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THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON PROFITABILITY IN MINING COMPANIES LISTED ON THE IDX IN 2020-2023

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ABSTRACT

Corporate Social Responsibility is the company's responsibility to stakeholders with respect to ethical, social and environmental issues. This study aims to determine the effect of corporate social responsibillity (CSR) on profitability as measured using return on assets (ROA). The object of this research is mining companies listed on the Indonesia Stock Exchange in 2020-2023. The analysis model used is simple linear analysis. This study uses secondary data in the form of annual reports and financial reports from mining companies lised on the Indonesia Stock Exchange in 2020-2023. From the results of this study it can be concluded that corporate social responsibility (CSR) has a significant negative effect on return on assets (ROA).

Keywords : Corporate Social Responsibiliy (CSR), Profitability, Return On Assets (ROA)
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1. INTRODUCTION

In this era of globalisation, business competition is becoming increasingly fierce due to rapid economic development. Economic development in the business world often makes many companies do various ways to adapt to all existing changes without thinking about the impact on the environment and social such as mining companies.

Mining companies are one of the companies that have a major impact on the environment, social and economy. According to WAHLI or Wahana Lingkungan Hidup Indonesia, mining companies are the companies that have the greatest impact on environmental damage, especially in Indonesia, due to the activities carried out by these companies.

Mining companies are closely linked to environmental degradation. Irresponsible mining practices can cause lasting damage to the ecosystem. The impact given by mining companies often makes the company's reputation destroyed and can harm the company. One of the programmes that can be done to restore the company's reputation and develop the company is the Corporate Social Responsibily programme.

Corporate Social Responsibility is the commitment of a company or business world to contribute to sustainable economic development by taking into account corporate social responsibility and emphasising the balance between consideration of economic, social and environmental aspects. Corporate Social Responsibility is closely related to the sustainability of the company. Corporate Social Responsibility carried out the company is not only to care of the environment but to provide benefits to stakeholders such as employees, customers, creditors, communities and stakeholders.

Corporate Social Responsibility can have a good impact on the company, where by carrying out corporate social responsibility activities the company not only improves its reputation but can also increase public trust in the company's products and will have a direct impact on company profits. This is in line with Ridwan & Novianty (2019) who say that carrying out CSR activities will make the company's image good so that it can increase consumer interest in the company which will make sales increase because the increasing demand from consumers will affect company profits. Continue with Musfirati et al (2021) who say that the implementation of CSR will increase sales and will ultimately increase the company's profitability.

Profitability ratio is a ratio that aims to determine the company's ability to generate profit during a certain period and also provides an overview of the level of management effectiveness in carrying out its operations (Darmawan, 2020). High profitability shows the company's good financial performance so that the company is able to attract investors in investing in the company (Sularsih et al, 2023). In this study, the profitability ratio is proxied by ROA.

Return On Asset (ROA) is a ratio used to measure management's ability to obtain profitability and managerial efficiency as a whole, where the higher the ROA value of a company, the better the companies is in managing the overall rate of return on both debt and capita. ROA can measure the company's ability to generate operating profits with total assets (Indrawati, 2020).

Currently, many companies on the Indonesia Stock Exhange have made CSR disclosures in their annual reports. One of them is a mining companies. In accordance with the legal basis that has been established in Indonesia regarding social responsibiliy in Law Number 40 of 2007 concerning Limited Liability Companies (UUPT) article 74 paragraph 1 contains that companies that carry out business activities in the field of and / or related to natural resources are required to carry out social and environmental responsibility. In additon, CSR is also regulated in the statement of Indonesia Accounting Standards (PSAK) No. 1 (revised 2009) paragraph 12 which explains that "Entities may also present separate from the financial statements, reports on the environment and value-added statements, especially for industries where environmental factors play an important role and for industries that consider employees as a group of reports users who play an important role. Such additional statements are outside the scope of Indonesia Accounting Standars".

This study uses mining companies as samples because mining companies tend to be directly related to the environment. The mining sector companies that are the object of this study are the metal and mineral sub-industry, the coal sub-industry, and the oil gas refining production sub-industry. The sub-industry has a big impact on the enviroment, social and economy.

Based on the background description, the researcher is interested in conducting research with the title of this study is "The Effect of Coporate Social Responsibility on Profitability in Mining Companies Listed on the IDX in 2020-2023".

