ISSN: XXXX-XXXX
Vol 2, No 1, 2022

The Effect of Profitability and Leverage on Corporate Social Responsibility Disclosure: Case Study on Sharia Commercial Banks in Indonesia

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A B S T R A C T

A profitability ratio is a ratio to assess the company's ability to seek profits. The leverage ratio is a measure of the number of assets that are financed with debt. These two ratios can influence the company in expressing its social responsibility. The purpose of this study was to determine the effect partially and simultaneously between the profitability variable is proxied using Return on Asset (ROA) and the leverage is proxied using the Debt Equity Ratio (DER) on corporate social responsibility disclosure (CSR). The population in this study were 14 Islamic Commercial Banks (BUS) in Indonesia from 2015 - 2019. This study using five periods so that the sample data obtained was 70. The sampling technique in this study was carried out using saturated sampling. And the data collection technique in this study is to use documentation analysis in the form of BUS reports that reveal annual reports, sustainability reports, and reports on CSR during the 2015 - 2019 period. Sourced from the web addresses of each bank. The analysis results obtained show that: 1) Profitability does not affect CSR disclosure, 2) Leverage has a significant effect on CSR disclosure, 3) The effect of profitability and leverage on CSR disclosure is 27.9% and the remaining 72.1% is influenced by other variables not examined.

Keywords: Profitability, Leverage, Corporate Social Responsibility
JEL Codes: F65; G21; G33

Received: 13 October 2021 Revised: 20 November 2021 Accepted: 04 January 2022

Suggested citation:
Andriani & Masliha, D. (2022). The Effect of Profitability and Leverage on Corporate Social Responsibility Disclosure (Case Study on Sharia Commercial Banks in Indonesia). *Indonesian Economic Review, 2*(1), 19-26.

INTRODUCTION

The current level of business competition is getting tougher, every company uses all strategies to win the market. And one of them is a banking institution, therefore company image plays a very important role. This corporate image is then used as the reason why a bank needs to carry out its Corporate Social Responsibility (CSR) program as well as possible. Because the business unit cannot be separated from the surrounding community. For this reason, the existence of the company must be in accordance (congruence) with the expectations of the surrounding community (Hadi, 2011). Corporate Social Responsibility (CSR) must be implemented by all companies in Indonesia.

No exception for companies or banking institutions, especially in Islamic banking institutions, because in fact, Islamic banking institutions are institutions that have high spiritual values, which not only want non-usury practices but must also be able to actively move for the welfare of the wider community, especially in society. Who have an unfavorable economic situation? Attachment to the Decree of the Chairman of Bapepam Number KEP-134 / BL / 2006 also requires companies to disclose information related to corporate governance. and that also includes information about their social responsibilities. Disclosure of corporate social responsibility (Disclosure), which is often referred to as social disclosure, corporate social reporting, social accounting is a process of communicating the social and environmental impacts of an organization's economic activities on specifically interested groups and society as a whole (Suhardjanto & Nugraheni, 2012; Al amosh & Mansor, 2018).

CSR is implemented to increase the profitability of a company. Because companies with high profits are companies that are in good condition. Profitability is the company's ability to generate profits by using its resources such as assets, capital, or company sales (Fajaria & Isnalita, 2018). As the researcher explained above that capital is one of the indicators of a company in generating profit or profit, and the capital structure of a company can be described through the leverage ratio because leverage is one of the tools to measure asset financing in a company, whether a company creditor or not. In other words, the leverage ratio is used to measure the extent to which the company's assets are financed with debt. That is, how much debt the company bears compared to its assets (Kasmir, 2016).

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This study uses the object of research at Islamic Commercial Banks (BUS) in Indonesia from 2015 - 2019. Table 1 informs the names of BUS in Indonesia.

