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Effect of Financial Performance, Firm Size, and Leverage on Corporate Social Responsibility (Empirical Study on Mining Companies Listed on the Indonesia Stock Exchange)

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Abstract

Corporate social responsibility is also a company's commitment to the interests of stakeholders in a broad sense other than the interests of the company. This research study is about effect of financial performance, firm size, and leverage on corporate social responsibility, empirical study in Mining Companies listed on the Indonesia Stock Exchange. The population in this study were 28 Mining Companies listed on the Indonesia Stock Exchange in 2013-2017. The total sample used is 85 (5 years x 17). The research used multiple linear regression analysis method. The results showed that financial performance has a significant effect on corporate social responsibility in Mining Companies listed on the Indonesia Stock Exchange. Firm size has no significant effect on corporate social responsibility in Mining Companies listed on the Indonesia Stock Exchange. Leverage has a significant effect on corporate social responsibility in Mining Companies listed on the Indonesia Stock Exchange. Financial performance, firm size, and leverage have a significant effect on corporate social responsibility in Mining Companies listed on the Indonesia Stock Exchange.

Keywords
financial performance; firm size; leverage; corporate social responsibility

I. Introduction

Corporate social responsibility is also a company's commitment to the interests of stakeholders in a broad sense other than the interests of the company. Companies in implementing corporate social responsibility can be influenced by several reasons including the pressure on the implementation of corporate social responsibility that is getting bigger, more and more organizations are monitoring the implementation of corporate social responsibility by companies, and the interest to integrate the interests of the community into its strategy for business competitiveness (Said, 2015).

The existence of harmony between the profits obtained by the company with direct contributions to the community and the environment is a mechanism of checks and balances between the company and the community. However, without realizing it, company activities often cause various social and environmental problems, such as causing air pollution, noise, discrimination, and other forms of negative externalities. Based on this, there is a need for companies to be able to interact and adapt to local communities in order to gain trust associated with corporate culture and business ethics in the form of social responsibility (Said, 2015).

Corporate social responsibility is a form of implementation of corporate social responsibility to the community. Currently, corporate social responsibility has been used as a strategy by companies to improve the company's image, which will affect the company's financial performance. In order for the implementation of the corporate social responsibility program to run well, the company must perform. First, empowering the

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community in market development programs and establishing community development programs. Thus increasing the positive image of the company in the community to be able to develop the concept of added value chain. Second, establish programs by supporting basic and vocational education, environmental security, community welfare, health, and community security (Said, 2015).

The magnitude of a company's corporate social responsibility activities can be measured through a comparison between the company's corporate social responsibility activities compared to the number of corporate social responsibility programs as outlined in the corporate social responsibility disclosure checklist at www.globalreporting.org which consists of 79 corporate social responsibility activities.

The purpose of the company in general is to get the maximum profit. In order to achieve this goal, the company must be managed properly. One aspect of its management is by recording in a bookkeeping system, namely financial accounting.

Financial statements are a very important tool to obtain information regarding the financial position, and the results that have been achieved by the company concerned. By conducting an analysis of the balance sheet items, it can be known or will obtain an overview of the financial position, while an analysis of the income statement will provide an overview of the results or business development of the company concerned (Kasmir, 2016).

To record expenses and receipts at the end of each accounting period, the company makes financial statements consisting of balance sheets, income statements, reports of changes in capital and cash flow statements. Financial statements are a very important tool to obtain information regarding the financial position and results achieved by the company concerned. By conducting an analysis of the balance sheet items, it can be known or an overview of the financial position will be obtained, while an analysis of the income statement will provide an overview of the results or business development of the company concerned (Kasmir, 2016).

One of the things that companies pay attention to in making corporate social responsibility programs is their financial performance. This is because the better the company's financial performance, the greater its ability to carry out corporate social responsibility. Financial performance can be measured by return on investment. Performance measurement can be aimed at measuring the performance of organizational units or the performance of their managers (Sodikin, 2015). Return on investment, or better known as return on investment or return on total assets, is a ratio that shows the yield on the total assets used in the company (Kasmir, 2016).

Another factor that is considered in making corporate social responsibility activities is firm size. The larger the size of the company, it can give the assumption that the company is known by the wider community so that it is easier to increase the value of the company (Hery, 2017). The origin of the implementation of corporate social responsibility is political pressure and social pressure. Generally, the company's response is different in implementing corporate social responsibility programs (Said, 2015).

