

THE EFFECT OF COMPANY SIZE AND LIQUIDITY ON CORPORATE SOCIAL RESPONSIBILITY (CSR) THROUGH PROFIT AS AN INTERVENING VARIABLE IN SHARIA COMMERCIAL BANKS

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ABSTRACT

This study aims to determine the effect of company size (size) and liquidity on corporate social responsibility (CSR) through earnings as an intervening variable in Islamic commercial banks. This type of research is quantitative research with secondary data sources used. This study uses data from the annual financial reports of Islamic commercial banks for 2017-2021. The research sample is Islamic Commercial Banks in Indonesia in 2017-2021. The sample was selected using a purposive sampling technique in order to obtain eight Islamic Commercial Banks. Processing techniques and data analysis using Descriptive Statistical Analysis, Multiple Linear Regression Analysis, Classical Assumption Test and Hypothesis Test. The program used for calculations uses SPSS version 25 which then interprets the results from SPSS. The results of the study show that the variables of firm size and liquidity of Islamic banks have a significant effect on financial performance. Variable company size through corporate social responsibility has a significant effect on profits while the variable liquidity through corporate social responsibility has no significant effect

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1. INTRODUCTION

The development of Islamic banking in Indonesia began with the establishment of three Islamic People's Credit Banks (BPRS) in Medan in 1991. The establishment of Islamic banks in Indonesia was initially initiated by the Indonesian Ulema Council (MUI) which then formed a working team to establish Islamic banks so that PT Bank Muamalat was established. Indonesia (BMI) on November 1, 1991 and started its operations on May 1, 1992. The practice of sharia banking in Indonesia, which was started by PT Bank Muamalat Indonesia, currently does not have a strong legal umbrella because there are no statutory regulations that specifically regulate sharia banking, which still refers to law number 7 of 1992 concerning banking. Over time, law number 7 of 1992 concerning banking was amended by law number 10 of 1998 which explicitly stated regarding the establishment of banks based on sharia principles and the possibility of conventional banks establishing sharia business units. The subsequent establishment of Islamic banks after the issuance of law number 10 of 1998 was followed by Bank Syariah Mandiri which started its operations on November 1, 1999. Since then, banking in Indonesia has begun to adopt a dual banking system, namely the conventional banking system and the Islamic banking system. The existence of Islamic banking has strengthened with the enactment of law number 21 of 2008 concerning Islamic banking. The establishment of Bank Muamalat Indonesia and Bank Syariah Mandiri was followed by the establishment of other Islamic banks.

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Table 1. Development of Islamic Banking in Indonesia

Indicator	2017	2018	2019	2020	2021	2022
BUS	13	14	14	14	14	14
UUS	21	21	20	20	20	20
BPRS	166	167	167	164	175	175

Source: OJK Sharia Banking Statistics, 2022

Based on table 1 it can be seen according to the publication of data from the Financial Services Authority (OJK), until 2021 there were recorded 167 Islamic Financing Banks (BPRS), 20 Islamic Business Units (UUS), and 14 Islamic Commercial Banks (BUS). The number of BUS has increased from 2017 which still numbered 13 BUS, according to table 1.1 above, it is illustrated that there is an increasingly rapid development of Islamic banks and indicates that Islamic banks are considered quite capable of managing funds owned by the public. The rapid development of Islamic banks not only in Indonesia, of course, continues to encourage regulators to stipulate regulations that are directly related to Islamic banking. One of them is by establishing accounting standards for Islamic banks with the establishment of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), which is an international organization that has the authority to set sharia accounting, auditing, governance, and ethical standards for sharia financial institutions in the world. Apart from that, the development of Islamic banking which continues to grow rapidly also encourages Islamic banks to continue to be able to report disclosure of their social responsibility or what is commonly referred to as Corporate Social Responsibility (CSR) so that it is in accordance with Islamic sharia principles. (Jayanti, 2018). Institutions that run their business based on sharia are essentially based on the basic philosophy of the Qur'an and Sunnah, so that they become the basis for actors in interacting with the environment and with each other. Therefore, the bond between the institution and the surrounding environment in the sharia concept will be stronger than in the conventional concept. This is because Islamic financial institutions are based on religious principles. Every company, including banking financial institutions, in carrying out their business, has a social responsibility towards the community related to its business operational activities, which then includes economic (profit), social (people), and environmental (planet) aspects or commonly called the triple bottom line (3P).) which is manifested in the form of Corporate Social Responsibility (CSR).