Table 1. List of Sharia Commercial Banks

No.	Name of Bank
1.	Bank BNI Syariah
2.	Bank BRI Syariah
3.	Bank Syariah Mandiri
4.	Bank Aceh Syariah
5.	Bank Jabar Banten Syariah
6.	Bank BCA Syariah
7.	Bank Maybank Syariah Indonesia
8.	Bank Mega Syariah
9.	Bank Muamalat Indonesia
10.	Bank Panin Dubai Syariah
11.	Bank Syariah Bukopin
12.	Bank Tabungan Pensiunan Nasional Syariah
13.	Bank Victoria Syariah
14.	Bank Pembangunan Daerah Nusa Tenggara Barat Syariah

METHOD

The research design used in this research is to use a quantitative approach. A quantitative approach is a type of approach that results in findings that can be achieved (obtained) using statistical procedures or other means of quantification (measurement) (Susilawati, 2018). While the analysis used in this study is to use multiple linear regression analysis because it examines the effect of profitability and leverage on disclosure of Corporate Social Responsibility (CSR). The purpose of this study was to determine the direction of the relationship between the independent variable and the dependent variable. The dependent variable (dependent variable) is the variable that is explained or influenced by the independent variable. Meanwhile, the independent variable itself is a type of variable that explains or affects other variables. Disclosure of Corporate Social Responsibility (CSR) is the dependent variable or dependent variable (Y). The CSR disclosure referred to in this study is the disclosure of information about a company's social activities reported through annual reports and/or sustainability reports, these reports can be in the form of documentation and statements. Statements that exist in the annual report and/or the sustainability report.

To measure CSR disclosure, this study uses the following formula (Darmawan, 2018).

$$\text{CSR} = \frac{\sum Xij}{nj}$$

Explanation:
CSRij: CSR *Disclosure Index* company j
nj: the number of items for the company j
Xij: the number of items disclosed is assigned a value of 1, otherwise

The independent variable or independent variable in this study is profitability (X1) and leverage (X2). Profitability is an advantage in the company in carrying out its business. while the profitability ratio is a ratio to assess the company's ability to seek profits. This ratio also provides a higher measure of company management. This is indicated by the profit or profit generated from the sale of investment income. Several measures in calculating the company's profitability, namely: return on assets (profit margin), basis on assets (return on assets / ROA), and the basis on equity (return on equity / ROE). The calculation of profitability that will be used in this study is to use ROA, with the following formula:

$$\text{ROA} = \frac{Net\ Profit}{Total\ Assets}\ x\ 100\%$$

The reason for using ROA is that ROA uses a comparison between net income and total assets. In calculating the company's profitability, this ratio provides a better measure of the company's profitability because it shows the effectiveness of management in using assets to generate revenue. While Leverage is a measure of the number of assets that are financed with debt. A company with a higher leverage ratio will disclose more information because the agency costs of a company with such a capital structure are higher. Additional information is needed to eliminate doubts of rights holders regarding the fulfillment of their rights as creditors. The calculation of the leverage ratio is divided into two, namely the ratio of debt to equity and the ratio of debt to assets. The calculation of leverage that will be used in this study is DER, with the following formula:

$$\text{DER} = \frac{Total\ Debt}{Equity}\ x\ 100\%$$

The reason researchers used a comparison between total debt and total equity is that leverage itself means the capital structure obtained from outsiders. With this comparison formula, it provides a better measurement because of its comparison to the company's total equity. and also with this comparison formula, the company will be able to see how much part of the company's capital will be used as debt collateral, so that in this case the company can make better decisions. The population in this study were 14 Islamic Commercial Banks (BUS) in Indonesia from 2014 - 2018. And in this study, the sampling technique used was saturated sampling. Saturated sampling is a sampling technique when all members of the population are used as samples. This is often done when the population is relatively small (Ansori, 2020). This study uses five periods, so the sample data obtained is 5 x 14 = 70.

The data technique used in this study is to use documentation analysis in the form of BUS reports that disclose annual reports, sustainability reports, and reports on CSR during the 2014-2018 period, which are sourced from the web addresses of each bank. And the research instrument used in this study in a variety of types of checklists or checklists, that is, each CSR item in the research instrument run by the company is given a value of 1 and a value of 0 if not based on a checklist, then the score of each item is summed to reach a total score for each company. After that, the CSR index is obtained by the formula for the number of items allocated to the number of items from the company.

