INFLUENCE OF MANAGERIAL OWNERSHIP, LEVERAGE, PROFITABILITY, ON CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE

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Abstract: This study aims to see the effect of managerial ownership, leverage, profitability on the disclosure of corporate social responsibility. The type of research used is casual comparative quantitative. The results of this study indicate that managerial ownership has a positive and significant effect on corporate social responsibility. Leverage (DER) has a negative and insignificant effect on corporate social responsibility. Profitability (ROA) has a negative and insignificant effect on corporate social responsibility. Simultaneous testing concludes that managerial ownership, leverage (DER), and profitability (ROA) variables simultaneously have a significant effect on corporate social responsibility. From the coefficient of determination test, it can be concluded that 43.6% of corporate social responsibility disclosures can be explained by managerial ownership, leverage (DER) and profitability (ROA).

Keywords: Corporate Social Responsibility, Managerial Ownership, Leverage, And Profitability

INTRODUCTION

Corporations realize the importance of Corporate Social Responsibility today. Companies realize the right type of activity will have an impact on people's lives, nature, and brand enhancement. The strength of Corporate Social Responsibility is considered to be able to reverse negative values into positive ones for the company (Grover, 2014). In line with this, the government also issued a law on social responsibility, namely Law no. 40 of 2007 concerning Limited Liability Companies which requires companies in the field or related to natural resources to carry out social and environmental responsibilities (Law No. 40, 2007).

Judging from the rapid development of Islamic finance in recent years, it has become an interesting phenomenon in the world financial industry.
Based on the ISSI index statistical data table until 2020, the number of shares traded was 25,000,000,000 shares with an index price of 200. This can show that sharia shares are in great demand by investors. Differences in the proportion of shares owned by investors can affect the level of completeness of the disclosure by the company. The more parties who need information about the company, the more detailed the disclosures made by the company. From Edison's research in 2017, the result shows that the extent of disclosure of corporate social responsibility is influenced by the structure of foreign ownership, ownership institutional and managerial ownership. The increase in the performance of sharia shares above will certainly have an impact on the development of the company's performance. Disclosure of social responsibility is an important tool to obtain financial and non-financial information of the company. The main factors that gain investors’ attention are profitability and leverage. Management of companies with high leverage will reduce the disclosure of social responsibility to avoid the attention of debt holders, (Kapitan & Ikram, 2019). Profitability is a fundamental factor that makes management have the flexibility to spend money on social disclosures.

Corporate social responsibility is one of the obligations of stakeholders, (Yenti, 2017). Based on the data above, researchers are interested in raising the issue of CSR by taking companies listed in ISSI manufacturing at food and beverages sub-sector from 2016-2020.

CONCEPTUAL FRAMEWORK

Agency Theory

Agency theory, explains the behavior of parties who have an interest in the company basically has different interests between the agent and the principal, causing agency conflict (agent conflict). The existence of a conflict of interest between investors and managers causes the emergence of Agency Costs, namely monitoring costs incurred by the principal such as auditing, budgeting, control and compensation systems, bonding expenses incurred by agents, and residual losses related to divergence of interests between the principal and the agent.

CSR Disclosure

Corporate Social Responsibility (CSR) is a dominant concept in business reporting. The company's annual financial reporting details policies related to CSR. Each of us of course claims to be able to identify socially responsible corporate activities and non-socially responsible activities. CSR deals with the relationship between global companies, state governments, and individual citizens. Specifically, the definition relates to the relationship between the corporation and the local community company in which it lives or operates (Crowther & Aras, 2008).

Ownership Managerial

Managerial Ownership is the number of shares owned by the management of the total outstanding shares (Dian Agustia, 2013).
Leverage

According to Ross et al (2012) leverage is a fundamental part of the company's financial performance. The company's ability to manage leverage as a source of funds from debt and assets owned by the company can be a good measure of performance. The increase in the leverage ratio shows the company's high need for fresh funds. The high leverage value also reveals the company's dependence on debt which can create risks for the company's survival.

According to Saputra (2016) Leverage which is measured by the debt-to-equity ratio has a positive and significant effect on the number of Corporate Social Responsibility disclosures in High Profile companies on Indonesia Stock Exchange. In the analysis model, it is identified that the company's leverage position has a positive effect on the amount of Corporate Social Responsibility disclosure.

Profitability

According to Ross, Westerfield, & Jaffe (2012), profitability is an important element to assess the success of management in managing the company's fundamental financial performance.

