

The Effect Of Company Characteristics On Corporate Social Responsibility Disclosure And It's Impact On Stock Price (Study at Companies Listed on Indonesia Stock Exchange Period 2014-2016)

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Abstract
This study aims to examine the influence of company characteristics including Profitability, Leverage, Managerial Ownership, Company Size on Disclosure of Corporate Social Responsibility (CSR) and the impact of Corporate Social Responsibility Disclosures on Stock Prices. This study was conducted on companies listed on the Indonesia Stock Exchange in the 2014-2016 period. The sample selection procedure is done by using purposive sampling method and the results are 14 companies that meet the criteria. The analysis technique that will be used is a two-stage regression analysis. The results showed that the characteristics of the company proved to have an effect on CSR disclosure, among others: profitability and firm size while leverage and managerial ownership were not proven to influence CSR disclosure. Other findings indicate that CSR disclosure affects stock prices as measured by abnormal returns. This finding proves that if the company has good environmental and social performance, investors will respond positively through an increase in stock prices.
Keywords: Company characteristics, Corporate Social Responsibility Disclosure, Share Prices

1. Introduction

Corporate Social Responsibility (CSR) is an idea that makes the company no longer faced with the responsibilities that are based on the single bottom line, namely only in financial conditions (Untung, 2008). With the development of the triple bottom line concept proposed by John Elkington in 1997, the company is now faced with three concepts, namely profit, people and planet, which means that business goals are not only for profit (profit), but also for the welfare of people, and ensure sustainability living this environment. Therefore the sustainability of the company will be guaranteed if the orientation of the company shifts from the original point of departure only to the measure of economic performance, now also must be based on the balance of the environment and society by paying attention to social impacts (Hadi, 2011)

The phenomenon of the development of the issue of Corporate Social Responsibility (CSR) is quite popular in Indonesia in recent years. Many companies are starting to be enthusiastic in carrying out social responsibility activities with a number of reasons, including to improve the company's image, so that it can bring its own benefits to the company, and to ensure the sustainability of the company. Most companies in various business sectors claim that they have carried out their social obligations to the environment around the company, and most have disclosed Corporate Social Responsibility (CSR) as a motivation to increase public trust in the achievement of improvements to the environment around the company.

The annual report provides an overview of the company's performance in a comprehensive manner regarding both financial information and non-financial information that needs to be known by shareholders, potential investors, the government, or even the community (Junaedi, 2005). Information is a fundamental need for investors and potential investors for decision making (Sembiring, 2005). Therefore, information disclosure by the company in the annual report will be one of the considerations for investors to invest in the company concerned. The decision of investors to invest their capital is driven by the expectation of obtaining a return on the investment made. The better the performance of a company, the more attractive investors will be because the expected profit or return will also be greater. Therefore, companies must try to show their best performance so that decisions taken by investors can benefit the company. One way is to do social activities and environmental activities as a form of corporate responsibility towards the surrounding environment. This activity shows good management performance to the company's stakeholders.

There are several things that motivate the need for this research to be carried out, namely: first, the emergence of awareness for companies to behave ethically by paying more attention to social and environmental factors; second, the theories that underlie CSR are many that mention the link between CSR and companies and investors; third, there are various research results regarding the influence of company characteristics on CSR disclosure; fourth, the diversity of research results regarding the effect of CSR disclosures in the annual report on investor reactions reflected in stock prices.

The purpose of this study are:

1. To determine the effect of profitability on disclosure of Corporate Social Responsibility
2. To determine the effect of leverage on disclosure of Corporate Social Responsibility

3. To determine the effect of managerial ownership on the disclosure of Corporate Social Responsibility
4. To determine the effect of company size on the disclosure of Corporate Social Responsibility
5. To determine the effect of Corporate Social Responsibility on stock prices

This research is expected to provide a theoretical contribution by strengthening the synthesis that the implementation of Corporate Social Responsibility is one of the factors influencing investor reaction reflected in stock prices. In practical terms, this research is also expected to provide discourse to company managers in an effort to enhance the value of the company through the implementation of Corporate Social Responsibility. This research is expected to be used as a reference in research related to Corporate Social Responsibility.

2. Literature Review

2.1. Agency Theory

According to Jensen & Meckling (1976) quoted from Adnantara (2013), agency theory explains that there is a cooperative relationship between the principal (company owner) and agent (company management), where the principal delegates authority to the agent to manage the company and make decisions. The principal is the party who has the capital to finance the company's operations, while the manager is the operator of the company's operations. According to the agency theory, agents have their own interests. The principal must oversee the activities that are being carried out by the agent. In addition, the principal must also make compensation and evaluate the performance of the agent so that the objectives between the owner and agent become aligned.