Leverage also has an influence on the implementation of corporate social responsibility. The higher the level of leverage, the greater the possibility of violating the credit agreement so that the company will try to report higher profits by reducing costs, including the costs of corporate social responsibility. Leverage can be measured by the debt to total asset ratio, which is the ratio used to measure the company's solvency level. Leverage is the use of assets or funds, for which the company must bear a fixed burden in the form of depreciation or interest (Halim, 2015).

II. Review of Literature

2.1 Effect of Financial Performance on Corporate Social Responsibility

Measurement of the activity of an economic entity can be done using financial statements as a benchmark (Sulindawati et al., 2017). Return on investment is determined based on the comparison between earning after interest and tax with total assets (Kasmir, 2016).

So far there has been no uniformity in terms of performance, there are those who are more inclined to see performance as the implementation of organizational activities, but there are also those who prefer performance as the work achievement of an organization. The measurement of financial performance essentially has many objectives, namely (Kasmir, 2016):

1. To determine the level of liquidity, namely the company's ability to meet the company's obligations when billed.
2. To determine the level of solvency, namely the company's ability to be liquidated, both short-term and long-term liabilities.
3. To determine the level of profitability or profitability, is the company's ability to generate profits in a certain period.
4. To determine the level of business stability, is to carry out its business in a stable manner, which is measured by considering the company's ability to pay interest or debts on time, as well as the company's ability to pay dividends regularly to shareholders without experiencing obstacles or problems financial crisis.

In general, it can be said that financial performance is an achievement achieved by a company in the financial sector within a certain period which reflects the level of company health. On the other hand, financial performance describes the strength of a company's financial structure and the extent to which the company's available assets are able to make a profit. This is closely related to management (especially financial managers) in managing all the resources owned by the company effectively and efficiently (Sulindawati et al., 2017).

Financial performance described by return on assets partially has no effect on the intensity of disclosure of the implementation of corporate social responsibility.

2.2 Effect of Firm Size on Corporate Social Responsibility

The larger the size of the company, it can give the assumption that the company is known by the wider community so that it is easier to increase the value of the company. Investors tend to pay special attention to large companies because they are considered to have more stable conditions and are easier in terms of obtaining internal and external funding sources (Hery, 2017). The size of the company will affect the ability to bear the risks that may arise from various situations faced by the company. Large companies have a lower risk than small companies. This is because large companies have better control over market conditions so that they are able to face economic competition.

The size of the company describes the size of a company where large companies will find it easier to get loans from outside either in the form of debt or share capital because usually large companies are accompanied by a fairly good reputation in the eyes of the public. Company size reflects the size of the company. Companies with a larger size will require more funds than small companies. The size of the company is the size of the company can be measured by the total assets of the company by using the calculation of the logarithm of total assets (Hery, 2017).

The size of the company can affect the social performance of the company because large companies have a more distant view, so they participate more in growing the company's social performance. Based on some of these references, the author can conclude that company size is the size of a company. Thus, company size is the size or amount of assets owned by the company (Hery, 2017).

The size of the company is considered capable of influencing the value of the company because the larger the size or scale of the company, the easier it will be for the company to obtain funding sources, both internal and external. Company size describes the size of a company which can be expressed by total assets or total net sales. The greater the total assets and sales, the greater the size of a company. The greater the assets, the greater the capital invested, while the more sales, the more money turnover in the company. In other words, total assets can measure the size of the company (Hery, 2017).

Size of the company partially does not affect the intensity of disclosure of the implementation of corporate social responsibility.

2.3 Effect of Leverage on Corporate Social Responsibility

The leverage ratio is used to measure the company's ability to meet all of its obligations, both short-term and long-term (Sujarweni, 2017). Leverage ratio is a ratio that analyzes spending made in the form of debt and capital composition as well as the company's ability to pay interest and other fixed expenses (Sugiono and Untung, 2016).

Leverage ratio that can affect company profits, differences in company size company growth can also affect profitability. Benchmarks that show the size of the company, including total sales, total assets, number of regular customers. Large companies can more easily access the capital market than small companies (Sujarweni, 2017). The availability of funds will make it easier for companies to carry out existing investment opportunities.