DATA AND METHODOLOGY

This type of research is quantitative causal-comparative ones which see the effect of managerial ownership, leverage, profitability on the disclosure of corporate social responsibility. The population of this study is all sharia manufacturing companies in the food and beverages sub-sector which are listed on the Indonesia Stock Exchange from 2016 to 2020, with 5 years observation period. The research sampling method used purposive sampling, with the following criteria:

1. Food and beverages sub-sector manufacturing companies listed on the Indonesia Stock Exchange from 2016 – 2020
2. Companies that publish annual reports from 2016 – 2020
3. Companies that are not delisted during the observation period
4. Companies that have positive profits.

The data used in this research is secondary data. Sources of data were obtained from the financial statements of companies that go public on the Indonesia Stock Exchange especially from the website www.IDX.co.id and the Indonesian Capital Market of Directory. The data observation period used is from 2016 - 2020.

1. Research Variable
   a. Dependent Variable
      The dependent variable in this study is the disclosure of Corporate Social Responsibility. In this study the researchers use
      \[ \text{Indeks CSR}_j = \frac{\sum X_{ij}}{N_j} \]
      where:
      \( \text{Indeks CSR}_j \) = Corporate Social Responsibility Index Company \( j \)
      \( N_j \) = Number an item for company \( j \).
      \( X_{ij} \) = Dummy Variable : 1 = if the item is disclosure 0 = if the item not disclosure. (Utomo, 2019).

   b. Independent Variable
      1) Managerial Ownership (X1)
         Managerial Ownership is the number
of shares owned by management from the total outstanding shares. The ratio scale used is Managerial Ownership: Managerial Holdings Outstanding Share (Edison, 2017).

2) Leverage (X2)

\[
\text{Leverage} = \frac{\text{Debt}}{\text{Equity}} = \frac{\text{Total Liabilities}}{\text{Shareholder Equity}}
\]

(Rofikoh & Priyadi, 2016).

3) Profitability (X3)

Profitability is a ratio that shows the company's ability to generate profits (S. A. Ross et al., 2013).

\[
\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}} \times 100\%
\]

2. Data Analysis Technique

The data analysis technique used was the Panel regression model. Winarno (2009) explained that the panel regression model was used to determine the direction and magnitude of the influence of the independent variable on the dependent variable individually. The regression model in the data pool or panel model is carried out based on the use of two time-models, namely time series and cross-section.

The researcher only choose one of the three-panel regression models to be used in multiple forms which can be formulated into the equation below:

\[
\text{CSR}_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \mu_{it}
\]

where:

\[
\begin{align*}
\text{CSR}_{it} & = \text{Corporate Social Responsibility Disclosure} \\
X_{1it} & = \text{Management Ownership in a given year} \\
X_{2i} & = \text{Leverage in a given year} \\
X_{3it} & = \text{Profitabilitas in agiven year} \\
\beta_0 & = \text{Konstanta if X = 0} \\
\beta & = \text{Koeifisien regresi} \\
\mu_{it} & = \text{Error term}
\end{align*}
\]

Research Results

Data Analysis

Classic Assumption Test

![Picture 1. Normality Result Test](image)

Source: Eviews 12
In Figure 1, it can be seen that the Jarque-Bera value is 0.013100 with a probability value of 0.993471. So, it can be concluded that the model in this research is normally distributed because the probability value of 0.993471 is greater than 0.05.

### Table 1. Multikolinearitas Test

<table>
<thead>
<tr>
<th>KEPEMILIK...</th>
<th>DER</th>
<th>ROA</th>
</tr>
</thead>
<tbody>
<tr>
<td>KEPEM...</td>
<td>1.000000</td>
<td>-0.005390</td>
</tr>
<tr>
<td>DER</td>
<td>-0.005390</td>
<td>1.000000</td>
</tr>
<tr>
<td>ROA</td>
<td>0.184691</td>
<td>0.019489</td>
</tr>
</tbody>
</table>

*Source: The result of the Eviews 12*

Based on the results in table 1 above, none of the correlations between independent variables has a value more than 0.8. It means, in this regression model, there is no multicollinearity. In other words, there is no correlation between the independent variables.

**Panel Data Regression Model Selection**

Panel data regression can be done by testing three panel regression models. Winarno (2009) in the panel regression model, three regression models that can be used, namely the Common Effect Model, Fixed Effect Model, and Random Effect Model. The selection of the model depends on the assumptions used by the researcher and the fulfillment of the correct statistical data processing requirements therefore it can be accounted for statistically. Therefore, the first thing to do is to choose the right model from the three existing models.

