

Original Article

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The influence of corporate social responsibility disclosure and intellectual capital on profitability in banking companies

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ABSTRACT

Purpose: This study aims to examine the effect of Corporate Social Responsibility Disclosure and Intellectual Capital on Probability in banking companies listed on the Indonesia Stock Exchange (IDX) in 2017 - 2020.

Methods: This study uses a descriptive quantitative approach with multiple linear regression in E-VIEWS 10. The sample consists of 23 banking companies with 92 observations, obtained through purposive sampling. Secondary data was taken from IDX and idnfinancials.com, and hypothesis testing was done using the t-test and F-test.

Findings: The study found that corporate social responsibility disclosure does not affect probability, while intellectual capital has a positive effect, increasing the chances of company success. The combination of the two factors also has a positive impact on likelihood.

Practical Implications: Research emphasizes the importance of investing in employee training to develop intellectual capital and increase a company's success. Although social responsibility did not have a significant effect, the integration of the two remains relevant. Companies are advised to combine these two aspects in their strategy to create sustainable value and improve competitiveness.

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Abstrak

Tujuan: Penelitian ini bertujuan untuk menguji pengaruh Pengungkapan Tanggung Jawab Sosial Perusahaan dan Modal Intelektual terhadap Probabilitas pada perusahaan perbankan yang terdaftar di Bursa Efek Indonesia (BEI) tahun 2017 - 2020.

Metode: Penelitian ini menggunakan pendekatan kuantitatif deskriptif dengan regresi linier berganda di EVIEWS 10. Sampel terdiri dari 23 perusahaan perbankan dengan 92 observasi, diperoleh melalui purposive sampling. Data sekunder diambil dari BEI dan idnfinancials.com, dengan pengujian hipotesis menggunakan uji t dan uji F.

Hasil: Penelitian menemukan bahwa pengungkapan tanggung jawab sosial perusahaan tidak berpengaruh terhadap probabilitas, sedangkan modal intelektual memiliki pengaruh positif, meningkatkan peluang keberhasilan perusahaan. Kombinasi kedua faktor tersebut juga memberikan dampak positif terhadap probabilitas.

Implikasi Praktis: Penelitian menekankan pentingnya investasi dalam pelatihan karyawan untuk mengembangkan modal intelektual dan meningkatkan keberhasilan perusahaan. Meskipun tanggung jawab sosial tidak berpengaruh signifikan, integrasi keduanya tetap relevan. Perusahaan disarankan menggabungkan kedua aspek ini dalam strategi mereka untuk menciptakan nilai berkelanjutan dan meningkatkan daya saing.

Kata kunci: Tanggung Jawab Sosial Perusahaan, Modal Intelektual, dan Profitabilitas

1. Introduction

As the Indonesian economy continues to grow, companies face the challenge of implementing the right strategy to improve their performance in order to compete closely with other companies. In this context, the company functions as an organization with certain goals to be achieved in order to meet the interests of its members. Success in achieving these goals is an achievement that has the potential to increase the company's profitability. This issue is also relevant globally, where many companies around the world are struggling to adapt to rapid market and technological changes. In the financial sector, one important aspect that must be considered is the management of intellectual assets and Corporate Social Responsibility (CSR), which can impact the company's profitability. Corporate Social Responsibility is defined as a company's commitment to operating ethically and contributing to economic development while improving the quality of life of employees, local communities, and the wider community. Therefore, it is important for all parties, including stakeholders and investors, to care about this issue because the company's social and ethical performance can affect consumer trust and, ultimately, business sustainability. Previous studies have shown mixed results regarding the influence of Corporate Social Responsibility and intellectual assets on company profitability. Several studies have confirmed that companies that are active in CSR tend to have better financial performance (e.g., Subramanyam and John, 2012). However, although several studies have shown a positive relationship between investment in intellectual assets and profitability, there are still older studies that show contradictory results, confirming that the relationship is not always significant in different contexts. Although many studies have been conducted, there is a gap in the analysis related to the consistency of the results that indicate weaknesses in understanding the relationship between Corporate Social Responsibility, intellectual assets, and profitability. Some studies may ignore external factors such as global economic conditions and technological changes that can affect the success of the strategy. In addition, current research

often focuses on a particular sector, so the results cannot always be generalized to the entire industry. The purpose of this study is to measure the effect of Corporate Social Responsibility and Intellectual Capital on the profitability of banking companies listed on the Indonesia Stock Exchange. This study is expected to provide benefits for managerial practice by providing deeper insight into the factors that affect the company's financial performance, as well as encouraging companies to pay more attention to CSR activities and intellectual asset management. Thus, the practical contribution of this study is to provide recommendations that can help companies formulate more effective strategies to increase profitability amidst tight competition.