2. LITERATURE REVIEWS

2.1. Corporate Social Responsibiliy

According to The World Business Council for Sustainable Development Corporate Social Responsibility (CSR) is a commitment from a business or company to behave ethically and contribute to sustainable economic development, while improving the quality of life of employees and their families, local communities and society at large. Corporate social responsibility is the company's responsibility to adjust to the needs and expectations of stakeholders regarding ethical, social and environmental issue (Sultoni, 2020:6-7).

2.2. Legitimacy Theory

Legitimacy theory is another theory that underpins CSR and is closely related to stakeholder theory. Legitimacy theory focuses on the interaction between companies and society. This theory states that organisations are part of society so they must pay attention to social norms because conformity with social norms can make companies more legitimate (Titisari, 2020:56).

2.3. Profitability

Profitability or often referred to as the profitability ratio is a financial metric used by investors and analysts to measure and evaluate the company's ability to generate profits or profits relative to revenue, operating costs, balance sheet assets and shareholder's equity over a period of time (Novi, 2021). According to Setiawan (2022:67) profitability is the company's ability to generate profits. In addition, Siswanto (2021:35) says that the profitability ratio is the company's ability to generate profits using owned sources such as assets, capital or sales. Meanwhile, Sukamulja (2019:97) states that the profitability ratio is a ratio that measures the company's ability to generate profits and measures the return on investment that has been made.

2.4 Hypothesis

Companies that implement CSR well by keeping the surrounding environment safe will create a good corporate image in the eyes of the community because the company is considered responsible by not damaging and polluting the environment where the company operates. The care given by the company through CSR programs will get a positive response from the community in the form of customer loyalty, where people will continue to purchase products produced by the company so that company sales and company profits will increase.

In the results of research conducted by Hikmatiar (2021) with the title "The Effect of Corporate Social Responsibility on Profitability and Market Performance of Companies" said that corporate social responsibility has a positive effect on profitability. Likewise, the results of research by Setiono et al (2019) with the title "The Effect of Corporate Social Responsibility on Profitability and Its Impact on The Value of Mining Sector Companies on the Indonesia Stock Exchange 2016-2018" revealed that corporate social responsibility has an effect on profitability.

So the hypothesis for this study is: corporate social responsibility has a significant effect on profitability.

3. RESEARCH METHOD

3.1. Data

This study uses an associative quantitative approach. According to Sugiyono (2019:65) associative research is a formulation of research problems that aims to determine the effect of the relationship between two or more variables. Quantitative methods will obtain the significance of group differences or the significance of the relationship between the variables studied.

3.2. Sample

The population in this study are all mining companies listed on the Indonesia Stock Exchange (IDX) in 2020-2023. The total mining companies listed on the IDX in 2020-2023 are 41 companies, and samples that have the appropriate criteria are 23 companies. In this study using purposive sampling. The reason for using purposive sampling technique is because not all samples have criteria that match those that the author has determined. Therefore, the author has a purposive sampling technique by setting certain considerations or criteria that must be met by the samples used in the study.

3.3. Method of analysis

This research will use an analytical tool in the form of a Statistical Product and Service Solution (SPSS) version 29 application. This research uses simple linear regression analysis technique because the independent variable in this study is only one. This technique is used to determine the relationship and how much influence the independent variable has on the dependent variable.

4. RESULTS AND DISCUSSIONS

4.1. Results

Normality test. The normality test aims to test whether in the regression model, confouding or residual variables have a normal distribution. Good regression is normally distributed data. Kolmogorov Smirnov is one of the normality tests by looking at the residual data whether is has a normal distribution or not. If Asymp. Sig (2-tailed) > alpha 0,05 then the residuals are normally distributed. The results of the normality test are described in table 1 as follows:

Table. 1 Normality Test

Test Statistic	.133
Asymp. Sig. (2-tailed)[c]	.000

Sumber: data diolah SPSS version 29 (2024)

Based on table 1 shows that the Asymp. Sig (2-tailed) is 0.000 smaller or below alpha 0,05, so it can be stated that the data is not normally distributed.