Agency theory holds that in a company there are two interrelated parties, namely the principal and manager. Companies that disclose information on social responsibility with the aim of building an image in the company and getting attention from the public. Companies need costs in order to provide information on social responsibility, so that the profit reported in the current year becomes lower. When companies face contract costs and low supervision costs and high political visibility will tend to disclose information on social responsibility.

Agency theory describes the relationship between principal and agent principles. This explains the company's behavior in reflecting issues such as environmental problems. Agency theory is defined by Jensen and Meckling (1976) in Sadou, Alom, & Laluddin (2017) as contracts in which one or more people, principals, are involved with others, known as agents, to carry out certain services on their behalf, which involves delegating some authority in decision making to agents. They stated that the principal could reduce part of his interest in motivating the agent and could also incur costs designed to minimize opportunistic actions by agents

2.2. Signaling Theory

Signaling theory is a theory that provides relevant information signals from the sender or owner of the information to the recipient of the

fields were; and (3) the resulting increased rates of social mobility, both up and down, which placed a information so that the recipient of the information can be utilized (Maulana & Yuyetta, 2014). Then the recipient of the information will understand the information signal that has been given, and then can adjust it to make decisions about understanding the information signal. If the signal from the sender (company) given to the recipient of the information is good, the company's reputation will increase. For this reason, companies will continue to maintain their reputation, one of which is by providing information related to voluntary disclosure through Corporate Social Responsibility.

Signaling theory points to three factors that are likely to account for these changes: (1) the increase in geographical mobility that accompanied European colonial expansion, bringing together strangers who relied on signals in assessing one another’s competitive abilities (Carson,1994); (2) the increasing proportions of the population whose livings were made in nonagricultural niches in which the determinants of economic and social success were not available for public inspection, as a farmer’s premium on signals engineered to be up-to-date indicators of signalers’qualities.

2.3. Corporate Social Responsibilty (CSR)

The World Business Council for Sustainable Development describes CSR as an ongoing commitment by the business community to act ethically and contribute to the economic development of the local community or society at large, along with the improvement of the living standards of its workers and their families. According to ISO 26000 regarding the guideline for social responsibility which was formalized in November 2011, CSR is the responsibility of an organization towards the impacts of its decisions and activities on society and the environment which are realized in the form of transparent and ethical behavior that is in line with sustainable development and prosperity community; consider stakeholder expectations, in line with established laws and international behavioral norms; and integrated with the organization as a whole.

In addition to being profit oriented, the company is also responsible for social problems caused by operational activities carried out by the company with environmental management so that it is not limited to the orientation of the company's financial performance. Many benefits can be gained from CSR activities, including:

increasing sales and market share, strengthening brand positioning, improving corporate image, reducing operating costs, and increasing the attractiveness of the company in the eyes of investors and financial analysis. By carrying out social responsibility, the company is expected to not only pursue short-term profits, but also contribute to improving the welfare and quality of life of the community and the surrounding environment in the long run. By implementing CSR consistently in the long term, it will foster a sense of public trust in the presence of the company.

CSR disclosure is part of social responsibility accounting that communicates social information to stakeholders. According to Guthrie and Parker (1990) as quoted by Sayekti and Wondabio. (2007), disclosure of CSR information in the annual report is one of the company's ways to build, maintain and legitimize the company's contribution from an economic and political perspective. In addition, accounting for social responsibility can provide information on the extent to which an organization or company contributes positively or negatively to the quality of human life and its environment. Corporate social responsibility is mandatory for certain company criteria as stated in Law No. 40 of 2007 concerning Limited Liability Company Article 74 which states that: Companies that carry out their business in the field of and / or are related to natural resources must carry out social and environmental responsibilities. And the social and environmental responsibilities are the company's obligations that are budgeted and calculated as the company's costs which are carried out by paying attention to compliance and reasonableness. If the Company which does not carry out its social responsibility obligations will be subject to sanctions in accordance with the provisions of the legislation. In addition to the company being obliged to carry out CSR activities, Law No. 40 of 2007 Article 66 paragraph (2) concerning Limited Liability Companies also requires companies to disclose their social responsibility activities in the annual report. However, the CSR items disclosed by the company are information that is still voluntary.

