable has research object in the form of return on assets, whereas in independent variable have research object in corporate social responsibility, the board of commissioners, the independent of commissioners and the audit committee.

This study uses quantitative methods, which emphasize the analysis of numerical data (numbers) processed by statistical methods. Quantitative methods are research by obtaining numerical data or qualitative data. This research design is causality which is giving a concrete explanation of the variables which are the causes and variables which are the result. Basically, a quantitative approach is carried out in the research in order to test hypotheses and draw conclusions on the results on a zero probability. With quantitative methods will be obtained the significance of group differences or the significance of the relationship between the variables studied.

The object of research is all companies that are members of the Sri Kehati Index. The study population was 25 companies, the number of companies that met the sample criteria were a number of 14 companies that entered the Sri Kehati index consistently listed on the Indonesia Stock Exchange for the period 2011 to 2015. The sample selection in this study was determined using a purposive method.

B. Analysis Method

In this study, Analysis and data processing performed by using computerized application with SPSS 21.0

The type of data used in this study uses secondary data. Data sources for ROA are taken from the performance report listed on the website www.idx.co.id. For Good Corporate Governance data such as the size of the Board of Commissioners, Independent Commissioners and the Audit Committee are obtained from the annual financial statements.

For GRI 4 data sources taken from the website of each company if GRI disclosures are not listed in the annual financial statements. Data collection techniques in this study use the library method (copying, downloading, recording, and counting). The sample criteria used:

- Companies that entered the 14 companies incorporated in the Sri Kehati index were consistent from 2011-2015.

- Issued a complete annual report, Su- tainable Reporting, and data on Corporate Governance specifically contains information about the size of the board of directors, independent commissioners and audit committee.

- Have complete data related to the variables used in the study.

IV. RESULTS AND DISCUSSION

A. Descriptive Statistics

Descriptive statistical testing is useful as a tool for analyzing data without the intention of making a conclusion by describing an existing sample. Descriptive statistics provide an overview or description of a data which is seen from the mean (mean), standard deviation, minimum, maximum and variant [8].

TABLE I.   DESCRIPTIVE STATISTIC

	Min	Max	Mean	Std Dev
CSR	0.1	0.98	0.4437	0.22447
BOC	5	11	6.6	1.498
IC	2	5	2.91	0.847
AC	3	7	3.89	1.043
ROA	1.31	71.51	12.29	12.0394

B. Normality Test and Autocorrelation Test

Normality test aims to test whether in the regression model, the dependent variable and the independent variables have normal or not data distribution. In this study used a method to test the normality of the Kolmogrorov-Smirnov Z test data (I-sample K-S). Based on the results of the One Sample Kolmogorov-Smirnov test it can be seen that the value of Asymp.Sig. (2-tailed) is 0.220> significance level of 0.05 which means that the data is normally distributed.

The purpose of this autocorrelation test is to find out whether there is a deviation from the classic autocorrelation assumption. Run test is part of non-parametric statistics that can be used to test whether there is a high correlation between residuals or not. If there is no correlation between residuals, it is said that residuals are random or random. Based on the run test for the RoA variable of 0.864, it can be said that there is no autocorrelation in this data because sig. (2-tailed) is greater than 0.05.

C. Heteroscedasticity Test

Heteroscedasticity test is used to find out whether there are deviations of classical heteroscedasticity assumptions, namely

the existence of variance inequality of residuals for all observations in the regression model. The requirements that must be fulfilled in the regression model are the absence of symptoms of heteroscedasticity.

TABLE II.   HETEROSDESTATICITY TEST

	Sig.(2-tailed)
Variable	RoA
CSR	0.303
BOC	0.854
IC	0.302
AC	0.469

The heteroscedasticity test results above show that the t-statistics of all variables (Corporate Social Responsibility, Size of the Board of Commissioners, Independent Commissioner, Audit Committee) are not statistically significant, all have a significance value above 0.05 (p-value > 0.05), so it can be concluded that the regression model used in this study does not experience heteroscedasticity problems, in other words the regression model used to avoid heteroscedasticity problems

D. Multicollinearity Test

Multicollinearity test aims to test whether the regression model found a correlation between independent (independent) variables. A good regression model should not have correlation between independent variables. Based on the results of data processing, the variance inflation factor (VIF) and tolerance values are presented in the table below:

TABLE III.   MULTICOLLINEARITY TEST

Variable	Tolerance	VIF	Results
CSR	0.93	1.08	There is no multicollinearity
BOC	0.748	1.34	There is no multicollinearity
IC	0.759	1.32	There is no multicollinearity
AC	0.893	1.13	There is no multicollinearity

E. Simultaneous Test

Simultaneous testing is carried out to find out how much influence the independent variable has on the dependent variable. In this study the regression test was conducted to find out how much influence the Corporate Social Responsibility, Size of the Board of Commissioners, Independent Commissioner, and Audit Committee on the profitability of ROA. The following is a table of regression equations for simultaneous test (Test-F). Explanation of the ROA regression equation as follows:

- The regression coefficient value for a constant is 22,535 with a significance at 0.01 (<0.05). This means that if Corporate Social Responsibility, Size of the Board of Commissioners, Independent Commissioner, Audit Committee is not available, then every 100 rupiah of assets has generated profitability (ROA) of 22,535

- The regression coefficient value (b) of Corporate Social Responsibility is 9,269 with a significant value of 0.14

greater than 0.05, which means that there is a positive but insignificant influence on CSR.

- Regression coefficient value (b) The size of the Board of Commissioners of -3,225 significance of 0,000 less than 0.05 means that the size of the Board of Commissioners increases by 1 person, it will cause a decrease or decrease in the value of profitability (ROA) of -3,225

- The regression coefficient value (b) Independent Commissioner of 3,587 significance 0.06 greater than 0.05 means that an increase in the Independent Commissioner is 1 person, it will cause a positive IC not significant.

- The regression coefficient value (b) the Audit Committee of 1.384 significance of 0.51 greater than 0.05 means that the increase in the Audit Committee is 1 person, it will cause a positive train that is not significant.

Based on the linear regression equation is mathematically formulated as follows:

ROA = 22,535 + 9,269CSR - 3,225BOC + 3,587IC + 1,384AC

From the ANOVA test results (F-test) ROA it can be seen that the calculated F value is 3.421 and has a sig value of 0.013. From the F Table list, the F Table value with a significance level of 0.05 with the number of independent variables = 4, the dependent variable = 3, and the sample 70 obtained the F Table value of 2.50. Means that the F value is greater than F table (3,421> 2,50). With a value of Sig 0.013 smaller than 0.05. It can be concluded that Ho is rejected and Ha is accepted at a significance level of 0.05. The conclusion is that the independent variables together have a significant influence on the dependent variable, namely Return on Assets (ROA).

TABLE IV. RESULTS OF TESTING THE EFFECT OF CSR AND GCG ON THE ROA OF SRI KEHATI INDEX

Variable	Coefficient R	t	Sig.
Constant	22.535	2.749	0.01
CSR	9.269	1.478	0.14
BOC	-3.225	-3.08	0
IC	3.587	1.949	0.06
AC	1.384	-0.66	0.51
R²	0.174		
Fcount		3.421	0.01

V. CONCLUSIONS

This study aims to determine the effect of Corporate Social Responsibility, Size of the Board of Commissioners, Independent Commissioner, and Audit Committee on ROA, in companies incorporated in the Sri Kehati index listed on the Indonesia Stock Exchange during the period 2011-2015. Based on the results of the analysis and discussion in the previous chapter, it can be concluded that:

- Corporate Social Responsibility disclosure is not significantly positive towards Return on Assets.

- In this study, the size of the board of commissioners was significantly negative towards Return on Assets.

- The Independent Commissioner is not significantly positive on Return on Assets

- The Audit Committee is not positively significant either towards Return on Assets toolbar.

Referring to the results of this study, some of the suggestions put forward are: 1) if company management wants high profitability, then manage well the size of the board of commissioners and independent commissioners because investors will pay attention; 2) if the Investor wants to get a company with high profitability, the more independent commissioners in a company, the higher the profitability, 3) the Government as a regulator should arrange for the implementation of CSR and GCG to be mandatory so that companies can truly do a good sustainability report follow GRI 4, and 4) disclosure tables for Researchers Furthermore, some suggestions are: (a) subsequent research so that there is no need to research CSR in companies incorporated in the Sri Kehati index and add investment policy variables, capital structure and dividend policy; (b) can examine to find out how many people for the size of the board of commissioners, independent commissioners and audit committee are optimal in the company, and (c) further research can examine variables such as accountability, transparency and responsibility.

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