### Table 2. Hausman Result Test

<table>
<thead>
<tr>
<th>Test Summary</th>
<th>Chi-Sq. Statistic</th>
<th>Chi-Sq. d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section random</td>
<td>6.300821</td>
<td>3</td>
<td>0.0979</td>
</tr>
</tbody>
</table>

*Source: The result of the Eviews 12*

To determine the results of the Hausman test is to assess the probability of the cross-section, if <0.05 then the model used is fixed, but if the probability> 0.05 then the model used is random. Table 4.8 shows the probability value of a random cross-section of 0.0979, which is greater than 0.05, meaning that the Hausman test chose to use a random model.

Based on the results of the panel data model selection, to assess the panel data regression test, the random effect model was used in determining the results of this study.

**Panel Data Regression Analysis**

In panel data regression, it has been determined using a random model, then the formula for the random model is as follows:
### Table 3. Panel Data Regression Test Result Random Model

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>4.970345</td>
<td>3.300328</td>
<td>1.506015</td>
<td>0.1342</td>
</tr>
<tr>
<td>KEPEMILKAN_MANAJERIAL</td>
<td>0.405209</td>
<td>0.036320</td>
<td>11.15663</td>
<td>0.0000</td>
</tr>
<tr>
<td>DER</td>
<td>-0.036981</td>
<td>0.174598</td>
<td>-0.211809</td>
<td>0.8325</td>
</tr>
<tr>
<td>ROA</td>
<td>-0.049704</td>
<td>0.062731</td>
<td>-0.792337</td>
<td>0.4294</td>
</tr>
</tbody>
</table>

Source: The result of the Eviews 12

The panel data regression equation can be explained as follows:

1. The constant for CSR (Y) obtained a value of 4.970345. If the independent variable remains, the dependent variable CSR (Y) is 4.970345.

2. Managerial ownership variable (X1) has a coefficient value of 0.405209 which means a positive coefficient value indicates that managerial ownership (X1) has a positive effect on CSR (Y). This illustrates that each increase in managerial ownership (X1) by 1 unit will increase CSR (Y) by 0.405209 with the assumption that other independent variables are constant (constant).

3. The DER variable (X2) has a coefficient value of -0.036981 which means a negative coefficient value indicates that DER (X2) harms CSR (Y). This illustrates that every 1 unit change in DER (X2) will reduce CSR (Y) by -0.036981 with the assumption that the other independent variables are constant (constant).

4. The current variable ROA (X3) has a coefficient value of -0.049704, which means a negative coefficient value indicates that ROA (X3) harm CSR (Y). This illustrates that every 1 unit change in ROA (X3) will reduce CSR (Y) by -0.049704 with the assumption that the other independent variables are constant (constant). A negative regression coefficient indicates the opposite direction of the relationship.

### Table 4. Random Panel Data Determination Model (R2) Test Result

<table>
<thead>
<tr>
<th>R-squared</th>
<th>0.446769</th>
<th>Mean dependent var</th>
<th>9.364301</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted R-squared</td>
<td>0.435778</td>
<td>S.D. dependent var</td>
<td>12.89325</td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>9.984732</td>
<td>Sum squared resid</td>
<td>14162.90</td>
</tr>
<tr>
<td>F-statistic</td>
<td>40.64736</td>
<td>Durbin-Watson stat</td>
<td>1.514157</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.000000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: The Result of the Eviews 12
Based on the determination test (R2) above, it shows the Adjusted R Square value of 0.435778. It means that the percentage of managerial ownership variables (X1), DER (X2), and ROA (X3) on CSR (Y) has a value of 43.6%. Meanwhile, the remaining 56.4% was influenced by other factors not examined in this research.

1. T test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>4.970345</td>
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<td>0.1342</td>
</tr>
<tr>
<td>KEPEMILKAN_MANA</td>
<td>0.405209</td>
<td>0.036320</td>
<td>11.15663</td>
<td>0.0000</td>
</tr>
<tr>
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<td>-0.036981</td>
<td>0.174598</td>
<td>-0.211809</td>
<td>0.8325</td>
</tr>
<tr>
<td>ROA</td>
<td>-0.049704</td>
<td>0.062731</td>
<td>-0.792337</td>
<td>0.4294</td>
</tr>
</tbody>
</table>

From the T table it can be seen in the statistical table at a significance of 0.05/2 = 0.025 with degrees of freedom df = nk-1, where the value of n = the amount of data and k = the number of independent variables, then df = 155-3-1 = 151, so the results obtained for T table are 1.97580.

a. Managerial Ownership variable testing (X1)
   1) Based on t count and t table
      In the results of the Eviews, it can be seen that the tcount value of 11.15663 this value is greater than the ttable of 1.97580, it can be concluded that the Managerial Ownership variable (X1) has a positive effect on CSR (Y).
   2) Based on the significant level
      In the Eviews results, it can be seen that the significance value is 0.0000. It is smaller than 0.05. It means the Managerial Ownership variable (X1) has a significant effect on CSR (Y). This explains the hypothesis H0 1 is rejected and Ha 1 is accepted.

