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The Effect of Corporate Social Responsibility (CSR) on Profitability of Mining Companies Registered on the Indonesia Stock Exchange (IDX)

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Abstract: **Corporate Social Responsibility (CSR) is the responsibility of how companies manage business processes to produce an overall positive impact on society. Profitability, which is the work achievement that has been achieved by the company in a certain period and is contained in the company's financial statements so that the performance that has been carried out by management can be evaluated and can be improved for the following year. This study aims to examine the effect of Corporate Social Responsibility (CSR) on the company's financial performance. In this study, the company's financial performance is measured by Return on Equity (ROE), Return on Assets (ROA) and Return on Sales (ROS). Corporate Social Responsibility (CSR) as an independent variable and Return on Equity (ROE), Return on Assets (ROA) and Return on Sales (ROS) as the dependent variable. The sample of this research is mining companies listed on the Indonesia Stock Exchange (IDX) for the period 2014 - 2019. The data were collected using non-participant observation methods. The sample was selected using purposive sampling method, and obtained 15 companies from all periods. This study uses simple linear regression analysis to analyze data. The results showed that Corporate Social Responsibility (CSR) had a positive and significant effect on the company's financial performance as measured by Return on Assets (ROA), Return on Equity (ROE), and Return on Sales (ROS).**

Keyword: **Corporate Social Responsbility (CSR), Return on Equity (ROE), Return on Asset (ROA), Return on Sales (ROS).**

I. INTRODUCTION

Corporate Social Responsibility (CSR) is the act of a corporation or large company in giving its responsibility in the form of material such as money, equipment or other gifts to communities, organizations or individuals in the area where the company operates (Fasya, 2018). Companies that carry out Corporate Social Responsibility (CSR) activities and disclose them in financial reports benefit in the form of a positive image from the public and investors (Wardani & Santi, 2018). The company's operational activities certainly have an impact on the environmental, social and economic conditions of the community, especially around the operating company (Chetty et al., 2015).

The mining industry is a high-profile industry because the mining industry has a high sensitivity to the environment and the surrounding community (Dong & Xu, 2016). Mining companies are closely related to the use of natural resources, so they are exposed to conflicts with the community regarding the social and environmental impacts of mining operations. Therefore, CSR is a strategic step to bridge the interests of the company and the surrounding community (Raufflet et al. 2014).

Profitability is the company's ability to earn profits in relation to sales, total assets and own capital (Sartono 2010: 122). (Kasmir, 2013: 199) states that there are several types of profitability ratios that can be used to assess and measure the company's financial position in a certain period. Return on Asset (ROA) is the company's ability to generate profits (return) on the total assets used in the company. Return on Asset (ROA) is also a measure of management effectiveness in managing its investment. Return on Equity (ROE) is the company's ability to generate profits with its own capital. Return on Equity (ROE) shows the efficient use of own capital. The higher this ratio, the better. This means that the position of the company owner is getting stronger, and vice versa. Return on Sales (ROS), which can also be referred to as Net Profit Margin (NPM), is the company's ability to generate profit-on-sales magin. To measure this ratio is to compare the net profit after tax with net sales.

Based on the theory of legitimacy, it is explained that through high Return on Assets (ROA), companies have the opportunity to form a social contract with the community by implementing and reporting all Corporate Social Responsibility (CSR) activities. This aims to gain legitimacy or a positive reaction for the company as an effort to gain public trust which leads to long-term company strength (Purnaningsih, 2018). Research conducted (Purnaningsih, 2018) states that Corporate Social Responsibility (CSR) has a positive influence on ROA (Return on Assets). In line with research conducted by (Rosdwianti et al., 2016), it is stated that Corporate Social Responsibility (CSR) has a significant effect on ROA (Return on Assets). Research conducted by (Fath, 2016) states that there is a significant relationship between Return on Assets (ROA) and disclosure of Corporate Social Responsibility (CSR). The better the disclosure of Corporate Social Responsibility (CSR), the higher the company's Return on Assets (ROA). From the description above, the first hypothesis can be formulated, as follows:

H_1: Corporate Social Responsibility (CSR) has a positive effect on Return on Assets (ROA) in mining companies listed on the Indonesia Stock Exchange