Studies regarding the disclosure of social responsibility carried out by Islamic banks are still very limited, as expressed by Hanifa in Rizkiningsih explaining that there are limitations to the social reporting framework carried out by conventional institutions. These limitations include spiritual and moral aspects, because sharia principles do not only focus on material aspects. Thus, a social reporting framework based on sharia principles is needed in developing Islamic Social Reporting (ISR) to achieve several accountability and transparency objectives. Research related to the CSR of Islamic banking has begun to be developed in Indonesia, including research conducted by Fitria and Hartanti which resulted in findings that conventional banking institutions generally have a higher score than Islamic banking institutions. For Islamic banking institutions, scoring results with the GRI have a higher index than the ISR index. In addition, the research conducted by Othman and Thani also explains that the ISR level in the company's annual report as the research sample is considered minimal. (Wati, 2019a). In this study, CSR disclosure is measured using the Islamic Social Reporting (ISR) framework which was adapted from Hanifa and has been modified with the items contained in Othman's research. The ISR index contains a compilation of CSR standard items set by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) which are then further developed by researchers regarding CSR items that should be disclosed by an Islamic entity. The ISR index is believed to be a starting point in terms of CSR disclosure standards that are in accordance with an Islamic perspective. Research on the implementation of the ISR index in Islamic banks is generally carried out in foreign countries and there is still rarely research of this kind in Indonesia considering that the Islamic banking industry in Indonesia is currently growing quite rapidly, coupled with the increasingly widespread issues of CSR practice and disclosure.

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2. METHOD

2.1 Research Approach

The research approach in this study is to use quantitative research. The type of research in this study is associative research, where associative research is conducted to determine the relationship between two or more variables. The results of this study will be used to build a theory that can function to explain, predict, and control a symptom (Sumanto, 2022).

2.2 Data Types and Sources

This study uses the annual financial reports of Islamic commercial banks for 2017-2022 which are obtained from the website of each bank.

2.3 Population and Sample

The population in this study is all financial statements of Islamic commercial banks for 2017-2022. The sample in this study was purposive sampling by taking samples based on certain objectives and considerations (Fatihudin, 2015). Samples were taken from 2017 to 2022, which were processed using the SPSS application.

3. RELUST AND DISCUSSION

3.1 Normality test

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		40
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	,59630917
Most Extreme Differences	Absolute	,163
	Positive	,163
	Negative	-,102
Test Statistic		,163
Asymp. Sig. (2-tailed)		,190 ^c
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Source: SPSS data processing 25 (2022)

Based on the table above, the Asymp values are obtained. Sig. (2-tailed) of 0.190. So based on Table 2 it can be concluded that the data used in the research is normally distributed.

3.2 Multicollinearity Test

Table 3. Multicollinearity Test

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	X1_SIZE	,996	1,004
	X2_FDR	,986	1,014
	Y_ISR	,984	1,016
a. Dependent Variable: Z_ROA			

Source: SPSS data processing 25 (2022)

From the table above, namely table 3, it can be seen that the VIF values of all variables are less than 10, so it can be said that there is no multicollinearity problem between variables.

3.3 Autocorrelation Test

Table 4. Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,219 ^a	,048	-,031	,62066	1,411
a. Predictors: (Constant), Y_ISR, X1_SIZE, X2_FDR					
b. Dependent Variable: Z_ROA					

Source: SPSS data processing 25 (2022)

The table shows the results of the study using two independent variables (k=2) and 40 samples (n=40). In Table 4, the Durbin-Watson (d) value is 1.311. According to the Durbin-Watson table, if the sample value (n) is 40 with a scale of $\alpha = 5\%$ and the number of independent variables (k) is two variables, the dL is 1.333, dU is 1.658, (4-dL) is 2.342, and (4-dU) of 2.342. So, it can be concluded that there is no autocorrelation in the research data because the value of $dU < d < (4-dL)$ or $1.311 < 1.411 < 2.342$.

