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The Effect of Profitability and Liquidity on CSR Disclosure and Its Implication to Economic Consequences

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ABSTRACT

The objective of the study is to examine the effect of profitability and liquidity on CSR disclosure and its implications to economic consequences. This study is driven by the inconsistency of the results of previous studies in testing the factors that influence the CSR disclosure. The proxy used to measure CSR disclosure is corporate social responsibility disclosure index (CSRDI) based on the index of the Global Reporting Initiatives G4 Guideline (GRI G4). The results show that profitability has significant positive effect on CSR disclosure, while liquidity doesn't have effect on CSR disclosure. Furthermore, CSR disclosure has negative effect on bid-ask spread, CSR disclosure has positive effect on trading volume, while CSR disclosure doesn't have effect on stock price volatility. The results of this study have the following implications: companies that have high profitability should have a strong commitment to disclose corporate social responsibility because it can help reduce information asymmetry.

Keywords: Profitability, liquidity, CSRD, economic consequences.

I. Introduction

CSR disclosure is one form of sustainability reporting which provides an explanation of the various aspects of the company ranging from social, environmental and financial as well that can not be described implicitly by a company's financial statements (Jitaree, 2015). In general, the implementation of developing business ethics is realized in the form of CSR, which is a form of sensitivity, awareness and CSR to help provide benefits to society and the environment in which it operates.

CSR development in this decade followed by the strengthening of the existence of CSR into a normative obligation in many countries. Although only a few countries that dare to take such action and Indonesia is one country in it, but it has shown a very positive development of CSR. The demands on companies to provide information that is transparent and accountable, and good corporate governance are increasingly forcing companies to provide information about their social activities. The obligation to implement the CSR contained in the Law of the Republic of Indonesia Number 40 of 2007 concerning Limited Liability Companies Article 74. In Article 74 stated that companies that conduct business activities in the field/related to the natural resources required to conduct a social and environmental responsibility.

A study of the factors affecting the CSR disclosure in developing countries led to mixed results. Study conducted by Khlif et al (2015) in Bangladesh found the result that the profitability significantly positive effect on the CSR disclosure. But a study conducted by Adeyemo et al. (2013) to the companies listed on the Indonesia Stock Exchange (IDX) showed that the profitability does not significantly positive effect on the CSR disclosure. In a study conducted by Hussainey et al. (2011) and Ekowati et al. (2014) demonstrated that the profitability significantly positive effect on CSR disclosure, but liquidity hasn't proven effect on CSR disclosure.

The inconsistency of the findings of previous studies prompted researchers to reexamine the factors that affects the CSR disclosure. The variables used in this study, namely the profitability and liquidity. Profitability can be seen from the ratio of return on equity (ROE). ROE illustrates the ability of a company's profitability. The higher the level of profitability of the company, the greater disclosure of social information (Nurkhin, 2009). Liquidity is the ratio to determine the company's ability to pay short-term obligations. Almilialia and Devi (2007) stated that a high level of liquidity indicates a strong financial condition of the company, so that it will encourage companies to conduct high social responsibility disclosures.

Economic consequences is the impact of accounting reports on the behavior of business decision makers, governments, investors and creditors. The financial statement is a means of communicating financial information to parties outside the corporation. The financial statements are expected to provide information to investors and creditors in making decisions related to investment funds.

Signaling theory emphasizes the importance of information released by the company to reduce the information asymmetry that occurs between stakeholders and management. Information asymmetry is the difference between information obtained by one party to the other party in economic activity. Dissemination of information that is not balanced will cause information asymmetry. Disclosure of CSR information is expected to be useful information for investors and stakeholders in decision-making (Ramadhani, 2014).

This study will examine the effect of profitability and liquidity on disclosure of CSR disclosure and examine the effect of CSR disclosure on economic consequences. In this study, the proxy used to measure the economic consequences consist of bid-ask spreads, trading volume and stock price volatility. Liao (2009) stated that the desire to reduce the information asymmetry can be done by testing and researching the bid-ask spread. When

the bid-ask spread decreases, it can be concluded that the information asymmetry is declined. Trading volume is an instrument that can be used to look at the stock market reaction to information through a parameter volume of stocks traded in the capital market (Avgouleas & Degiannakis, 2009). The higher stock trading volume indicates that the stock more attractive to investors. Stock price volatility is a statistical measure of fluctuations in stock prices over a specified period. The high and low stock price volatility depending on the information obtained by investors about the stock price information either from inside or from outside of the company. The lower stock price volatility indicates the smaller of the information asymmetry.

II. Theoretical Framework and Hypothesis

2.1 CSR Disclosure

According to Ismail (2009), CSR disclosure is a concern of a business on the environment, either the environment in the course of business and outside business activities, such as the safety of workers and handling of the waste produced so as not to cause disruption to the surrounding community. The people in the business environment will provide appropriate responses undertaken by the company's business activities.

CSR is conceived as a vision of business accountability. CSR focuses on environmental protection, safety and development of communities and society in general, both now and in the future. CSR concept directs that a company will not be able to last long if the company isolate and confine himself from surrounding communities (Ismail, 2009).

2.2 Legitimacy Theory

Legitimacy theory provides an important view of the practice of CSR disclosure. Mousa and Hassan (2015) stated that legitimacy theory is based on the idea that in order to continue operating successfully, corporations must act within the bounds of what society identifies as socially acceptable behavior.