The theory of legitimacy, in the relationship between Return on Equity (ROE) and the level of disclosure of Corporate Social Responsibility (CSR) is that when the company has a high level of profit. The wider disclosure of Corporate Social Responsibility (CSR) will provide positive signals to the parties with an interest in the company (shareholder). The more extensive the information conveyed to stakeholders and shareholders, the more information received about the company (Kartini et al., 2019). The research results of (Kartini et al., 2019) show that Corporate Social Responsibility (CSR) to Return On Equity (ROE) has a positive and significant effect. It is inversely proportional to research conducted by Rosiliana et al., 2014 which shows that Corporate Social Responsibility has a negative and insignificant effect on Return On Equity (ROE). From the description above, the second hypothesis can be formulated, as follows:

H_2: Corporate Social Responsibility (CSR) has a positive effect on Return on Equity (ROE) in mining companies listed on the Indonesia Stock Exchange

Rosiliana et al., (2014) stated that Corporate Social Responsibility (CSR) has a positive and significant effect on Return on Sales (ROS). The best comparison with research conducted by Purnaningsih (2018) states that Corporate Social Responsibility (CSR) has no effect on Return on Sales (ROS). From the description above, the third hypothesis can be formulated, as follows:

H_3: Corporate Social Responsibility (CSR) has a positive effect on Return on Sales (ROS) in mining companies listed on the Indonesia Stock Exchange

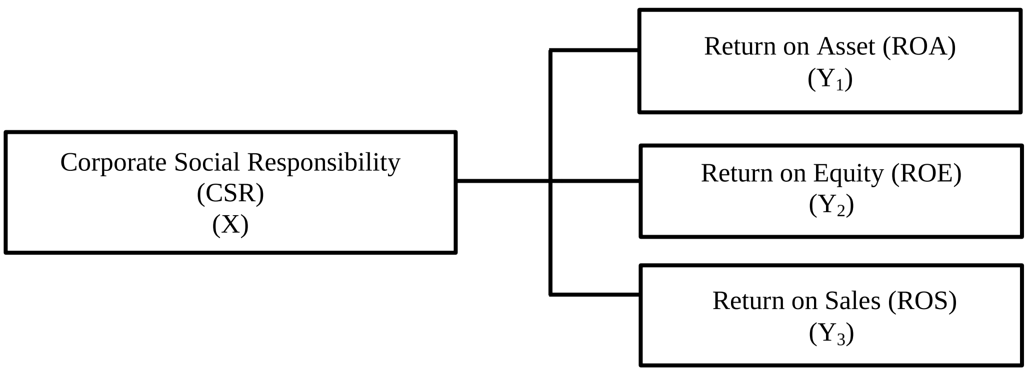

Figure 1: Conceptual Framework

II. RESEARCH METHODS

This research uses an associative quantitative approach. This research was conducted in mining companies listed on the Indonesia Stock Exchange in 2014-2019. The types of data used in this research are quantitative data and qualitative data. The data source in this research is secondary data. The population in this study were all mining companies listed on the Indonesia Stock Exchange in 2014-2019, totaling 49 companies. The sampling method used in this study was purposive sampling method. The data collection method used in this study is the non-participant observation method. The data analysis technique used in this study is simple linear regression analysis, because the independent variable in this study is only one.

III. RESULT AND DISCUSSION

Descriptive statistics provide information about the characteristics of the research variables, namely the number of samples, the maximum value, the minimum value, the average value, and the standard deviation. The results of descriptive statistics can be seen in table 2 as follows:

Table 2: Descriptive Statistics Test Results

Variabel	N	Min.	Max.	Mean	Std. Deviasi
CSR (X)	90	-2.13297	6.05282	.3686217	1.12503483
ROA (Y_1)	90	-.88498	5.60838	.3716397	.88856693
ROE (Y_2)	90	-1.11730	5.84070	.5113525	.94122850
ROS (Y_3)	90	-.99409	5.71749	.4411315	.91362172

Source: Research Data, 2020

After doing descriptive statistics, normality test is performed. The normality test results show that the Asymp value. Sig (2-tailed) of Return on Assets (ROA) 0.181, Return on Equity (ROE) 0.453, and Return on Sales (ROS) 0.069 is greater than 0.05. This shows the data used in this study has a normal distribution. Heteroscedasticity test results showed that the significance value of Return on Assets (ROA) is 0.891, Return on Equity (ROE) is 0.885, and Return on Sales (ROS) is 0.945, each of which has a value greater than 0.05, which means there is no influence. between independent variables on absolute residuals. Thus, the model made does not contain heteroscedasticity symptoms.