3.4 Heteroscedasticity Test

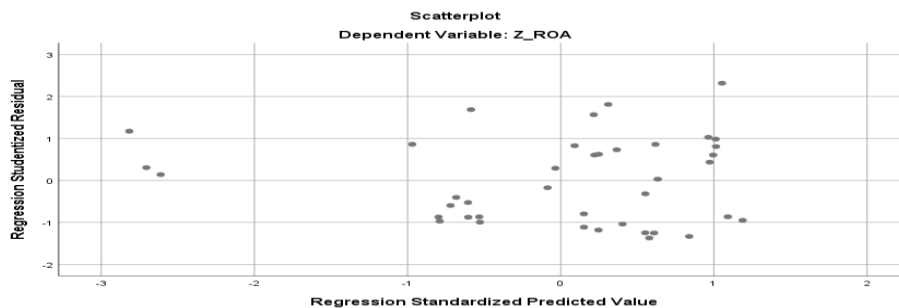


Figure 1. Heteroscedasticity Test

Source: SPSS data processing 25 (2022)

It can be seen from the picture above, namely Figure 1, that the distribution of residual data does not form a specific pattern, and the zero values on the Y axis are distributed up and down, so there is no heteroscedasticity.

3.5 Hypothesis Testing

a. Statistical Test t (Partial Test)

Table 5. Test t (Partial Test) Equation I

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,662	,369		1,793	,081
	X1_SIZE	,004	,011	,055	,337	,000
	X2_FDR	-,001	,001	-,111	-,681	,000
a. Dependent Variable: Y_ISR						

Source: SPSS data processing 25 (2022)

When viewed from the significance value, the results of the t test from table 5 above can be drawn the following conclusions:

Table 6. Conclusion of Equation t test results I

Variable	Significant Value	Conclusion
SIZE	0,000	There is Influence
FDR	0,000	There is Influence

Source: SPSS data processing 25 (2022)

In table 6 it can be seen from the results of the data processing above that the significance value of the SIZE variable is < 0.05 . This shows that the SIZE variable has an influence on the ISR variable. As for the significance value of $FDR > 0.05$, and with this result H_0 is rejected and H_a is accepted. This means that the FDR variable has an effect on the ISR variable.

b. Statistical Test t (Partial Test)

Table 7. T test (partial test) Equation II

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,543	1,205		-,450	,655
	X1_SIZE	,004	,035	,019	,122	,001
	X2_FDR	,007	,004	,298	1,870	,001
	Y_ISR	,441	,515	,137	,856	,398

a. Dependent Variable: ABRESID

Source: SPSS data processing 25 (2022)

When viewed from its significance value, the results of the t test from table 7 above can be drawn the following conclusions:

Table 8. Conclusions of t-test results Equation II

Variable	Significant Value	Conclusion
SIZE	0,001	There is Influence
FDR	0,001	No Influence
ISR	0,398	No Influence

Source: SPSS data processing 25 (2022)

In table 8 it can be seen from the results of the data processing above that the significance value of the SIZE variable is < 0.05 . This shows that the SIZE variable has an influence on the ROA variable. As for the significance value of $FDR > 0.05$, it can be concluded that FDR has an effect on the ROA variable and the ISR variable has no effect on the ROA variable.

c. Statistical Test F (Simultaneous Test)

Table 9. F Test (Simultaneous Test)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,005	2	,002	5,298	,000 ^b
	Residual	,284	37	,008		
	Total	,288	39			

a. Dependent Variable: Y_ISR
b. Predictors: (Constant), X2_FDR, X1_SIZE

Source: SPSS data processing 25 (2022)

Table 9 shows that the SIZE(X1) and FDR(X2) variables obtain a significance value of 0.000. The significance value is smaller with the value α which is $0.000 < 0.05$. In addition, the value of Fcount obtained is 5.298. This Fcount value is greater than the Ftable value, which is $5.298 > 3.245$. And with this result, H_0 is rejected and H_a is accepted. This means that the independent variables SIZE and FDR have a simultaneous effect on ISR.