RESULTS AND DISCUSSION

Profitability on BUS

According to Cashmere profitability is the advantage of a company in carrying out its business. Meanwhile, the profitability ratio is a ratio to assess the company's ability to seek profits. This ratio also provides a measure of the level of management effectiveness in a company (Kasmir, 2014) and in this study profitability is described using the ROA ratio, the following are the ROA ranking criteria (see Table 2), while The ROA ratio in BUS in 2015 - 2019 is shown in Table 3. Based on the table, it shows that ROA BUS in 2015 - 2019 was in a fairly healthy condition in 2017 - 2019, except in 2015.

Table 2. Criteria for Ranking Return on Asset (ROA)

Rating	Statement	Criteria
1	Very Healthy	ROA > 1.5
2	Healthy	1.25 < ROA ≤ 1.5
3	Fairly Healthy	0.5 < ROA ≤ 1.25
4	Unwell	0 < ROA ≤ 0.5
5	Not Healthy	ROA ≤ 0

Table 3. Return on Asset (ROA) Sharia Commercial Banking Period 2015 – 2019

Ratio	Year	Value
ROA	2015	0.41
	2016	0.49
	2017	0.63
	2018	0.63
	2019	1.28

Leverage on BUS

leverage is the company's ability to pay off the debt by using all assets or assets to become a debt guarantor (Pradnyani & Sisdyani, 2015). This leverage ratio is used to measure the extent to which the company's assets are financed with debt, that is, how much debt is borne by the company compared to its assets. This study uses the DER formula to describe the leverage ratio, here is the DER ratio for BUS in 2015 – 2019 (see Table 4).

Table 4. *Debt to Equity Ratio* (DER) Sharia Commercial Banking Period 2015 – 2019

Ratio	Year	Value
DER	2015	0.04
	2016	0.05
	2017	0.05
	2018	0.04
	2019	0.03

Based on Table 4, it shows that DER BUS in 2015-2019 is in good or ideal condition. Because the DER value on the BUS shows a value below number 1. According to Budiman, the ideal DER is below number 1, and the lower the DER ratio, the better (Budiman, 2018). CSR-D is business data or business conducted by a company. CSR activities are said to be good and the company has a good reputation in the eyes of stakeholders and other interested parties. And companies with good reputations pay attention to high-profit growth rates (Ralona, 2006). The profit on BUS in 2015 - 2019 is shown in Table 5. From the table, it shows that the CSR-D program at BUS can be said to be good, because in 2015 - 2019 profit on BUS has increased. Except in 2015 to 2016.

Table 5. Profit Report Syariah Commercial Bank Period 2015 – 2019 (Miliar Rp)

Report	Year	Value
Profit	2015	702
	2016	635
	2017	952
	2018	990
	2019	2.806

Descriptive Statistical Analysis

Descriptive statistics are methods related to the collection and presentation of a data set so that they can provide useful information (Elcom, 2010). And in this study will be displayed a description of the data regarding the minimum value, maximum value, sum, mean and standard deviation. Based on the descriptive statistical table of SPSS 20 processing, the highest value on the profitability variable that occurred in the Sharia National Pension Savings Bank in 2019 and the lowest value at Bank Maybank Syariah in 2016. Meanwhile, the highest value was on the leverage variable for Bank Syariah Bukopin in 2017 and the lowest value at Bank Jabar Banten Syariah in 2015. And for the CSR variable, the highest value was found at the National Bank of Indonesia Syariah in 2019 and the lowest value was at Bank Maybank Syariah.

A good regression model is required to meet the absence of classical assumption problems. The classic assumption tests of each model are:

1. **Normality Test.** The normality test aims to test whether, in the regression model, there are confounding or residual variables that have a normal distribution normal (Ghozali, 2011). In this study, the Kolmogrov-Smirnove test was used provided that the resulting significance value was < 0.05, the data was not normally distributed. Conversely, if the resulting significance value is > 0.05, the data is normally distributed. Based on the results of the normality test above, it shows that the results of the normality test show the Kolmogrov-Smirnove Z value of 0.792 with a significance value of 0.557 which means greater than 0.05. So, it can be denied that the data used in this study are data with a normal distribution.
2. **Multicollinearity Test.** Multicollinearity was tested using VIF below 10 so there was no multicollinearity. Based on the table above, it shows that the VIF value for the independent variable, namely profitability and leverage, is 1,000. From the second variable is VIF < 10, it can be ignored that there is no multicollinearity between the independent variables.