III. Research Method

Population is a distinct group of individuals, whether that group comprises a nation or a group of people with a common characteristic. In statistics, a population is the pool of individuals from which a statistical sample is drawn for a study (Jibril et al., 2022; Pandiangan, 2022; Pandiangan et al., 2022). The population in this study were 28 Mining Companies listed on the Indonesia Stock Exchange in 2013-2017. Sample is defined as a smaller set of data that a researcher chooses or selects from a larger population by using a pre-defined selection method (Octiva et al., 2021; Pandia et al., 2018; Pandiangan, 2015). The research sample used purposive sampling. Purposive sampling is a sampling technique with certain considerations (Octiva, 2018; Pandiangan, 2018). The reason for using this purposive sampling technique is because it is suitable for use for quantitative research (Asyraini et al., 2022; Octiva et al., 2018; Pandiangan et al., 2018).
The criteria used to select the sample are as follows:

1. Mining Companies listed on the Indonesia Stock Exchange during the period 2013 to 2017.
2. Mining Companies provide complete and audited financial report data for the period 2013 to 2017.
3. Mining Companies that carry out corporate social responsibility.

The total sample used is 85 (5 years x 17). The research used multiple linear regression analysis method to get the relationship between the research variables (Pandiangan et al., 2021; Tobing et al., 2018).

IV. Results and Discussion

4.1 Descriptive Statistical Results

Table 1. Descriptive Statistical Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Financial Performance	85	-0.65	0.38	-0.0035	0.11654
Firm Size	85	25.78	32.16	29.6114	1.54312
Leverage	85	0.04	1.90	0.6006	0.31412
Corporate Social Responsibility	85	0.03	0.58	0.1187	0.12586
Valid N (listwise)	85				

Source: Research Results

Based on the Table above, it can be seen that the results of descriptive statistical tests show that maximum value of financial performance is 0.38 and minimum is -0.65. The minimum of firm size value is 25.78 and maximum is 32.16. The minimum of leverage value is 0.04 and maximum is 1.90. The minimum value of corporate social responsibility is 0.03 and maximum is 0.58.

The following are the results of descriptive statistical tests after data transformation:

Table 2. Descriptive Statistical of Data Transformation Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Financial Performance	47	0.01	0.38	0.0574	0.06191
Firm Size	47	25.78	32.16	29.7813	1.52789
Leverage	47	0.09	1.90	0.5819	0.29174
Corporate Social Responsibility	47	0.03	0.52	0.1002	0.09986
Valid N (listwise)	47				

Source: Research Results

4.2 Partial Hypothesis Test Results

Table 3. Partial Hypothesis Test Results

Hypothesis		t_{count}	**Significance**	**Conclusion**
H_1:	Financial performance has effect on corporate social responsibility in Mining Companies listed on the Indonesia Stock Exchange.	2.264	0.029	H_1 Received
H_2:	Firm Size has effect on corporate social responsibility in Mining Companies listed on the Indonesia Stock Exchange.	.812	0.421	H_2 Rejected
H_3:	Leverage has effect on corporate social responsibility in Mining Companies listed on the Indonesia Stock Exchange.	5.956	0.000	H_3 Received

Source: Research Results

The results of partial hypothesis test show that financial performance has a significant effect on corporate social responsibility in Mining Companies listed on the Indonesia Stock Exchange. Firm size has no significant effect on corporate social responsibility in Mining Companies listed on the Indonesia Stock Exchange. Leverage has a significant effect on corporate social responsibility in Mining Companies listed on the Indonesia Stock Exchange.

4.3 Simultaneous Hypothesis Test Results

Table 5. Simultaneous Hypothesis Test Results

Hypothesis		F_{count}	Significance	Conclusion
H_4:	Financial performance, firm size, and leverage have effect on corporate social responsibility in Mining Companies Listed on the Indonesia Stock Exchange.	13.389	0.000	H_4 Received

Source: Research Results

The results of simultaneous hypothesis test show that financial performance, firm size, and leverage have a significant effect on corporate social responsibility in Mining Companies listed on the Indonesia Stock Exchange.

V. Conclusion

The results showed that financial performance has a significant effect on corporate social responsibility in Mining Companies listed on the Indonesia Stock Exchange. Firm size has no significant effect on corporate social responsibility in Mining Companies listed on the Indonesia Stock Exchange. Leverage has a significant effect on corporate social responsibility in Mining Companies listed on the Indonesia Stock Exchange. Financial performance, firm size, and leverage have a significant effect on corporate social responsibility in Mining Companies listed on the Indonesia Stock Exchange.

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