

PROFITABILITY, CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE AND GOOD CORPORATE GOVERNANCE

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Abstract

Testing and assessing the effect of Corporate Social Responsibility Disclosure and Good Corporate Governance (GCG) on profitability in companies engaged in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2016 – 2019 using a sample of 60 is the purpose of the study. Samples were taken using purposive sampling method and the data sources used were secondary data in the form of financial statements and company annual reports. Hypothesis testing shows that there is no effect of Corporate Social Responsibility Disclosure on profitability and there is a significant effect of Good Corporate Governance on profitability.

Keywords: *Profitability, Corporate Social Responsibility, Good Corporate Governance.*

1. INTRODUCTION

In general, companies are established with the aim of making a profit so that they can continue to operate and experience development. Profitability is an indicator that can assess the company's financial performance in generating profits in a certain period. High profitability reflects the profit generated is also high. Therefore, consumer goods industry companies listed on the Indonesia Stock Exchange are expected to be able to survive in the midst of competition for emerging products with quality not much different from cheaper prices and environmentally friendly. Environmentally friendly here means that the product does not contain hazardous materials that can interfere with consumer health and in the process of making the product it can reduce production waste. Many consumers are now paying attention to environmental and social concerns, so they will choose products produced by producer companies that are more concerned with the environment by carrying out social responsibility which can be seen from the company's annual report (Almar, Rachmawati, & Asfia, 2012).

Corporate Social Responsibility involves elements that create a company's prominence and fame (Brammer & Pavelin, 2006). The disclosure of social responsibility by the company will loyal consumers continue to buy products, then sales will continue to increase, and under these conditions it is hoped that the profitability and image of the company will continue to be good and increase. Corporate Social Responsibility Disclosure can be used as one of the strategies in reducing risk in order to increase profitability as the main target for the company, namely obtaining profits while still paying attention to the interests of stakeholders and protecting the environment as a form of responsibility for the impacts that can be caused by actions related to business. company (Rosdwianti, Ar, & Z. A, 2016).

Good Corporate Governance as part of a series of systems that control, run, and oversee the relationship between parties providing products to consumers and parties with an interest in the company in accordance with existing regulations (Putra, A. S., & Nuzula, 2017). So that companies that implement Good Corporate Governance in terms of financial performance and operational performance can increase (Melia, 2015) because the implementation of GCG is intended to further increase the company's profits, and to determine the good and negative impacts that will later be obtained by the company, so that the impact can be minimized. (Selekhah & Effendi, 2020).

2. IMPLEMENTATION METHOD

The basis of the research is to determine the influence of the profitability of consumer goods industry companies with Corporate Social Responsibility Disclosure and Good Corporate Governance. In this case, the hypothesis testing to be carried out is as follows:

H1: There is an effect of Corporate Social Responsibility Disclosure on profitability

H2: There is an effect of Good Corporate Governance on Profitability

The data analysis method used to test the hypothesis is multiple linear regression to test and processing data using SPSS using the following equation:

$$Y = a_0 + a_1 \text{ CSR} + a_2 \text{ GCG} + e$$

3. RESULTS AND DISCUSSION

Classical assumption testing is hypothesis test and coefficient of determination.

3.1 Hypothesis Test Result

The results of the t-statistical test show the effect of Corporate Social Responsibility Disclosure, Good Corporate Governance on profitability as follows:

1. The first hypothesis is that social responsibility has a significant effect on return on assets. The results of the t-test showed a tcount value of $0.807 < t_{table} 2.0024$ with a significant level of 0.423. This means that Corporate Social Responsibility Disclosure has no significant effect on profitability. This means that the first hypothesis (H1) is rejected.
2. The second hypothesis is that good corporate governance has a significant effect on profitability. The results of the t test show the tcount value of $4,391 > t_{table} 2.0024$ with a significant level of 0.000. This means that good corporate governance has a significant effect on profitability. This means that the second hypothesis (H2) is accepted.

3.2 Coefficient of Determination

The correlation coefficient value is obtained at $(R^2) = 0.263$, which means that the degree of relationship (correlation) between the independent variable and the dependent variable is 26.3%. This means that disclosure of Corporate Social Responsibility Disclosure and good corporate governance has a weak relationship with profitability, because the value of the correlation coefficient is only 0.263. The value of the coefficient of determination is obtained (Adjusted R^2) = 0.237, which means that 23.7% of changes in profitability can be explained by changes in social responsibility disclosure, while 76.3% is explained by other variables not included in the research model this.

a. The Effect of Corporate Social Responsibility Disclosure on Profitability

Consumer goods industry companies listed on the Indonesia Stock Exchange in Corporate Social Responsibility Disclosure are presented in a narrative manner with various explanations and not explained in detail, making it difficult to interpret each component of each indicator, which consists of social responsibility economic indicators, Social and Environmental. The indicator for the disclosure of socio-economic responsibility consists of 9 items and those disclosed by consumer goods industry companies for the 2016 – 2019 period are only 4 items that are disclosed at most, namely by PT. Three Pillars of Prosperous Food Tbk and PT. Wismilak Inti Makmur Tbk. Corporate Social Responsibility Disclosure indicators of the 40 components that reveal the most

are PT. Unilever Indonesia Tbk and PT. Sido Muncul Tbk. Disclosure of social responsibility environmental indicators consists of 30 items disclosed at most by PT. Unilever Indonesia Tbk and there are companies that do not disclose, namely PT. Merck Indonesia Tbk.

The hypothesis test shows that the Corporate Social Responsibility Disclosure has no significant effect on profitability. Corporate Social Responsibility Disclosure is an act that is still voluntary. The company considers that social responsibility will require additional budget or special costs to improve the welfare and quality of life of the workforce, customer satisfaction with products, social activities, and waste management due to production. For the company, these additional costs will cause a reduction in the company's profit and is not a long-term investment opportunity in the future. This research is in line with (Pratiwi, Nurulrahmatia, & Muniarty, 2020) which states that Corporate Social Responsibility Disclosure has no significant effect on profitability. This study is not in line with (Wulandari, 2020) & (Musfirati, Ginting, & Hakim, 2021) which show that Corporate Social Responsibility Disclosure has a significant and significant effect on profitability.

b. The Effect of Good Corporate Governance on Return On Assets

The results of the study indicate that Good Corporate Governance has a significant effect on profitability. The better the Good Corporate Governance of the company where the function of the board of commissioners carries out their duties as supervision of the company's business with the principles of openness, accountability, independence and transparency so as to protect the interests of all parties (stakeholders). Therefore, the implementation of good corporate governance, the better the performance of a company. Company performance becomes a benchmark for the development of a company, especially through the assessment and measurement of financial aspects or financial performance. The results of this study are in line with research (Abdillah, 2015) & (Sarafina, S., & Saifi, 2017) which states that GCG with independent commissioner indicators has a significant effect on profitability. This study is not in line with (Istighfarin & Wirawati., 2015) & (Tertius & Christiawan, 2015) which state that GCG has no effect on profitability.

4. CONCLUSION

Corporate Social Responsibility Disclosure has no effect on profitability, and good corporate governance has a significant effect on profitability of consumer goods industry companies listed on the Indonesia Stock Exchange for the 2016–2019 period.

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