3. **Autocorrelation Test.** The purpose of the autocorrelation test is to test whether there is an earthquake between the disturbing error in period t and period t-1 in the linear regression equation. To see if autocorrelation exists, the Durbin Watson (DW) test is used. The statistical calculations in this study obtained a DW figure of 2.128. The DW value between dL is 1.4741 and dU is 1.6334. Then the value is 1.6334 <2.128 <2.3666 (4-dU), meaning that there is no autocorrelation.
4. **Heteroscedasticity Test.** The hesteroscedasticity test is to see whether there is an inequality of the variance from the residuals of one observation to another. The basis for taking the hesteroscedasticity test is that if the significance value is > 0.05, the conclusion is that there is no hesteroscedasticity (Duli, 2019). Based on the table above, it shows that the significance value for each of the independent variables of profitability and leverage is 0.647 and 0.929. From the second variable shows that the value of profitability and leverage> 0.05, it can indicate that the regression model does not occur hesteroscedasticity.

Corelation Test

Correlation analysis is a study of the degree of closeness of the relationship between variables expressed by the value of the correlation coefficient. Guidelines or basis for decision making in this correlation analysis, namely if the Sig. (2-tailed) <0.05 then there is a correlation between the variables being linked. Conversely, if the Sig. (2-tailed)> 0.05, so there is no correlation. Based on the significant value of Sig. (2-tailed), from the output table above, it is known that there is no significant available between the profitability variable and the CSR variable. Meanwhile, the leverage variable that occurs is significant.

Regression Equation Model

The following table describes a summary of the analysis results and statistical test results obtained from using SPSS 21, the following are the results (see Table 6).

Table 6. Summary of Analysis Results

Variable	Coefficient	Sig.
X1 Profitability	0.363	0.216
X2 Leverage	0.023	0.001
Constant	0.533	0.000
R		0.529
R-Square		0.279
F_{count}		7.235
Sig F		0.001
F_{table}		3.13

Based on the results of the regression analysis, the following regression models were obtained:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2$$

or

CSR = 0.533 + 0.363 (profitability) + 0.023 (*leverage*)

Based on table 6 above, shows that the data being tested has the following meanings:
1. The constant is 0.533, which means that if the profitability and leverage variables are fixed, the CSR variable will increase by 0.533.
2. The regression coefficient X1 is 0.363, which means that for every 1 unit increase in profitability, the CSR variable also increases by 0.363.

3. The X2 regression coefficient is 0.023, which means that for every 1 unit increase in leverage, the CSR variable will also increase by 0.023.

For the effect of the influence of the independent variable on the determined variable directly, the t-test was carried out with a decision of significance < 0.05, so there was an influence between variables. And in the table, it is known that the Sig. value on the test was obtained at 0.216 for the profitability variable, which means that there is no significant influence between the profitability and CSR variables. And for the leverage variable, the Sig. value is 0.001 which means that there is a significant effect. Then to see whether or not the influence of the independent variable and the dependent variable together or simultaneously, can be done by statistical tests, the criteria for the value of F-count > F-table are accepted, and vice versa. In the table, it is known that the F-count value is 7.235 and the F-table value is 3.13, thus indicating that there is an influence simultaneously or together between the two variables. To find out how much the independent variable contributes to the variable that can be done with the analysis of the coefficient of determination and based on the SPSS output table, it is known that the coefficient of determination or R Square is 0.279, which means that the independent variable only contributes to the dependent variable by 27.9% and other 72.1% sure by other variables outside the study.

CONCLUSION

The conclusions that can be drawn from the test results are as follows. Profitability as measured by ROA on BUS in 2014 - 2018 is in a fairly healthy condition. Leverage, as measured by DER on BUS in 2014 - 2018, is in ideal or good condition. The CSR-D program which is described through the earnings report on the BUS in 2014 - 2018 can be said to be good. Based on the results of the t-test analysis shows that profitability does not have a significant effect on CSR disclosure. Based on the results of the t-test analysis shows that leverage has a significant effect on CSR disclosure. Based on the results of the F test analysis shows that profitability and leverage have a significant effect on CSR disclosure. And the results of the analysis of the coefficient of determination which shows the influence of the variable on the variable are 27.9% and the rest comes from other variables outside the research.

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