2. Theoretical Background & Hypotheses

Theoretical Background

Stakeholder theory

Hadi (2011: 93) explains that stakeholders include all parties that can affect or be affected by the company, either directly or indirectly. Ghazali and Chariri (2007), in the context of stakeholder theory, emphasize that companies must operate not only for their interests but also to provide benefits to all stakeholders. Communication and good relationships between companies and stakeholders are important for business activities to run well. Company management needs to consider stakeholders in the disclosure of information reports, with the main objective of creating more value for all stakeholders and reducing losses that may arise.

Agency Theory

As explained by Putri (2017: 60), agency theory covers the relationship between agents and principals, where agents represent all interested groups in the company. Managers who shareholders authorize to make decisions may face potential conflicts of interest. Supriyono (2018:63) adds that this theory involves a contractual relationship, where the principal reminds the agent to act on their behalf. Management also seeks to meet public demands through social responsibility disclosure for the benefit of stakeholders.

Corporate Social Responsibility

Rudito and Famiola (2019: 110) explain that corporate social responsibility (CSR) is related to improving the quality of life, where individuals can respond to social conditions and enjoy the environment while maintaining its sustainability. Johnson & Johnson in Hadi (2011: 46) defines CSR as the way companies manage business processes to have a positive impact on society. This definition underlies a management philosophy that is oriented towards a positive effect on the company and the environment. Kharisma (2013:14) adds that CSR disclosure in the banking sector is still simple and must be based on economic, environmental, labor, and human rights performance indicators.

Intellectual capital

Intellectual capital, according to Sukmana and Fitria (2019: 2), plays an important role in the performance and sustainability of the company. It provides added value through effective management and employee motivation so that their potential can be optimized to increase company value. With intellectual capital, companies can gain additional profits and create business processes that are superior to competitors. This capital includes employee knowledge and the company's ability to make a competitive advantage. Lestari (2017:24) states that intellectual capital is often proxied by VAICTM, which measures the added value of physical capital (VACA), human capital (VAHU), and structural capital (STVA).

Probability

Profitability is the company's ability to profit from its activities. To improve performance, companies need to prepare financial reports in accordance with accounting standards. Profitability ratio analysis is used to assess the efficiency of financial performance and reflect the state of the company. According to Subardi (2019: 3), this ratio measures the company's profitability through existing resources, aiming to assess management effectiveness. This study uses return on assets as a proxy for measuring profitability.

Control variable

In this study, company size functions as a control variable. According to Winarto (2015: 326), company size is determined based on the total assets owned, which reflects the company's ownership of goods. Aggarwal and Padhan (2017: 988) add that company size can be proxied by the logarithm of total natural assets (LN_TA) using a ratio scale, thus providing a specific formula for research analysis.

Hypotheses

The Effect of Corporate Social Responsibility Disclosure on Profitability

This study highlights the important role of corporate social responsibility (CSR) for companies operating in society. Corporate activities can affect social and environmental impacts, so reputation is a concern for potential investors and is related to profitability. According to Hadi (2011:65), CSR has social and economic consequences. Companies that implement CSR seriously and strategically can obtain benefits, such as legitimacy and community appreciation, increased community value, and decreased complaints and resolution of social, economic, and health problems. This result supports the findings by Lestari et al. (2019: 11) and Rosdewianti et al. (2016: 20) about the positive effect of CSR disclosure on company profitability. Based on the description above, one hypothesis is taken, namely:

H₁= The Effect of Corporate Social Responsibility Disclosure on Profitability

The Effect of Intellectual Capital on Probability

Intellectual capital is an intangible asset that is essential in creating value and increasing corporate profits. In the context of profitability as a performance measure, intellectual capital performance has the potential to affect profitability. Conservative accounting practices emphasize that investments in intellectual capital reflected in financial statements show an increase in the difference between market value and book value. Therefore, good management of the intellectual capital component will have a positive impact on the management of the company's assets as a whole. This finding supports research by Budiasih (2015:83) and Cahyani et al. (2015:16), which showed that intellectual capital has a positive effect on profitability. Based on the description above, one hypothesis is taken, namely:

H₂= The Effect of Intellectual Capital on Probability

The Effect of Corporate Social Responsibility Disclosure and Intellectual Capital on Probability

Good company performance will result in high profits, supported by many factors, including corporate social responsibility and intellectual capital. This is in accordance with Adrian's (2012: 14) statement that the larger the company being managed, the greater the profit earned. This supports the research of Chintya and Haryanto (2013: 99) and Budiasih (2015: 82), suggesting that disclosure of corporate social responsibility and intellectual capital has a positive effect on profitability. Based on the description above, one hypothesis is taken, namely:

H₃= The Effect of Corporate Social Responsibility Disclosure and Intellectual Capital on Probability

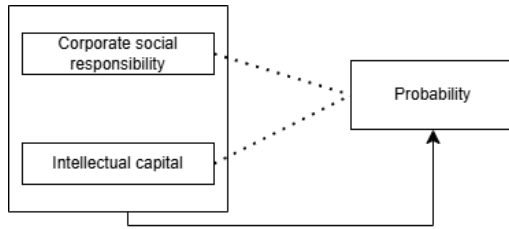


Figure 1. Conceptual framework

3. Methods

Sample and procedurs

The research population consists of 42 banking companies listed on the Indonesia Stock Exchange during the period 2017 to 2020. To obtain a relevant sample, researchers applied a purposive sampling method, which resulted in the selection of 23 companies that met certain criteria. These criteria include disclosure of Corporate Social Responsibility as well as financial statements that show conditions without losses. The data used in this study is quantitative secondary data, which is obtained from the company's annual report and other sources of information. Data collection is done through documentation studies.

Data Analysis Method

This study uses descriptive statistical analysis, and the data obtained is then processed using E-VIEWS VERSION 10 software. In addition, this study also uses a comparative causal method to evaluate the relationship between independent variables (such as Corporate Social Responsibility and Intellectual Capital) and the dependent variable (profitability as measured by return on assets).

4. Results and Discussion

Descriptive analysis

The results of the descriptive analysis in table 1 show that the company's performance in the sample has an average Return on Assets (ROA) of 0.012174 (1.22%) which reflects low profitability with a median below 1%. Variations are seen from the maximum ROA of 0.030000 and the minimum of 0.000000 which indicates that there are companies that do not make a profit.

Tabel 1. Descriptive analysis

	ROA	CSRD	IC	LN_TA
Mean	0.012174	0.488370	4.860870	32.24826
Median	0.010000	0.480000	4.710000	32.60500
Maximum	0.030000	0.730000	6.880000	34.95000
Minimum	0.000000	0.300000	4.080000	28.77000
Std. Dev.	0.008873	0.086942	0.656458	1.597460
Observations	92	92	92	92

Source: Results of data processing with EvIEWS 10

Corporate Social Responsibility Disclosure (CSRD) averages 0.488370, indicating disclosure of 48.8% of the indicators measured, with variation between a maximum of 0.730000 and a minimum of 0.300000. Intellectual Capital (IC) averages 4.860870, indicating stability, with a maximum variation of 6.880000 and a minimum of 4.080000. Firm size, represented by the logarithm of total assets (LN_TA), averages 32.24826, reflecting large firms with significant size variation. Overall, the analysis shows low profitability, variation in CSR disclosure, and stability of intellectual capital.

Hypotheses testing

Table 2 shows that corporate social responsibility (CSR) disclosure has no effect on profitability, as evidenced by a significance value of 0.0618 and a t-statistic of -1.900358, which is contrary to other studies that show a positive effect.

Tabel 2. Hypotheses testing

Variable	Coefficient	Std. Error	t-Statistic	Prob.
probability	0.262470	0.097003	2.705798	0.0087
CSRD	-0.027539	0.014491	-1.900358	0.0618
IC	0.006408	0.001576	4.066241	0.0001
LN_TA	-0.008310	0.003082	-2.696333	0.0089
R-squared	0.837788			
Adjusted R-squared	0.776344			
F-statistic	13.63501			

Source: Results of data processing with Eviews 10

This finding is in line with Budiasih (2015: 83), who states that low CSR disclosure is not significant in increasing ROA due to the lack of transparency and consistency of bank management in CSR. In contrast, intellectual capital was shown to have a substantial effect on profitability, with a significance value of 0.0001 and a t-statistic of 4.066241. This supports the research which shows that good intellectual capital management can increase corporate profits. In addition, the results show that the combination of CSR disclosure and intellectual capital simultaneously has a positive influence on profitability, with a Fcount value of 13.63501 and a significance of 0.000000. In conclusion, the higher the intellectual capital and CSR disclosure, the higher the profitability that the company can achieve.