The concept of CSR reporting initiated by GRI is the sustainability report concept that emerged as a result of the concept of sustainability development. In the sustainability report, the triple bottom line method is used, which not only reports something measured from an economic point of view, but also from a social and environmental point of view. This idea is a result of the three impacts of the company's operations, namely economic, social and environmental. The GRI Guidelines state that companies must explain the impact of the company's activities on the economic, environmental and social aspects of the standard disclosures. The three dimensions are then expanded into 6 dimensions, namely: economy, environment, labor practices, human rights, society, and product responsibility

3. Research Method

Population in the study are companies listed on the Indonesia Stock Exchange in the 2014-2016 period. The sample selection procedure is done by using purposive sampling method with the aim of getting a representative sample in accordance with the sample criteria used. Based on the sample selection procedure above, the number of samples can be determined as follows: Companies listed on the IDX for the 2014-2016 period are 525 companies. Companies that do not issue Sustainability Reports respectively for the 2014-2016 period as many as 481 companies. Companies that do not have managerial ownership during the 2014-2016 period are 30 companies. So that companies that meet the criteria are 14 companies.

This study will examine the influence of company characteristics consisting of profitability, leverage, managerial ownership and firm size on CSR disclosure and then examine the effect of CSR disclosure on stock prices. Based on the above objectives, the analysis technique used in this study is a two-stage regression analysis.

1. Multiple regression analysis to test company characteristics on CSR Disclosures (H1, H2, H3, H4,)
2. Simple regression analysis to examine the effect of CSR disclosure on stock prices (H5)

4. Results and Discussion

Table
Descriptif Statistic

Variabel	N	Minimum	Maximum	Mean	Deviasi Standar
ROA	42	0.999603	15.59678	3.644914	5.471914
DER	42	0.333207	7.208150	1.629503	1.572739
MOWN	42	0.057706	0.114368	0.013061	0.030139
SIZE	42	21.32338	27.63466	23.82766	1.647177
CSR	42	0.098901	0.956044	0.358451	0.185634
AR	42	-6.170190	0.754077	-0.290097	1.186391

Table 1 shows that the number of observations (n) studied were 42 observations consisting of manufacturing companies listed on the Indonesia Stock Exchange during 2014 to 2016. Profitability (ROA) had a minimum value of 0.999603 and a maximum value of 15.59678. Overall obtained an average value of 3.644914 with a standard deviation value of 5.471914. Leverage (DER) has a minimum value of 0.333207 and a maximum value of 7.208150. Overall obtained an average value of 1.629503 with a standard deviation value of 1.572739. Managerial ownership (MOWN) has a minimum value of 0.057706 and a maximum value of 0.114368. Overall obtained an average value of 0.013061 with a standard deviation value of 0.030139. Company size has a minimum value of 21.32338 and a maximum value of 27.63466. Overall obtained an average value of 23.82766 with a standard deviation value of 1.647177. Corporate Social Responsibility (CSR) has a minimum value of 0.098901 and a maximum value of 0.956044. Overall obtained an average value of 0.358451 with a standard deviation value of 0.185634. The Share Price (AR) has a minimum value of -6.170190 and a maximum value of 0.754077. Overall obtained an average value of -0.290097 with a standard deviation value of 1.186391.

Table 2
Multiple Linear Regression Test Results

Variable	Koeficien Regresion	Error Standard	t Value	p Value
ROA	1.082	.520	2.083	.044*
DER	-5.126	2.498	-2.052	.247
MOWN	5.287	2.588	2.043	.348
SIZE	3.266	1.508	2.166	.036*

*) α=5%

Table 3
Multiple Linear Regression Test Results

Variable	Koeficien Regresion	Error Standard	t Value	p Value
CSR	.26	.008	3.200	0.003*

*) α=5%

The Effect of Profitability (ROA) on Corporate Social Responsibility

The results of the multiple linear regression test in Table 2 shows the value of the regression coefficient of profitability is 1,082 and is statistically significant at α = 5%. Based on this, it can be stated that profitability has a positive effect on CSR disclosure. This means that the greater the value of profitability, the wider the level of CSR disclosure. The results of this study support previous research conducted by Sitepu (2009) and Sari (2012). The results of this study are in line with agency theory which states that greater earnings will make companies disclose broader social information. This is because companies with high profits will be in the spotlight, then the company will issue costs related to social responsibility. Thus, it can be stated that the higher the level of profitability of the company, the greater the amount of social information disclosed.

The Effect Leverage Influence (DER) on Corporate Social Responsibility

The results of multiple linear regression test in Table 1 shows the value of regression coefficient of leverage (DER) is -5.126 and has a statistical probability value t (p value) of 0.247. These results are not statistically significant at $\alpha = 5\%$ so that it can be stated that leverage (DER) does not affect CSR disclosure. Therefore it can be concluded that this study did not succeed in supporting the second hypothesis which states that leverage affects CSR disclosure.

