

**THE INFLUENCE OF THE IMPLEMENTATION OF CORPORATE
SOCIAL RESPONSIBILITY ON THE PROFITABILITY OF
MANUFACTURING COMPANIES ON THE INDONESIA STOCK
EXCHANGE 2016-2020:
ASPECTS OF ECONOMIC AND ENVIRONMENTAL INDICATORS**

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Abstract

This study aims to examine the influence of Corporate Social Responsibility on Profitability. The population in this study used a sample of 40 manufacturing companies on the Indonesia Stock Exchange (IDX) from 2016-2020. The method used in this research is purposive sampling which is taken with certain criteria. Profitability is measured by the Return on Asset (ROA) formula. The data analysis method used is Descriptive Statistics, Multiple Regression Analysis, and Classical Assumption Test, while the Hypothesis Test used is Partial Test, Simultaneous Test, as well as Test of Determination. The results of this study indicate that Corporate Social Responsibility Economic Indicators have a positive influence on Profitability as evidenced by a significant value of 0,013, while Corporate Social Responsibility Environmental Indicators do not have a positive effect on Profitability as evidenced by a significant value of 0,949. Meanwhile, Corporate Social Responsibility economic and environmental indicators simultaneously has a positive influence on profitability as proven by a significant value of 0.036, and R square (R^2) which obtained 11% Profitability which can be influenced by Economic and Environmental Corporate Social Responsibility and 89% is influenced by other factors outside the study.

Keywords: *Corporate Social Responsibility, Economic Indicator, Environmental Indicators, Profitability*

1. INTRODUCTION

A rise in popularity for companies to be responsible and care for the environment and society has occurred in this period of globalization as a result of people realizing the relevance of the effects of production factors and development undertaken by companies. Environmental stewardship is seen by some businesses as an unnecessary expense. On the other hand, most businesses are unaware of the necessity of fulfilling their obligations to the community and the environment, and they also believe that doing so will add to their financial burden and result in significant outlays (Putra, 2015b). This is based on the circulating issue that in the CSR Bill, there will be a benchmark for the amount of CSR funds that must be issued by the company, namely 2%, 2.5%, or 3 (Nasional, 2018).

On the other hand, there are also many companies that have implemented CSR according to (Rico & Gede, 2014) including "PT. Unilever Indonesia, which carries out Green and Clean by recycling used bags of Unilever products and empowering black

soybean farmers, PT. Adaro Indonesia, which provides clean water centers and sells them to the public at affordable prices, PT. Telekomunikasi Indonesia which carries out repairs and development of drainage, planting protected trees, paving and paving roads, and PT. HM Sampoerna who provided clean water for the community and planted trees for reforestation.

Along with this problem, many people realize that corporate responsibility towards the environment is very important. Many companies think that they have had a positive impact on the progress of the country, especially in the economic sector, but they do not realize that many of them do not take care of the environment in which they stand and have negative impacts on the community such as increasingly deforested forests, landslides, floods, factory waste. polluting rivers, and also air pollution. From the negative impacts caused by the company in the end the government realized the importance of the environment and made a law governing limited liability companies in Paragraph 1 article 74 No.40 of 2007 which contains about the obligation to carry out Social and Environmental Responsibility for the Company that conducts its business in the field or related to natural resources.

Social and Environmental Responsibility is an obligation as a form of responsibility that must be carried out by companies or organizations to the environment as a form of reward that benefits the community. Social and Environmental Responsibility can be carried out in various ways, namely by managing the company's waste and energy use, planting trees together with the community around the company's environment to reduce some of the negative impacts of globalization, providing scholarships to underprivileged communities around the company, making donations to people who are underprivileged that affected by natural disasters, establishing training centers as community empowerment as well as repairing damaged facilities and infrastructure and others (Tanod et al., 2019).

CSR is an obligation for a company, where in maintaining the existence and developing of the company, the company must look at three main things that need to be considered, namely the company, social and environmental which are the main supporters (Aryawan et al., 2017).

According to Chahal and Sharma (2006) the economic aspects of Corporate Social Responsibility (CSR) includes the economic impact of the company's operational activities. This aspect is often misunderstood as a company's financial problem so that this aspect is assumed to be easier to implement than the other two aspects, namely social and environmental aspects (Aryawan et al., 2017). Moreover, Aryawan et al. (2017) also added that the economic aspect is not as simple as reporting the company's financial/balance sheet, but also includes the economic impact, either directly or indirectly, on the company's operations in the local community and on parties that affect other companies.