In statistics, data that is not normally distributed can be transformed. According to Ghozali (2018:34) data transformation can be done to normalise data that is not normally distributed. The results of the normality test after the data is transformed can be seen in table 2 below:

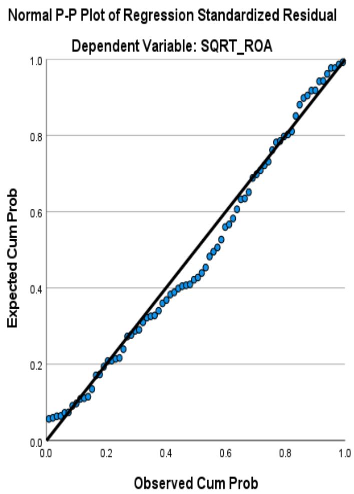
Table. 2 Normality test after being transformed

Test Statistic	0,087
Asymp. Sig. (2-tailed)c	.200d

Sumber: data diolah SPSS version 29 (2024)

According to table 2 shows that Asymp. Sig (2-tailed) of 0.200 is greater than alpha 0,05, thus indicating that the data is normally distributed.

Figure. 1 Normal P-Plot of Standardised Residual Regression



Based on figure 1, the points do not spread too far and follow the diagonal line from point 0, as shown by the normal probability plot test results. This theory indicates that the data is normally distributed. As a result, it is decided that the entire data has a distribution that fulfils the assumption of normality.

Multicollinearity test.Multicolinearity test is conducted to see whether there is a linear relationship between the independent variables in the regression model. The multicolinearity test results are described in table 3 as follows:

Table. 3 Multicolinearity test

Coefficients[a]				
		Collinearity Statistics		
Model		Tolerance	VIF	Keterangan
1	(Constant)			
	CSR1	1.000	1.000	Non Multikolineritas

Sumber: data diolah SPSS version 29 (2024)

From table 3 it can be seen from the VIF value < 10 and tolerance > 0.10. The CSR variable has a tolerance value of 1.000 and a VIF of 1.000. Based on the above results, it can be concluded that there are no multicolinearity symptoms in this research model.

Autocorrelation test. A good regression model is a regression that is free from autocorrelation. The correlation test results can be seen in table 4 below:

Table. 4 Autocorrelation test

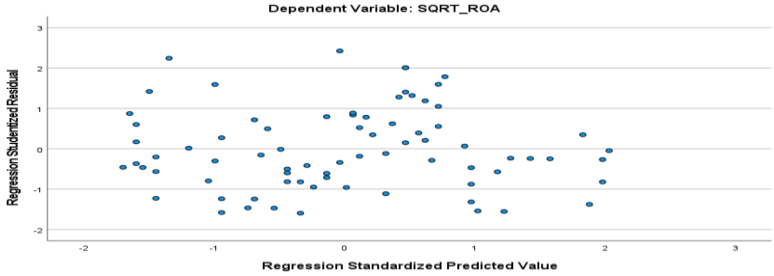
Model Summaryb					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.467a	0.218	0.207	0.16833	1.667

Sumber: data diolah SPSS version 29 (2024)

Based on table 4 states that the durbin watson value is 1.667, and gets the lower limit results of 1.6009 and the upper limit (4-DU) of 2.3459. Thus 1.6009<1.667<2.3459. So it can be concluded that there are no symptoms of autocorrelation.

Heteroscedasticity test. The heteroscedasticity test aims to test whether the regression model has difference in variance from the residuals of one observation to another. A good regression is one with hemoskesdatisity or no heteroscedasticity. The results of the heteroscedasticity test in this study are shown in figure 2 below:

Figure. 2 Scatterplot



Sumber data: diolah SPSS version 29 (2024)

In the scatterplot results in figure 2 shows that the dots are spread out and do not form a certain pattern and in their distribution below and above the number 0 on the Y axis, so it can be decided that the regression model does not occur heteroscedasticity.

Simple Linear Regression Analysis. Simple linear regression analysis is used to determine how much influence the independent variable has on the depedent variable. Statistical calculations in simple linear analysis used in this study are using the help of the SPSS version 29 programme.

Table. 5 Simple Linear Regression Analysis

Coefficientsa						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	0,558	0,044		12,767	0,000
	CSR1	-0,402	0,088	-0,467	-4,543	0,000

Sumber data: diolah SPSS version 29 (2024)

The results of the simple regression equation provide an understanding that:

1. The constant value of 0.558 means that if there is no corporate social responsibility (CSR) (X) then the consistency value of ROA (Y) is 0.558.
2. Corporate Social Responsibility (CSR) variable has a negative regression coefficient value of -0.402. it means that every time there is an increase in CSR (X) by 1%, ROA (Y) will increase by -0.402.