The results of this study indicate that the high and low leverage does not affect the Corporate Social Responsibility Disclosure. The results of this study support previous research conducted by Sembiring (2005), Arief and Kurnia (2008). This is possible because the Corporate Social Responsibility does not depend on the level of leverage but depends on the level of sensitivity of the company to social care and its responsibilities to the environment. Even though the company's debt is large but if the company has a great concern and responsibility for its social environment, the company will continue to carry out Corporate Social Responsibility. Kokobu et.al ,. (2001) in Sembiring (2005) stated in his research in Japan, Japanese companies traditionally have good relationships with banks, even though they have a high degree of dependence on debt. A good relationship between companies that have debts with debtholders is expected to be the cause of the absence of leverage on the Corporate Social Responsibility Disclosure.

The Effect of Managerial Ownership on Corporate Social Responsibility Enforcement

The results of multiple linear regression test in table 1 shows the value of the regression coefficient of Managerial Ownership (MOWN) is 5.287 and has a statistical probability value of t (p value) of 0.348. These results are not statistically significant at $\alpha = 5\%$ so that it can be stated that the size of managerial ownership does not affect CSR disclosure. Therefore it can be concluded that this study did not succeed in supporting the third hypothesis which states that managerial ownership affects CSR disclosure. \

The results of this study support the findings of Lucyanda and Siagian (2012) and Subiantoro and Titik (2015) which show managerial ownership does not affect the leverage of CSR. According to Subiantoro and Titik (2015) in relation to managerial ownership, company disclosures are usually done as necessary considering the ownership is owned by an insider who can easily obtain information about the company without disclosure in the annual report.

The Effect of Company Size on Corporate Social Responsibility Enforcement Disclosures

The results of the multiple linear regression test in Table 1 shows the value of the regression coefficient of profitability is 3.266 and is statistically significant at $\alpha = 5\%$. Based on this, it can be stated that the size of the company has a positive effect on CSR disclosure. This means that the greater the assets owned by the company, the wider the level of CSR disclosure. The results of this study support previous research conducted by Sembiring (2005).

These findings are in line with agency theory which states that the larger the company, the agency costs that arise are also greater so that to reduce agency costs, companies tend to disclose wider information.

theoretically large companies will not escape pressure. Larger companies with operating activities and greater influence on society may have shareholders who pay attention to the social programs that the company makes so that the disclosure of Corporate Social Responsibility will be increasingly widespread (Cowen et. Al., 1987)

Effect of Corporate Social Responsibility Disclosure on Stock Prices

The results of multiple linear regression tests in Table 3. show the value of the regression coefficient of CSR disclosure is equal to 0.026 and statistically significant at $\alpha = 5\%$. Based on this, it can be stated that CSR disclosure has a positive effect on stock prices (abnormal return). This means that the broader the disclosure of CSR, the higher the share price. It can be said that companies that have disclosed information on social responsibility have a good image in the eyes of the general public, and especially business circles because companies other than paying attention to economic interests, namely creating profits for business sustainability must also pay attention to social and environmental responsibilities. The implication is that the company will get a positive response from the community about the existence and sustainability of the company which will increase the company's value reflected in the stock price. The results of this study support the findings of previous studies, including Frankental (2001), Baron (2005), Route et. al (2005) and Lopez et al. (2007).

5. Conclusion And Recommendation

Conclusion

This study examines the effect of company characteristics on corporate social responsibility disclosure and its impact on stock prices. The characteristics of the company include: profitability, leverage, managerial ownership and company size. This study was conducted on companies listed on the Indonesia Stock Exchange. Based on the results of the analysis, the characteristics of the company that are proven to influence CSR disclosures include profitability and firm size. This means that the greater the profitability and assets of the company, the wider the level of CSR disclosure and this indicates the greater level of concern and responsibility for the social environment. Leverage and managerial ownership are not proven to have an effect on CSR disclosure. This implies that no matter how much leverage and managerial ownership does not affect CSR disclosure. If the company has great concern and responsibility for its social environment, the company will continue to disclose Corporate Social Responsibility without considering the level of leverage and managerial ownership. Another finding in this study is that stock prices affect CSR disclosure. This implies that companies that have disclosed information on social responsibility will get a positive response from the community about the existence and sustainability of the company which will increase the company's value reflected in the stock price.

Recomendation

1. It should be noted that the factors that can increase the validity of research results by adding other variables that can affect the level of CSR disclosure so that further research is more perfect.
2. This research only limits the social disclosure, not social activities. If the company does not utilize the annual report to explain all social activities during the reporting year, there will be a gap between social activities and social disclosure. As a result the annual report fails to explain all social activities. Suggestions for further research are not limited to the side of social disclosure but rather lead to social activities carried out by the company.

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