Meanwhile, Mardikanto (2014) defines environmental aspects as the company's obligation to the environmental impacts resulting from operations and products, eliminating emissions and waste, achieving maximum efficiency and productivity depending on available resources, and reducing practices that can have a negative impact on the country and the environment. availability of the next generation of resources. Mardikanto (2014) adds that this environmental aspect or environment dimension reflects where the company has an obligation to the impact generated on the environment from the company's operations. The obligation here is in the form of proper and harmless waste management, as well as the creation of a safe and healthy environment.

This Social and Environmental Responsibility will ultimately have its own positive impact for the company, one example of which is several companies that won the CSR award held by Media terpongsenayan.com in 2020, entitled “Teropong CSR award 2020”, such as PT. Telkom, PT. Pertamina, PT. Hutama Karya and others who will later give a positive response to investors who have invested in the company and are interested in investors who have not invested in investing in the company which will provide profits or profitability.

Profitability is a ratio assessing the company's ability to seek profit. This ratio also provides a measure of the level of effectiveness of a company's management, in this case indicated by the profit generated from sales and investment income (Kashmir 2011 in Apriyanto & Surachim, 2019). One way to measure Profitability is to use Return On Assets (ROA) and Return On Equity (ROE).

Return on Assets describes the extent to which the company's assets can generate profits (Tendelilin, 2001). The higher the ROA, the more effective the use of these assets will be. Meanwhile, Return on Equity describes or reflects the effectiveness of the company in obtaining net income for shareholders (Sijabat & Suarjaya, 2018). The higher the ROE, the better because it means that the dividends distributed or reinvested as retained earnings will also be greater (Putra, 2015a).

Based on the above background, the authors are interested in conducting a research entitled “The Influence of the Implementation of Corporate Social Responsibility on the Profitability of Manufacturing Companies on the Indonesia Stock Exchange 2016-2020: Aspects of Economic and Environmental Indicators”.

2. RESEARCH METHOD

This research is quantitative research because in this study the authors calculate how much CSR influences the profitability of manufacturing companies. Meanwhile, the object of research examined by the author is a manufacturing company listed on the Indonesia Stock Exchange in period of 2016-2020.

This study uses multiple linear regression and processed using SPSS. Meanwhile, for the dependent variable is Profitability while the independent variable is CSR.

2.1. Data Analysis Method

a. Descriptive Statistics

Descriptive statistical analysis was carried out in order to provide an overview of the variables used in the study (Putra, 2015a).

b. Classic Assumption Test

The classical assumption test in this case has the aim of finding out about the distribution of data, the relationship in the independent variable and the consistency of the confounding variance (Tanod et al., 2019).

c. Normality Test

The normality test in this study is useful in terms of finding out about a regression model, as well as knowing whether the residual value has a normal or abnormal distribution with the Kolmogorov Smirnov value criterion having a significance of more than 5% ($> 0,05$), then the regression model meets the assumption of normality, on the contrary if the

significance value is less than 5% ($<5\%$) then the regression model does not meet the assumption of normality (Ghozali, 2013 in (Jafar, 2018)).

d. Multicollinearity Test

The multicollinearity test has the aim of testing the regression model whether there is a correlation between the independent variables (Ghozali, 2013 in (Tanod et al., 2019)) with criteria:

- a. If the VIF value ≥ 10 and the tolerance value $\leq 0,1$ indicates that the regression model has multicollinearity
- b. If the regression model has a VIF value ≤ 10 and a tolerance value $\geq 0,1$, then the regression model does not experience multicollinearity.

e. Heteroscedasticity Test and Glejser Test

The heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from the residuals or observations to other observations (Oroh et al., 2019 in (Yuliani, 2020)). In addition to the Scatterplot, there is a Glejser test that can be used to test heteroscedasticity by regressing the absolute residual with the following criteria: If the significant value is $> 5\%$ or $0,05$, there is no heteroscedasticity. If the significant value is $<5\%$ or $0,05$, there is heteroscedasticity.

f. Autocorrelation Test

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the confounding error in period t and the confounding error in period $t-1$ (Yuliani, 2020). There are several methods used to detect the presence or absence of autocorrelation, including through the Durbin Watson test (DW-Test). Durbin Watson test will get calculated DW value (d) and table DW value. The level of significance in this study is 5%. To find out an autocorrelation-free regression model, it can be seen based on the following criteria:

- a. If the value of $D-W < DL$, means that there is a positive autocorrelation
- b. If the value of $D-W > 4 - DL$, means there is no autocorrelation
- c. If the value of $D-W > 4 - DL$, means that there is a negative autocorrelation

