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Firm Size, Firm Age, and Firm Growth on Corporate Social Responsibility in Indonesia: The Case of Real Estate Companies

Waluyo Waluyo[1]

Abstract:

This research is aimed to identify the firm's Corporate Social Responsibility, stock index, and firm growth. The corporate social responsiveness of the company is measured by analyzing the annual report of the company. There are 30 samples of 49 population of property and real estate companies in this research. All the companies are listed in Indonesia Stock Exchange in the period 2012 - 2016.

The researcher uses multiple linear regression analysis. The result shows that firm size, firm age and firm growth have simultaneous significant effects to the Corporate Social Responsibility disclosure. Partially, the firm size has significant effect towards Corporate Social Responsibility disclosure. This shows the more extensive disclosure of Corporate Social Responsibility.

Because large companies have a lot of entities highlighted by the market and the public in general. By disclosing more information in the Corporate Social Responsibility disclosure the public accountability can be realized.

Older companies better understand what information should be disclosed in the disclosure. The firm growth has no significant effect on Corporate Social Responsibility disclosure.

Keywords*: Firm size, firm age, firm growth, Corporate Social Responsibility*

JEL Classification*:*

[1] *Waluyo, Waluyo is a lecturer at the Graduate and Postgraduate Program Department of Accounting at the University of Mercu Buana, Email : waluyo@mercubuana.ac.id, waluyo9@yahoo.com*

1. Introduction

In an effort to increase the legitimacy and competitive advantage of the company, companies turn to Corporate Social Responsibility (CSR) as their main concern to improve social performance. Corporate Social Responsibility experts share a common view that companies carrying out Corporate Social Responsibility activities have an image as companies that are moral, ethical and have responsibility for society and environment. (Sari and Sidharta, 2014; Giannakopoulou *et al.,* 2016).

Corporate Social Responsibility as an idea that makes the company is no longer faced with the responsibility that rests on the single bottom line, that is the corporate value merely reflected in the financial condition. The responsibility of the company must also stand on other bottom lines. This is in accordance with the concept of Triple Bottom Line (Elkington, 1997).

Property and real estate companies in Indonesia can grow rapidly because the need for housing is huge. Companies need to ensure their value grow sustainably and need to provide the information needed by stakeholders in decision making. The Government of Indonesia recognizes the need for environmental sustainability as regulated in Law No. 25 of 2007 on investment.

Corporate Social Responsibility disclosure guideline widely used by companies globally including Indonesia is the Global Reporting Initiative (GRI). This research was conducted by referring to GRI as a method of analyzing the relationship between Corporate Social Responsibility disclosure and financial performance. Disclosure of Corporate Social Responsibility activities is actually only rooted on the company's need to form image of environmental concerns (Lucyanda and Siagian, 2012). On the other hand, implementation of Corporate Social Responsibility is a form of implementation of good corporate governance principles (Rustiarini, 2010; El-Chaarani, 2017; Rovolis *et al.*, 2014).

In the implementation of Corporate Social Responsibility firm size is an important part, i.e it significantly affects Corporate Social Responsibility (Sari, 2012). Firm size shows the company's reputation value and can be used to evaluate firm growth. Firm growth can show improvement of company performance (Ulfa, 2009).

However, by implementing Corporate Social Responsibility company performance can be improved (Brammer, Millington and Rayton, 2007; Hadi *et al.*, 2016). Companies that have good environmental and social performance will be responded positively by investors. Unlike previous research by Cahya (2010), this research was conducted on property and real estate company of Indonesia Stock Exchange. Based on the background issue, the problems of this research can be formulated into a question as follows: do firm size, firm age, and firm growth affect Corporate Social Responsibility on property and real estate firms listed on Indonesia Stock Exchange.

2. Literature Review

2.1 Agency Theory

Agency Theory explains the relationship between the agent as the party managing the company and the principal as the owner, both bound in a contract. The owner or principal as the party who evaluates the information, and the agent as the party who runs the activities of management and decision making (Jensen and Meckling, 1976). Agency theory arises because of the separation of functions between the owner and the manager, this is because the capital needs of the company can not be provided by only one owner. Conflicts may occur between the interests of shareholders and managers. Managers tend to prioritize individual interests than the interests of shareholders.

2.2 Legitimacy Theory

Legitimacy Theory is the basic theory utilized to understand Corporate Social Responsibility. This theory is derived from the design of organizational legitimacy (Dowling and Pfeffer, 1975). Companies carrying out their activities as a social contract with the community that includes community or environmental norms, so that management is more focused on the interaction between companies and society (Deegan, 2002). Legitimacy Theory is a theory that underlies the disclosure of Corporate Social Responsibility.

2.3 Stakeholder Theory

Stakeholder Theory is the basic theory used to understand diversification, Corporate Social Responsibility, and Corporate Governance, so that the company's operations not only operate for its own sake. Companies must be able to provide benefits to stakeholders (Ghozali and Chariri, 2007) and (Suryanto, 2015). Disclosure of Corporate Social Responsibility becomes important, as stakeholders need to evaluate and know the extent to which companies implement Corporate Social Responsibility.