b. DER variable testing (X2)
   1) Based on count and T table
      In the results of the Eviews, it can be seen that the count value of -0.2111809 this value is smaller than the Ttable 1.97580. It can be concluded that the DER variable (X2) harm CSR (Y).
   2) Based on the significant level
      In the Eviews results, it can be seen that the significance value is 0.8325. It is greater than 0.05. It reflects the DER variable (X2) is not significant to CSR (Y). This explains hypothesis H0 2 is accepted and Ha 2 is rejected.
c. ROA variable testing (X3)
   1) Based on count and $T_{table}$
      In the results of the Eviews, it can be seen
      that the $t_{count}$ value of -0.792337. This value
      is smaller than the $t_{table}$ of 1.97580, it can be
      concluded that the ROA variable (X3) has a
      negative effect on CSR (Y).
   2) Based on the significant level
      In the Eviews results, it can be seen
      that the significance value is 0.4294.
      This value is greater than 0.05. It can be
      concluded that the ROA variable (X3) is
      not significant to CSR (Y). This explains
      that the hypothesis H0 3 is accepted and
      Ha 3 is rejected.

2. **F test**
   The F test is used to test the null hypothesis
   that the coefficient of multiple determination
   in the population R2 is equal to zero. The basis
   for decision making is if the significance value
   is less than one or less than 0.05. Thus, there is
   a simultaneous significant effect between the
   independent variables on the dependent variable.

<table>
<thead>
<tr>
<th>Table 6. Simultaneous (F) Test Result of Random Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent Variable: CSR</td>
</tr>
<tr>
<td>Method: Panel EGLS (Cross-section random effects)</td>
</tr>
<tr>
<td>Date: 08/09/21 Time: 14:15</td>
</tr>
<tr>
<td>Sample: 2016 2020</td>
</tr>
<tr>
<td>Periods included: 5</td>
</tr>
<tr>
<td>Cross-sections included: 31</td>
</tr>
<tr>
<td>Total panel (balanced) observations: 155</td>
</tr>
<tr>
<td>Swamy and Arora estimator of component variances</td>
</tr>
<tr>
<td>R-squared 0.446769</td>
</tr>
<tr>
<td>Mean dependent var 9.364301</td>
</tr>
<tr>
<td>Adjusted R-squared 0.435778</td>
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<td>S.D. dependent var 12.99325</td>
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<td>F-statistic 40.64736</td>
</tr>
<tr>
<td>Durbin-Watson stat 1.514157</td>
</tr>
<tr>
<td>Prob(F-statistic) 0.000000</td>
</tr>
</tbody>
</table>

   Based on the f test table above, it can be seen
   that the significance value is 0.00. This means
   that this value is smaller than 0.05. Thus, it can
   be concluded that managerial ownership (X1),
   DER (X2), and ROA (X3) simultaneously have a
   significant effect on CSR (Y).

**CONCLUSION**

Based on the results of the research analysis
and discussion that the researcher described
in the previous chapter, it can be concluded as
follows:

1. Managerial Ownership (X1) has a positive
   and significant effect on CSR (Y), with a
   significance value of 0.0000 < 0.05 meaning
   significant, because the $t_{count}$ value of
   11.15663 is greater than $t_{table}$ of 1.97580,
   then managerial ownership partially positive
   and significant effect on CSR.

2. DER (X2) has a negative and insignificant
   effect on CSR (Y), with a significance value
   of 0.8325 > 0.05 meaning it is not significant,
   because the $t_{count}$ value of -0.2111809 is
   smaller than $t_{table}$ of 1.97580, then DER
   partially has a negative and insignificant
   effect on CSR.

3. ROA (X3) has a negative and insignificant
   effect on CSR (Y), with a significance value
   of 0.4294 > 0.05, meaning that it is
not significant, because the $t_{count}$ value of -0.792337 is smaller than $T_{table}$ of 1.97580, then ROA partially has a negative and insignificant effect on CSR.

4. Managerial Ownership (X1) DER (X2) and ROA (X3) simultaneously significant effect on CSR (Y). This is indicated by the $F_{count}$ greater than $F_{table}$ (40.64736 > 2.66), significance value less than 0.05, which is 0.00.

RECOMMENDATION

1. Future research is expected to use other independent variables that may affect CSR.
2. Further research is expected to increase the number of samples of companies used and with a longer period of time so that the results obtained become more accurate.
3. Further research is expected to expand the population apart from Food and Beverages Companies.
4. For investors, to be more selective in choosing stocks so that their investment decisions are more correct.

REFERENCES