2.2. Hypothesis Testing

a. T Statistic Test (Partial)

T statistical test is used to determine the effect of each independent variable partially on the dependent variable (Jafar, 2018). The following are the steps in determining the T test:

- 1) Determining the Formulation of Statistical Hypotheses:
 - H_{01} : There is no significant influence between X_1 on Y
 - H_{a1} : There is a significant influence between X_1 on Y
 - H_{02} : There is no significant influence between X_2 on Y
 - H_{a2} : There is a significant influence between X_2 on Y
- 2) Determining the significance level of alpha (α) and t table or significant value:
 - a. The alpha level used is 5% or $0,05$
 - b. The t-value table with two-sided significance has the formula:
($Df = n-k$)
- 3) Define the test criteria:
 - a. H_a is accepted and H_0 is rejected if the significant value in the output table is $< \alpha$ 5% or the t statistic $> t$ table in the output results

- b. H_0 is accepted and H_a is rejected if the significant value in the output table is $> 5\%$ alpha or the t statistic $< t$ table in the output results
- 4) Making conclusions regarding the test criteria:
Make conclusions in terms of test criteria with the results of acceptance and rejection of H_0 and H_a

b. F Statistic Test (Simultaneous)

The F statistic test is used to test the effect of the independent variables simultaneously on the dependent variable (Jafar, 2018). Following are the steps in determining the F test:

- 1) Determining the Formulation of Statistical Hypotheses
 H_{03} : There is no significant influence between X_1 and X_2 simultaneously on Y
 H_{a3} : There is a significant influence between X_1 and X_2 simultaneously on Y
- 2) Determine the significance level of alpha (α) and F table or significant value
 - a. The alpha level used is 5% or 0,05
 - b. The t-value table with two-sided significance has the formula:
 $(Df = n - k)$
- 3) Define test criteria
 - a. H_a is accepted and H_0 is rejected if the significant value in the output table is $< 5\%$ alpha or the value of F statistic $> F$ table in the output results
 - b. H_0 is accepted and H_a is rejected if the significant value in the output table is $> 5\%$ alpha or the value of F statistic $< F$ table in the output results
- 4) Making conclusions regarding the test criteria:
Make conclusions in terms of test criteria with the results of acceptance and rejection of H_0 and H_a

c. Determination Test

Determination test aims to determine the amount of variable Y can explain variable X . To be able to know it can be seen from the value of the coefficient of determination which will be better if the value of the coefficient of determination lies between 0 and 1. The greater the value of the coefficient of determination, the better the regression results.

3. RESULT AND DISCUSSION

The sample in this study is a manufacturing company listed on the Indonesia Stock Exchange in period of 2016-2020. The sample selection used is purpose sampling. Of the total number of manufacturing companies obtained, there are 8 companies that meet the criteria, so the number of observations in this study is 40, namely $8 \times 5 = 40$.

3.1. Normality Test

Table 1 Normality test

			Unstandardized Residual
N			40
Normal Parameters, b	mean		,0000000
	Std. Deviation		4.67228318
	Absolute		,116

Most Extreme Positive Differences negative	,116
Test Statistics	-,106
Asymp. Sig. (2-tailed)	,116
	,187c

Source: Data processed with SPSS 25 (2021)

Based on the table above, it can be seen that the results of Kolmogorov Smirnov are 0,187, which shows that the results of Kolmogorov Smirnov are $> 0,05$, which means that the residuals are normally distributed.

3.2. Descriptive Statistical Analysis

Table 2 Descriptive Statistical Analysis

	Minimum	Maximum	Mean	Std. Deviation
X1	,33	1.50	,8208	,33629
X2	,38	1.00	,8213	,23401
Y	-3.86	15.82	4.2305	5,11116
Valid N (listwise)				

Source: Data processed with SPSS 25 (2021)

3.3. Multicollinearity Test

Table 3 Multicollinearity Test

Coefficients ^a		
Collinearity Statistics		
Model	Tolerant	VIF
1 X1	,918	1.090
X2	,918	1.090

Source: Data processed with SPSS 25 (2021)

Based on the data above, it can be seen that the tolerance value for X1 (Economic CSR) and X2 (Environmental CSR) $> 0,10$ and also the VIF value < 10 and it can be said that there is no multicollinearity in the regression model.

3.4. Autocorrelation Test

Table 4 Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error Estimate	Error Durbin-Watson
	,543 ^a	,295	,239	1,00187	1,632

Source: Data processed with SPSS 25 (2021)

Based on the table above, the value of Durbin-Watson is 1,632, which is > from the DW table value, which is 1,600. Hence, it can be said that there is no autocorrelation between the residual values.