Table 10. F Test (Simultaneous Test)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,296	3	,099	3,311	0,002 ^b
	Residual	2,712	36	,075		
	Total	3,008	39			

a. Dependent Variable: ABRESID
b. Predictors: (Constant), Y_ISR, X1_SIZE, X2_FDR

Source: SPSS data processing 25 (2022)

Table 10 shows that the variables SIZE(X1) and FDR(X2) and ISR (Y) obtain a significance value of 0.002. The significance value is smaller with an α value of $0.002 < 0.05$. In addition, the value of Fcount obtained is 3.311. This Fcount value is greater than the Ftable value, which is $3.311 > 2.630$. And with this result, H_0 is rejected and H_a is accepted. This means that the variables SIZE, FDR and ISR have a simultaneous effect on ISR.

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3.6 Coefficient of Determination

Table 11. Analysis of R-Square Model II

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,126 ^a	,046	-,037	,087596
a. Predictors: (Constant), X2_FDR, X1_SIZE				
b. Dependent Variable: Y_ISR				

Source: SPSS data processing 25 (2022)

In the table above, a path analysis model is obtained with a coefficient value of 0.126. The coefficient value (R Square) of 46.0% indicates that the combined size of the company and liquidity on Islamic Social Reporting is 46% while the remaining 54% is the possibility that there are other aspects that have an influence on Islamic Social Reporting. To find the value of e1 can be searched by the formula:

$$e1 = \sqrt{1-R^2}$$

$$e1 = \sqrt{1-0.46}$$

$$e1 = 0.54$$

Table 12. Analysis of R-Square Model II

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,219 ^a	,048	-,031	,62066
a. Predictors: (Constant), Y_ISR, X1_SIZE, X2_FDR				
b. Dependent Variable: Z_ROA				

Source: SPSS data processing 25 (2022)

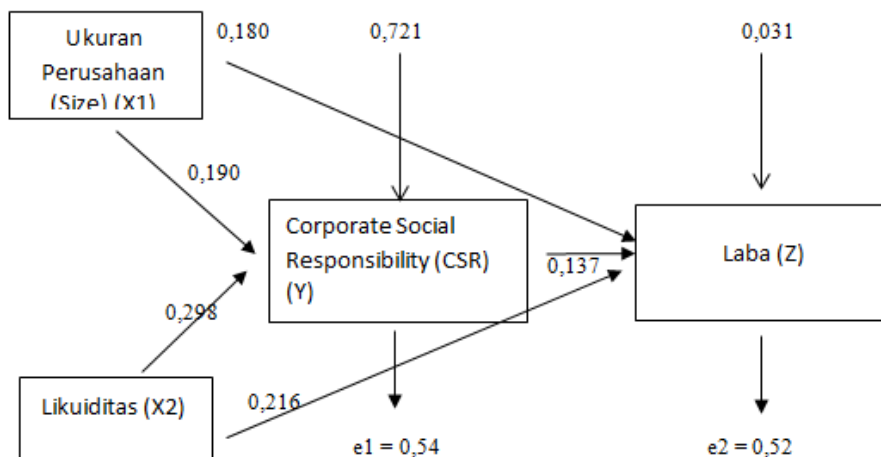
In the table above, a path analysis model is obtained with a coefficient value of 0.219. The coefficient value (R Square) of 48.0% indicates that company size, liquidity and Islamic Social Reporting on combined profits are 48% while the remaining 52% is the possibility that there are other aspects that have an influence on profits. To find the value of e1 can be searched by the formula:

$$e2 = \sqrt{1-R^2}$$

$$e2 = \sqrt{1-0.48}$$

$$e2 = 0.52$$

3.7 Path Analysis Diagram



Then the structural equations of path analysis I and II are

$$Y = PYX1 + PYX2 + e1$$

$$Y = 0,180 x1 + 0,190X2 + 0,54$$

$$Z = PZX1 + PZX2 + e2$$

$$Z = 0,298 + 0,216 + 0,52$$

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Table 13. Path analysis calculation results