Table 3: Simple Linear Regression Test Results (CSR to ROA)

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
CSR	0,405	0,072	0,513	5,610	0,000
R^2			0,263		
Adjusted R^2			0,255		
Sig. F			0,000		

Source: Research Data, 2020

Based on table 3, the R square value in this study is 0.263 or 26.3 percent of the variation in profitability, in which case ROA is influenced by disclosure of Corporate Social Responsibility (CSR), while the other 73.7 percent is influenced by other factors that are not included in the equation model. The F Test shows that the significance value of P value 0,000 is smaller than $\alpha = 0.05$, this means that the model used in this study is feasible and the hypothesis can be continued.

Table 4: Simple Linear Regression Test Results (CSR to ROE)

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
CSR	0,425	0,077	0,508	5,536	0,000
R^2			0,258		
Adjusted R^2			0,250		
Sig. F			0,000		

Source: Research Data, 2020

Based on table 4, the R square value in this study is 0.258 or 25.8 percent of the variation in profitability, in which case ROE is influenced by disclosure of Corporate Social Responsibility (CSR), while 74.2 percent is influenced by other factors that are not included in the equation model. The F Test shows that the significance value of P value 0,000 is smaller than α = 0.05, this means that the model used in this study is feasible and the hypothesis can be continued.

Table 5: Simple Linear Regression Test Results (CSR to ROS)

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
CSR	0,425	0,074	0,523	5,753	0,000
R^2			0,273		
Adjusted R^2			0,265		
Sig. F			0,000		

Source: Research Data, 2020

Based on table 4, the R square value in this study is 0.273 or 27.3 percent of the variation in profitability, in which case ROS is influenced by disclosure of Corporate Social Responsibility (CSR), while the other 72.7 percent is influenced by other factors that are not included in the equation model. The F Test shows that the significance value of P value 0,000 is smaller than α = 0.05, this means that the model used in this study is feasible and the hypothesis can be continued.

The results of the first hypothesis state that the effect of disclosure of Corporate Social Responsibility (CSR) on return on assets (ROA), the significance value is 0.000 with a positive beta coefficient value of 0.513. The significance value of 0.000 <0.05 indicates that H1 is accepted. This result means that the disclosure of Corporate Social Responsibility (CSR) has a positive and significant effect on ROA. The results of this study are in line with research conducted (Purnaningsih, 2018) which states that Corporate Social Responsibility (CSR) has a positive effect on Return on Assets (ROA). Similar results were also obtained from research conducted by (Rosdwianti et al., 2016) which stated that Corporate Social Responsibility (CSR) had a significant effect on Return on Assets (ROA). Research conducted by (Fath, 2016) states that there is a significant relationship between Return on Assets (ROA) and disclosure of Corporate Social Responsibility (CSR).

The results of the second hypothesis state that the effect of disclosure of Corporate Social Responsibility (CSR) on return on equity (ROE), the significance value is 0.000 with a beta coefficient value which is positive 0.508. A significance value of 0.000 <0.05 indicates that H2 is accepted. This result means that the disclosure of Corporate Social Responsibility (CSR) has a positive and significant effect on ROE. The research results of Kartini et al., 2019 show that Corporate Social Responsibility (CSR) to Return On Equity (ROE) has a positive and significant effect. It is inversely proportional to research conducted by Rosiliana et al., 2014 which shows that Corporate Social Responsibility has a negative and insignificant effect on Return On Equity (ROE).

The results of the third hypothesis states that the effect of disclosure of Corporate Social Responsibility (CSR) on return on sales (ROS), the significance value is 0.000 with a positive beta coefficient value of 0.523. The significance value of 0.000 <0.05 indicates that H3 is accepted. This result means that CSR disclosure has a positive and significant effect on ROS. This research is in line with the legitimacy theory, which explains the two-way relationship that exists between the company and the community. The company is obliged to convince the public that its activities are in accordance with the prevailing norms. Companies that earn the trust of the public will find it very easy in terms of marketing their products. The more products the company is able to sell to the community, the higher the reputation the company will gain. The high sales of the company's products also provides a positive signal to investors and potential investors to invest.

IV. CONCLUSION

Based on the analysis and discussion, it can be concluded that the disclosure of Corporate Social Responsibility (CSR) carried out by companies has a positive and significant effect on company profitability which in this study is measured using the Return on Asset (ROA), Return on Equity (ROE), and Return on Sales (ROS) ratio. This shows that the company's concern for the environment in which its business operates will provide more value to the company in the eyes of investors when compared to companies that do not disclose Corporate Social Responsibility (CSR). The positive image that arises from the existence of CSR disclosure has an impact on the high profitability achieved by the company. In this study, the most dominant variable affecting is the ratio of Return on Sales (ROS) because the results of the Standardized Coefficient Beta test have the highest value.

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