2.4 Corporate Social Responsibility (CSR)

The World Business Council for Sustainable Development (2015) defines Corporate Social Responsibility as an ongoing effort of business groups to apply ethical behavior and contribute to economic development and create community welfare. The issue of Corporate Social Responsibility is relevant to ethical issues and moral behavior of managers in decision making (Agoes and Ardana, 2009; Ivanova and Bikeeva, 2016; Giannarakis, 2016; Toudas *et al.*, 2014; Setyawati et al., 2017; Hapsoro and Suryanto, 2017).

3. Hypothesis Development

To measure the size of a company some proxies can be used such as total assets, amount of labor and level of sales. The larger the size of the company, the wider the disclosure of information to be presented because the public will oversee the company's activities (Sembiring, 2006). The result study Andreas and Chrystina Lawer (2011) found that firm size influence Corporate Social Responsibility positively. It indicates that big companies have better reporting information system. Firm size is generally associated with agency theory. Research results show that firm size is influential in the disclosure of Corporate Social Responsibility (Sari, 2012). From the description hypothesis can be formed:

H1: Firm size affects the Corporate Social Responsibility.

Firm age is an indicator that shows the existence and ability of companies in competing. Companies that have long been exist will have more experiences. Research results show that age of a company affects Corporate Social Responsibility. Thus for companies that have long been surviving have more experience in the disclosure of Corporate Social Responsibility (Michelon, Pilonato, and Ricceri, 2015). Based on the description hypothesis can be formed:

H2: Firm age affects Corporate Social Responsibility.

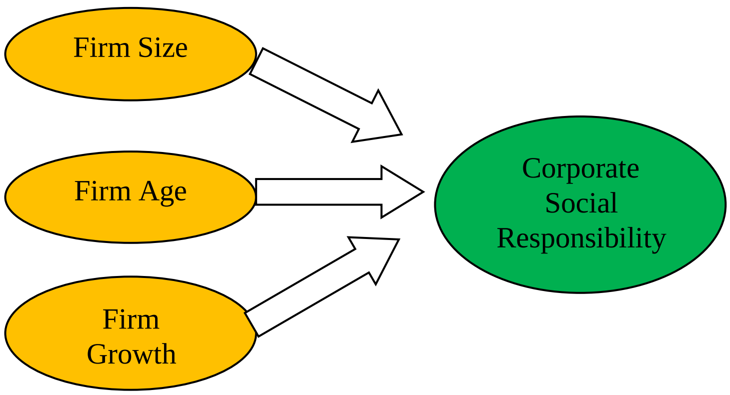
Firm growth indicates an increase in corporate financial performance, so it is one of the considerations in investment decisions. High growth companies will have many opportunities to do Corporate Social Responsibility disclosure (Ulfa, 2009). Based on the description hypothesis can be formed:

H3: Firm growth affects Corporate Social Responsibility.

4. Theoretical Framework

Theoretical framework for testing the effect of firm size, firm age, firm growth on Corporate Social Responsibility can be conveyed as shown below:

Figure 1: *Theoretical Framework*



5. Research Methodology

This study employs descriptive analysis method, which aims to explain systematically the implementation of Corporate Social Responsibility and corporate performance using secondary data of property and real estate companies listed on the Indonesia Stock Exchange. Independent variables used in this study are firm size, firm age, firm growth while the dependent variable is Corporate Social Responsibility.

The population in this research is all property and real estate firms listed in Indonesia Stock Exchange from the period of 2012 until 2016. The total number of property and real estate company is 49, but only 30 companies met the sample criteria. Thus in total there is 150 data unit. The dependent variable in this research is Corporate Social Responsibility disclosure using indicator from Global Reporting Initiative (GRI) with total of 79 disclosure items which include: economic (EC), environment (EN), human rights (HR), labor practices (LP), product responsibilty (PR) and society (SO). To test whether the data has been normally distributed Kolmogorov-Smirnov Test is utilized. Normally distributed data has a significance value of more than 5% (asymp sig> 5%), the regression model satisfies the assumption of normality (Ghozali, 2011).

6. Analysis

6.1 Descriptive Analysis

The following table show the result of descriptive statistical ouput from data processing using SPSS.

