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Research Article

Does the Implementation of Corporate Social Responsibility Have An Effect toward Profitability?

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Abstract : This study aims to find out how and how the Implementation of Corporate Social Responsibility (CSR) on Profitability (ROA) on Large Trading Sub Sector Companies listed in Indonesia Stock Exchange Period 2014-2016. The background of this research, there are several companies experiencing loss and decrease of profitability (ROA) during year 2014-2016. Research taking samples with non probability sampling, while the technique used is purposive sampling. This research is explanatory research with type of investigation are descriptive and verification. The analysis data used simple linear regression and processed using software Eviews 8 program. The result of research indicate that Corporate Responsibility research on profitability of large trading sub sector companies of production goods listed in Indonesia Stock Exchange in 2014-2016.

Keywords: Corporate Social Responsibility, Return On Assets, profitability

1. Introduction

Profitability ratios using Return on Assets (ROA) are intended to measure the company's ability to invest in total assets. The greater the value of ROA, the better the performance of the company, so that the high value of ROA can provide a great opportunity for companies to increase growth (Lestari and Sugiharto, 2007).

It is important for users of financial statements to determine profit growth because the increase in profits obtained by the company determines the amount of return to shareholders or for potential investors to make investment decisions (Rantika and Budiarti, 2016). Profit growth is used as a tool to estimate the possibilities that will occur in the future for company management in various sectors, one of which is a large trade sector.

The company will be able to make a positive contribution to the economy, but this does not mean that it neglects matters related to its social environment. The increasingly fierce competition now makes the company only focus on the interests of shareholders and begin to ignore the interests of stakeholders, including shareholders, creditors, consumers, suppliers, government, society, and analysts. These events make companies have an obligation to pay attention to social responsibility in the community or known as CSR (Corporate Social Responsibility) (Putra, 2015).

According to Ghazali and Chariri (2007: 409), the implementation and disclosure of CSR activities is one way to maintain good relations with stakeholders that will have an impact on increasing the profitability of the company. CSR can be used as a new marketing tool for companies. The greater the CSR activities, the wider the community's reach which will affect the company's image in the eyes of the community. This image enhancement is expected by the company to have an impact on improving community perceptions and behaviors, including decisions to make purchases which in turn can increase the company's profitability (Sari and Padmono, 2014). This proves that CSR contributes to the company in creating profit.

2. Literature Review

Profitability

Definition of profitability according to Gitman (2003: 591) as follows:
"Profitability is the relationship between revenues and cost generated by using the firm's assets both current and fixed in productive activities."

Return on Assets (ROA)

Return on Assets (ROA) is one of the profitability ratios to measure a company's ability to generate profits by utilizing its assets. This ratio measures the ability of the company over the overall funds invested with the aim of generating profits by utilizing the assets they have (Ang, 2007: 29).

ROA can be calculated using the following formula (Sartono, 2012:113):

$$\text{Return on Assets (ROA)} = \frac{\text{Earnings After Tax}}{\text{Total of Asset}} x\ 100\%$$

Corporate Social Responsibility

The definition of Corporate Social Responsibility according to Kotler and Lee (2005) is:

"Corporate Social Responsibility is a commitment to improve community well being through discretionary business practices and contribution of corporate resources".

Disclosure of Corporate Social Responsibility (CSR)

In Indonesia, disclosure of Corporate Social Responsibility is presented in the annual report which contains the presentation of financial and non-financial statements and has been regulated in the Statement of Financial Accounting Standards (PSAK) No. 1/ 2013 concerning Presentation of Financial Statements stating that companies can present additional reports such as reports on the environment and value added, especially for companies that play an important role in environmental factors (IAI, 2015).

CSR disclosure in Indonesia refers to the standards developed by GRI. The Global Reporting Initiative (GRI) is an institution that encourages the implementation of sustainability reporting so that reporting can be directed and become standard practice. The sustainability reporting framework created by the GRI is most widely used with the aim of encouraging greater transparency. The framework establishes principles and indicators that can be used to measure and report on their economic, environmental and social performance (www.globalreporting.org).