Discussion

The Effect of Corporate Social Responsibility Disclosure on Profitability

The study shows that corporate social responsibility disclosure does not affect profitability, supported by the significance value and t-statistics showing negative results. This finding is contrary to previous studies that found a positive effect of social responsibility disclosure on profitability. However, this result is in line with the finding that the impact of low CSR disclosure does not affect increased profitability, caused by low CSR disclosure in annual reports and the inconsistency of bank management in planning and implementing CSR.

The Effect of Intellectual Capital on Profitability

On the contrary, the study shows that intellectual capital has a significant effect on profitability, with a very low significance value and high t-statistic. This supports the view that good intellectual capital management can increase a company's profitability. This finding is contrary to several previous studies that stated that intellectual capital does not affect profitability but is

consistent with research that shows that intellectual capital can contribute positively to creating profit and value for the company.

The Effect of Corporate Social Responsibility Disclosure and Intellectual Capital on Profitability

Further research shows that the combination of corporate social responsibility disclosure and intellectual capital has a positive effect on profitability. The high F value and very low significance confirm this, although contrary to previous studies that claim no effect. This finding is in line with the literature showing that companies that manage CSR and intellectual capital well can increase profitability. The higher the disclosure of CSR and intellectual capital, the higher the profitability generated.

5. Conclusion

Based on the results of research that has been conducted on the effect of corporate social responsibility (CSR) disclosure and intellectual capital on profitability in all banking companies listed on the Indonesia Stock Exchange during the period 2017 to 2020, several conclusions can be drawn. First, disclosure of corporate social responsibility does not affect profitability. This finding indicates that the low quality of CSR disclosure in the annual report is the main factor that hinders the positive impact on profitability. In addition, the lack of consistency of bank management in planning, implementing, and disclosing CSR also contributes to the low motivation to improve the bank's role and position in the global market. On the other hand, intellectual capital was shown to have a positive influence on profitability. This indicates that the company makes good use of employees' thinking ability and creativity to create profits and add value to the company. Thus, effective management of intellectual capital can generate added value that contributes to increased profitability. In addition, this study also found that corporate social responsibility disclosure and intellectual capital simultaneously have a positive effect on profitability. These findings indicate that banking companies have successfully utilized the thinking power of employees and qualified human resources, as well as made good CSR disclosures. These disclosures, which have a higher level of transparency, are able to increase profits and provide more value to the company. Thus, the higher the intellectual capital and corporate social responsibility produced, the higher the profitability that the company can achieve.

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Appendix

Attachment 1. Research Sample

No	Kode Saham	Nama Perusahaan
1	AGRO	Bank Rakyat Indonesia Agroniaga Tbk
2	BBCA	Bank Central Asia Tbk.
3	BBMD	Bank Mestika Dharma Tbk.
4	BBNI	Bank Negara Indonesia (Persero) Tbk.
5	BBRI	Bank Rakyat Indonesia (Persero) Tbk.
6	BBTN	Bank Tabungan Negara (Persero) Tbk.
7	BDMN	Bank Danamon Indonesia Tbk.
8	BGTG	Bank Ganesha Tbk.
9	BINA	Bank Ina Perdana Tbk.
10	BJBR	Bank Pembangunan Daerah Jawa Barat dan Banten Tbk.
11	BJTM	Bank Pembangunan Daerah Jawa Timur Tbk.
12	BMRI	Bank Mandiri (Persero) Tbk.
13	BNGA	Bank CIMB Niaga Tbk.
14	BNII	Bank Maybank Indonesia Tbk.
15	BNLI	Bank Permata Tbk.
16	BRIS	Bank BRIsyariah Indonesia Tbk.
17	BSIM	Bank Sinarmas Tbk.
18	BTPN	Bank BTPN Tbk.
19	MCOR	Bank China Construction Bank Indonesia Tbk.
20	MEGA	Bank Mega Tbk.
22	NISP	Bank OCBC NISP Tbk.
23	PNBN	Bank Pan Indonesia Tbk.
24	SDRA	Bank Woori Saudara Indonesia 1906 Tbk.

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