Table 1. *Descriptive Analysis*

	N Statistic	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation
SIZE	150	25.9073	31.3525	28.988313	1.1693385
AGE	150	7.0000	43.0000	27.100000	8.1609234
GROWTH	150	.0000	29.4197	.560706	2.4152709
CORPORATE SOCIAL RESPONSIBILITY	150	.0506	.7595	.438393	.1775775

Descriptive statistics in Table 1 provides an overview of the variables studied both independent and dependent variables. Disclosure of Corporate Social Responsibility has a minimum value of 0.0506, the maximum value of 0.7595, the average value of 0.4383 with a standard deviation of 0.1775. The average score indicates that 43.83% of companies analyzed disclosed Corporate Social Responsibility. Firm size has a minimum value of 25.9073, a maximum value of 31.3525, an average value of 28.9883, with a standard deviation of 1.1693. Firm age has a minimum value of 7,0000, maximum value of 43,0000, average value equal to 27,1000 with standard deviation equals to 8,1609. Firm growth has a minimum value of 0.0000, a maximum value of 29.4197, an average value of 0.5607 with a standard deviation of 2.4152.

6.2 Normality Test

The normality test using the one-sample Kolmogorov-Smirnov Test is presented in Table 2.

Table 2. *Normality Test*

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		150
Normal Parameters[a,b]	Mean	.0000000
	Std.Deviation	.16946339
Most Extreme Differences	Absolute	.046
	Positive	.043
	Negative	-.046
Kolmogorov Smirnov Z		.046
Asymp. Sig. (2-tailed)		.200[c,d]

Detection of one Sample Kolmogorov Smirnov Test table 2 shows the assymp sig value of 0.2 or greater than the 0.05 significance level so it can be concluded that the data is normally distributed with the assumption of the regression model used has fulfilled the normality assumption.

6.3 Full Model Regression

The full regression model is presented in Table 3 with unstandardized and standardized coefficients.

Table 3. *Full Model Regression* **Coefficients[a]**

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1 (Constant)	-.445	.352		-1.265	.208		

SIZE	.027	.012	.178	2.252	.026	.998	1.002
AGE	.004	.002	.178	2.207	.029	.957	1.045
GROWTH	-.009	.006	-.122	-1.508	.134	.955	1.047

The regression equation is depicted as follows:

$$Y = a + \beta 1\ Size + \beta 2\ Age + \beta 3\ Growth + e$$

Where:

Y : Corporate Social Responsibility
Size : Firm Size
Age : Firm Age
Growth : Firm Growth
E : error

Therefore the full regression equation is as follows:

$$Y=-0,445 + 0,027X1 + 0,004X2 – 0,009X3 + e$$

The first hypothesis (H1) where it is stated that firm size affects Corporate Social Responsibility, the value of t-test of firm size is 2,252 with significance value equals to 0,026 or smaller than 0,05 (0,026 <0,05). Because the value of significance or probability testing <0,05 so hypothesis 1 can be accepted. The result of this study is supported by the agency theory that the bigger the company the larger the Corporate Social Responsibility. The Government of Indonesia requires the property and real estate businesses to maintain the environment by reforestation.

The second hypothesis (H2) in which stated that firm age affects Corporate Social Responsibility, the statistical result show that the value of t test of firm age is 2.207 with a significance value of 0.029 or smaller than 0.05 (0.029 <0.05). Because the value of significance or probability testing <0,05 so hypothesis 2 can be accepted.

The result of this study supports the legitimacy theory and stakeholder theory. In running its operations a company is bound to social contracts with the community on environmental issues. Companies must create awareness of the environment, because of the impact of corporate activities that can affect the surrounding community. While the support from stakeholder theory that stakeholders as parties that establish positive relationships with the community to maintain the company's reputation with attention to social factors and environmental factors.

The third hypothesis (H3) where it is hypothesized that firm effects Corporate Social Responsibility, it is concluded from the statistical result that growth has no effect on Corporate Social Responsibility. The t-value of firm growth is -1.508 with a significance value of 0.134 or greater than 0.05 (0.134> 0.05). Because the value of significance or probability testing> 0,05 so that hypothesis 3 is rejected. This study proves that property and real estate business in its financial statements do not reveal many aspects of Corporate Social Responsibility due to lack of supervision by parties concerned with Corporate Social Responsibility.

7. Conclusion

Based on the research result it is concluded firstly that firm size significantly influences Corporate Social Responsibility disclosure. The larger the size of a firm, the better the reporting information system and the more it can generate various financial information and other information needed by investor. Therefore the need for Corporate Social Responsibility disclosure is also getting bigger. This is in accordance with the provisions of Law No. 25 of 2007 on investment where implementation of Corporate Social Responsibility is obligatory.

Secondly firm age affects Corporate Social Responsibility. This proves that the Property and Real Estate companies who have experience long enough in the business pay attention to aspects of Corporate Social Responsibility due to consideration of business reputation and consideration of housing needs of the community which is very large.

Thirdly firm growth measured by the ratio of sales growth is not affecting Corporate Social Responsibility. In general, investors in making investment decisions still consider aspects of firm growth. Firm growth can show improvement of financial performance of a company and of having opportunity in profitability creation. But for investments in property and real estate, firm growth has no effect on Corporate Social Responsibility. This proves that property and real estate businesses do not reveal much Corporate Social Responsibility information in financial statements disclosure.

This study has limitations that require improvements, especially that characteristics of property and real estate business can be different with other industries.

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