Theoretical Framework

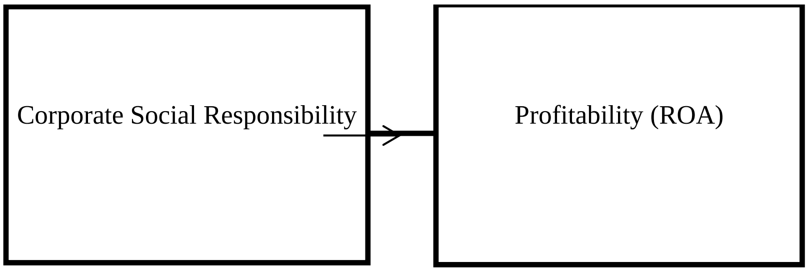

Figure 1: Theoretical Framework

Hypothesis Development

H_o: The implementation of Corporate Social responsibility has no effect toward profitability (ROA)

H_a: The implementation of Corporate Social responsibility has an effect toward profitability (ROA).

3. Method

Simple Linear Regression Analysis

Data analysis techniques in the study using simple linear regression analysis. Simple linear regression analysis is used to measure the strength of the relationship of a dependent variable and an independent variable (Nuryaman & Christina, 2015). The regression equation is as follows:

$$Y = a + bx + \varepsilon$$

Where:

Y = Return o Assets (ROA)

x = Corporate Social Responsibility

a = Constant

b = Regression Coefficient

e = Error

The significance level of 0.05 means that most likely the results of conclusions have a 95% probability or 5% error tolerance.

Simple Linear Regression Analysis

Regression models are as follows:

$$ROA = 47.07263 + 1.028101CSR + 2.335149$$

It means that:

1. If α = constant for 47.07263 meaning that if the independent variable is the CSR variable is considered constant (value 0), then the dependent variable is the variable Profitability (ROA) will be worth 47.0726.
2. If the regression coefficient value shows that CSR variable is 1.028101, it means that if the CSR variable increases by (one) unit, the dependent variable is the profitability variable (ROA) will increase to 1.028101.

4. Discussion and Conclusion

Implementation of Corporate Social Responsibility in Large Trading of Goods Production Sub-Sector Companies

Corporate Social Responsibility in this study was measured using the CSR Disclosure Index indicator based on The Global Reporting Initiative namely the GRI Index Version 4.0 which consists of indicators of economic performance, environmental performance and social performance (Salem et al., 2016). The results showed that in the implementation of Corporate Social Responsibility in the company, the large trade in goods was still not fully revealed 100% of its CSR even though the average CSR disclosure in 2014-2016 experienced a consecutive increase. The average large trading company during 2014-2016 only revealed CSR of 42.18%. This shows that the implementation of CSR of large trading companies is still low, as in PT Tunas Ridean Tbk (TURI) which is the company with the lowest CSR Disclosure Index value for the period 2014-2016. The low disclosure of CSR in large trading companies is caused by the company's limitations in carrying out CSR such as cost issues, problems in the form of activities carried out, licensing and regulatory issues, as well as a lack of understanding of implementation and evaluation in the field so that companies cannot disclose items of CSR disclosure to the maximum.

Profitability in Large Trading of Goods Production Sub Sector Companies

Profitability in this study was measured using the indicator Return on Assets (ROA). The research result showed that in the period 2014 -2016 large trading company profitability there is even a tendency to decrease even there are large trading company that decreased levels of profitability in a row due to the small profit the company. The average profitability of companies per big merchandise during the period 2014-2016 has value only because the ROA of 4.76% during that period the large trading company can not obtain to maximize profits due to sales caused by the decrease in selling prices and low demand, so that this is reflected in the level of profitability the company that make fluctuate downwards trend. One of its companies, PT AKR Corporindo Tbk (AKRA), experienced a decline in profits due to sales caused by the decline in selling prices of fuel oil and slowing industrial demand in Indonesia.

The Effect of the Implementation of Corporate Social Responsibility toward Profitability (ROA)

From the test results it is known that the application Corporate Social Responsibility has an effect toward profitability (ROA), this can be explained that in Corporate Social Responsibility there are elements that can affect the profitability of the company. Corporate Social Responsibility not only to discuss the employment and the economy in a sustainable manner, but in CSR also discussed concerning the social responsibility to society. The greater the CSR activities carried out by the company, the wider the reach of the community which can then have an impact on the company's image both in the general public and consumers in particular so as to increase sales activities which are reflected in the increase in corporate profits (Sari and Padmono, 2014) .

Conclusion

1. Implementation of Corporate Social Responsibility in large trading of goods production sub sector companies listed on Indonesia Stock Exchange in 2014-2016 shows that CSR values are still low.
2. The profitability of companies in the large trading sub-sector of production goods measured by Return on Assets (ROA) during 2014-2016 shows that the value of ROA is fluctuating and tends to decline.

3. The implementation of Corporate Social Responsibility has an effect on profitability in large trading sub-sector companies listed on the Indonesia Stock Exchange in 2014-2016.

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