Pengaruh Variabel	Dirrect Effect (DE)	Indirrect Effect (IE)	Pengaruh Total	Kriteria	Kesimpulan
X1 → Y	0,180				
X2 → Y	0,298				
X1 → Z	0,190	0,024	0,397	DE > IE	Laba bukan variabel intervening
X2 → Z	0,216	0,040	0,171	DE > IE	Laba bukan variabel intervening
Y → Z	0,137				

Source: SPSS data processing 25 (2022)

1) Direct Effect (Direct Effect)

- Effect of Company Size (X1) on Islamic Social Responsibility (Y), namely $X1 \rightarrow Y = 0.180$
- Effect of Liquidity (X2) on Islamic Social Responsibility (Y), namely $X2 \rightarrow Y = 0.298$
- The effect of firm size (X1) on profit (Z) is $X1 \rightarrow Z = 0.190$
- Effect of Liquidity (X2) on Profit (Z), namely $X2 \rightarrow Z = 0.216$
- Influence on Islamic Social Responsibility (Y) on Profit (Z), namely $Y \rightarrow Z = 0.137$

2) Indirect Effect (Indirect Effect)

- The indirect effect of Firm Size (X1) on Profit (Z) through Islamic Social Responsibility (Y), namely $X1 \rightarrow Y \rightarrow Z$, is the result of multiplying the path coefficient, namely $0.180 \times 0.137 = 0.024$
- The indirect effect of Liquidity (X2) on Profit (Z) through Islamic Social Responsibility (Y), namely $X2 \rightarrow Y \rightarrow Z$, is the result of multiplying the path coefficient, namely $0.298 \times 0.137 = 0.040$.

4. **CONLUSION**

Based on testing the research hypothesis that has been carried out to determine the effect of company size (size) and liquidity on corporate social responsibility (CSR) through earnings as an intervening variable in Islamic commercial banks are as the effect of the relationship between company size (size) on corporate social responsibility (CSR) based on the results of the hypothesis test above obtained a significant value of $0.00 < 0.05$, then H_0 was rejected and H_a was accepted. It can be concluded that there is a significant influence between company size and social responsibility (CSR). The effect of the relationship between liquidity on social responsibility (csr) based on the results of the hypothesis test above obtained a significant value of $0.00 < 0.05$, then H_0 was rejected and H_a was accepted. It can be concluded that there is a significant influence between liquidity and social responsibility (csr). The influence of the relationship between the variables SIZE (X1) and FDR (X2) obtains a significance value of 0.000. The significance value is smaller with the value α which is $0.000 < 0.05$. In addition, the value of Fcount obtained is 5.298. This Fcount value is greater than the Ftable value, which is $5.298 > 3.245$. And with this result, H_0 is rejected and H_a is accepted. This means that the independent variables SIZE and FDR have a simultaneous effect on ISR. There is a path analysis model with a coefficient value of 0.219. The coefficient value (R Square) of 48.0% indicates that company size, liquidity and Islamic Social Reporting on combined profits are 48% while the remaining 52% is the possibility that there are other aspects that have an influence on profits. The effect of X1 through Y on Z: The indirect effect is known to be 0.137 and the indirect effect is 0.190 meaning that the value of the indirect effect is smaller than the value of the direct effect. These results indicate that indirectly X1 through Y does not have an insignificant effect on Z. The effect of X2 through Y on Z: The indirect effect is known to be 0.137 and the indirect effect is 0.216 meaning that the value of the indirect effect is smaller than the value of the direct effect. These results indicate that indirectly X2 through Y does not have an insignificant effect on Z.

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