Because the value of the regression coefficient is minus (-), it can be said that CSR (X) has a negative effect on ROA (Y). So that the results of the regression equation are written as follow:

$$\mathbf{Y = 0.558 - 0.402\ X}$$

Coefficient of Determination. The coefficient of determination aims to measure how far the model's ability to explain variations is the dependent variable. The coefficient of determination is between 0 and 1.

Table. 6 Coefficient of Determination

Model Summaryb					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.467a	0,218	0,207	0,16833	1,667

Sumber: data diolah SPSS version 29 (2024)

Based on table 6 above, it has been found that the results of the coefficient of determination or R-Square (r^2) test show an R-Square value of 0.218 (21.8%), which indicates that 21.8% of the dependent variable return on asset (ROA) is influenced by the independent variable corporate social responsibility and the rest other than the independent variable that has been attached, has an influence of 78.2%.

Hypothesis Testing (t-test). The t-test is a test to determine the significance of the effect of the independent variable partially or individually on the dependent variable. The steps in making a decision for the t-test are to look at the significant value.

Table. 7 t test

Coefficientsa						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	0,558	0,044		12,767	0,000
	CSR1	-0,402	0,088	-0,467	-4,543	0,000

Sumber: data diolah SPSS version 29 (2024)

Based on table 7 above, the significance value is 0.000 < alpha 0.05, it can be concluded that H0 is rejected and H1 is accepted. It can be interpreted that there is a significant influence of Corporate Social Responsibility on the Return On Asset variable. In the CSR variable, it can be seen that the t-count value of -4.543 is greater than the t-table 1.992 based on the t-calculation curve image. which shows that the t-count is located in the negative effect area, so it can be concluded that there is a negative effect of CSR on ROA.

4.2. Discussions

Based on the result of the simple linear regression analysis test and hypothesis testing which shows that corporate social responsbility has a significant negative effect on profitability as measured by ROA in mining companies lised on the IDX in 2020-2023 with a total effect of 21.8% and the t test results are -4.543>1.992 seen from the t calculation curve image which states that CSR has negative effect on ROA. This negative effect is caused by the company data used in this study is data for 2020-2023. During that period was the covid pandemic and many companies experienced a decrease in return on assets, one of which was a mining company. During the pandemic, companies are required to disclose CSR because there is a law stating that mining companies must carry out CSR disclosure so that companies must disclose CSR and this will affect return on assets.

Return on assets has decreased because the company must incur considerable additional costs to implement CSR. Therefore, CSR has a negative effect on ROA. However, disclosing CSR will build a good corporate image that will increase consumer confidence and will affect the company’s return on assets. The results of this study are also in accordance with legitimacy theory which states that companies are part of society so they must pay attention to social norms in order to gain recognition from the community and be able to operate and develop.

Furthermore, this study shows that corporate social responsibility has a significant effect on the dependent variable at a significant level of 0.05. It can be seen that the significant value of corporate social responsbility is 0.000 smaller than 0.05, so the H0 hypothesis is rejected so it can be concluded that corporate social responsibility has a significant effect on ROA.

This shows that CSR has an important role for companies in creating long-term corporate value. Good CSR implementation can help companies to increase ROA. The results of this study are in line with the result of previous research conducted by Jannah & Wardhani (2022), Yuliansyah & Fitriah (2022), Wulandari (2020) and Pratiwi (2023) which state that Corporate Social Responsibility has a significant effect on ROA. In addition, research conducted by Herliani (2020) also shows the same results, which state that corporate social responsibility has a negative effect on ROA. However, the results of this study contradict the results of research by Kurnia (2019) which states that Corporate Social Responsbility has no effect on profitability.

5. CONCLUSION

Based on the results of the discussion of data analysis through the proof of the hypothesis of the problem raised, it can be concluded that corporate social responsibility has a significant negative effect on return on asset. The disclosure of CSR will make the company incur additional costs that cause CSR to negatively affect ROA. But by disclosing CSR will make the company’s image increase so that will affect the profitability of the company and will have a good impact on the sustainability of the company in the long term.

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