3.5. Glejser Test

Table 5 Glejser Test

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
(Constant)	2,143	1,771		1,210	,234
X1	,455	1.395	0.055	,326	,746
X2	1,465	2,004	,124	,731	,469

a. Dependent Variable: ABRESID

Source: Data processed with SPSS 25 (2021)

Based on the significant value of ABRESID from the Glejser Test, it is obtained that Economic CSR is 0,756 and Environmental CSR is 0,469, which is greater than 5% which indicates that there is no heteroscedasticity in this regression model and is feasible to use to predict the relationship between economic CSR and Environmental CSR on profitability.

3.6. T Statistic Test (Partial)

Table 6 Partial Test

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	-,682	3,027		-,225	,823
X1	6,204	2,385	,408	2,602	0.013
X2	-,219	3,427	-,010	-,064	,949

Source: Data processed with SPSS 25 (2021)

Based on table above, a significant value for Economic CSR is 0,013, which is < 5% alpha, it can be interpreted that Ha1 is accepted and H01 is rejected, in other words, there is a significant effect between CSR of Economics on Profitability, and obtained a significant value for Environmental CSR 0,949 which is > 5% alpha it can be interpreted that Ha2 is rejected and H02 is accepted, in other words there is no significant influence between Environmental CSR on Profitability.

3.7. F Statistic Test (Simultaneous)

Table 7 Simultaneous Test F

Model	Sum of Squares	Mean Square	F	Sig.
Regression	167,455	83,728	3,639	,036 ^b

Residual	851,379	23,010
Total	1018,834	

Source: Data processed with SPSS 25 (2021)

Based on table above, a significant value for Economic and Environmental CSR is 0,036 which is $< 5\%$ alpha, it can be interpreted that Ha3 is accepted while H03 is rejected, in other words there is a significant influence between Economic and Environmental CSR simultaneously on Profitability.

3.8. Determination Test (R2)

Table 8 Determination Test

Model	R	R Square	Adjusted R Square	Estimate of Std. Error
1	,405 ^a	,164	,119	4.79690

a. Predictors: (Constant), X2, X1

b. Dependent Variable: Y

Source: Data processed with SPSS 25 (2021)

Based on the table above, the R square data is 0,11. Therefore, it can be said that 11% Profitability is influenced by the variables of Economic CSR and Environmental CSR. While the remaining 89% is influenced by other variables that are not explained in this study.

4. CONCLUSION

This study aims to determine the effect of Corporate Social Responsibility in Economic and Environmental indicators on the profitability of Manufacturing Companies listed on the Indonesia Stock Exchange in period of 2016-2020. Based on the results of the normality test, the residual data obtained is 0,187, which is concluded that the regression model meets the normal assumptions, there is also no multicollinearity as evidenced by the tolerance test results of < 0.10 and also the VIF value > 10 , and also there is no autocorrelation which is seen from The Durbin-Watson value that has been tested is 1,632 which is $>$ from the DW table value of 1,600. A total of three Hypothesis Development that has been described that only 2 are accepted while the other 1 is rejected. Hence, based on the results and discussion of the research above, it can be concluded that:

1. Based on the results of the T test for Economic CSR, a significant value of 0,013 was obtained, which was $< 5\%$. Therefore, it can be said that Ha1 is accepted and H01 is rejected, in other words there is a significant influence between Economic CSR on Profitability.
2. Based on the results of the T test for Environmental CSR, a significant value of 0,949 was obtained, which is $> 5\%$. Therefore, it can be said that Ha2 is rejected and H02 is accepted, in other words there is no significant influence between Environmental CSR on Profitability.

3. Based on the results of the F Test for Economic and Environmental CSR obtained a significant value of 0.036 which is $< 5\%$. Therefore, it can be said that H_{a3} is accepted and H_{03} is rejected, in other words there is a significant influence between Economic and Environmental CSR on Profitability.

Suggestion

In this study, the researcher realizes that there are many shortcomings in this research, therefore the researcher hopes for future researchers to be higher quality for the creation of even better research. Here are some suggestions:

1. For further researchers, it is expected to add other variables such as Good Corporate Governance, Corporate Value and Corporate Social Responsibility with Social Indicators, Product Responsibility, and so on.
2. For further researchers, it is expected to increase the span of the company period above 5 years and increase the sample company so that the actual situation is more visible and there are many observation points.
3. For further researchers, it is expected to cover all companies on the Indonesia Stock Exchange (IDX) so that the resulting data is more varied and robust.

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