By ensuring that the company has been working within accepted norms and rules of society, implying the existence of a social contract that is the claim of the company as part of a social system must constantly interact with the social environment as well as running the norms contained therein. To be able to meet the social demands, the company should always pay attention to the issues that developed in the community. Companies must constantly strive to make the stakeholders sure and believes that the company has operating activities in accordance the provisions and norms that exist.

2.3 Stakeholder Theory

Stakeholder theory is a system that is explicitly based on the idea of an organization and its environment. The company is not only responsible to the owners (shareholders) to the extent of the economic indicators (economic focused), but has been shifted to the broader i.e. in the realm of social (stakeholders) to take into account social factors (social dimensions), so that arises the term of social responsibility. Stakeholder theory discuss matters relating to the interests of various parties. Stakeholders will be a control tool for the company in order to evaluate the activities of the company. Company awareness about the importance of stakeholder existence will make the company continue to innovate and evaluate, so that the company can develop.

2.4 Economic Consequences

According to Zeff (1978), economic consequences are the impact of accounting reports on business, government and creditor decision-making behavior. In a study conducted by Leuz and Verrecchia (2000) entitled "The Economic Consequences of Increased Disclosure", the

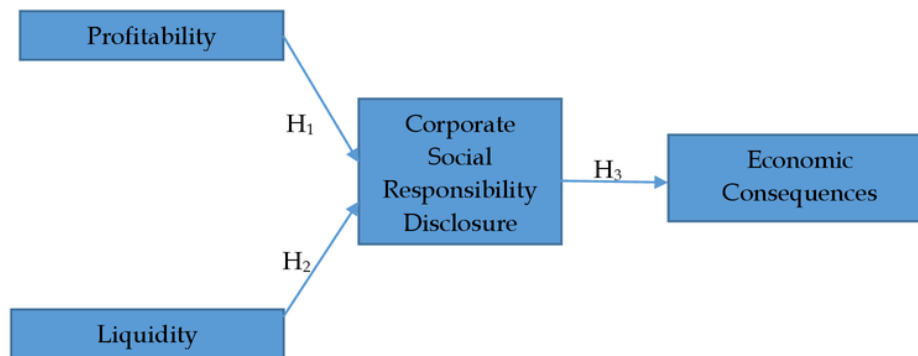
proxy used to measure economic consequences is bid-ask spreads, volume trading, and stock price volatility. Bid-ask spreads are the difference between the highest purchase price and the lowest selling price. Trading volume is the total number of security or an entire market that was traded during a given period of time. Stock price volatility indicator that is most often used by changes in trends in the market place.

Information is a fundamental requirement for investors and potential investors. With timely, complete, accurate and relevant information will allow for investors to make rational decisions. Dissemination of not balanced information will cause information asymmetry. Parties which have no information will be losers, while those who have the information would be better off.

2.5 Research Framework

The research framework is described as follows:

Figure 1
Research Framework



2.6 Hypothesis Formulation

The Effect of Profitability on the CSR Disclosure

The relationship between profitability and CSR disclosure is based on legitimacy theory which states that CSR disclosure is carried out in order to get a positive and legitimate assessment of society. Profitability is the ability of a company to earn profits in certain periods. Profitability gives confidence to companies to voluntarily disclose social responsibility. The higher the level of profitability will further motivate companies to disclose CSR in order to gain legitimacy and positive value of stakeholders.

Some researchers have conducted studies on the effect of profitability on CSR. The study among others conducted by Nurkhin (2009). His study indicates that the profitability positively affects the CSR. The study of Nurkhin (2009) in line with a study conducted by Yintayani (2011), Hussainey et al. (2011) and Ekowati et al. (2014). Based on the above explanation, then can be formulated the hypothesis as follows:

H₁: Profitability positively affects the CSR disclosure

The Effect of Liquidity on the CSR Disclosure

Liquidity shows the relationship between the cash and other current assets of a company with current liability. Liquidity is the ratio to determine the company's ability to pay short-term obligations. Companies that have high liquidity tend to do more social activities as a signal to investors that companies have better performance than other companies. With the

increasing disclosure of CSR, it will be increasingly attractive for investors to invest in companies and show that the company is more credible in the eyes of investors.

Study of Syahrir and Suhendra (2010) found that the liquidity positively effect on CSR disclosure. While study of Rahajeng (2010) found that liquidity does not affect the disclosure of CSR. Based on the above explanation, then can be formulated the hypothesis as follows:

H₂: Liquidity positively affects the CSR disclosure

The Effect of CSR Disclosure on the Economic Consequences

CSR disclosure is an example of signaling theory that can reduce the level of information asymmetry (Spence, 2002). CSR activities can enhance corporate accountability and transparency (Cui et al., 2012). Increased transparency and accountability results in more information being given to the public, so that outsiders know more information about the company. With the increasing number of CSR disclosures, investors can assess the company more precisely so that the bid-ask spread will decrease, trading volume increases and stock price volatility decreases. Based on the above explanation, then can be formulated the hypothesis as follows:

H_{3a}: CSR disclosure negatively affect the bid-ask spread.

H_{3b}: CSR disclosure positively affect the trading volume.

H_{3c}: CSR disclosure negatively affect the stock price volatility.

III. Research Method

3.1 Population and Sampling Techniques

The study population was all companies listed on the Indonesian Stock Exchange (IDX) in 2017. The reason for choosing 2017 was because the research is carried out after the publication of G4 Sustainability Reporting Guidelines on Disclosure of GRI (Global Reporting Initiatives) in 2013, so hopefully the results will reflect the current state of affairs. The sampling method used in this research is a purposive sampling method. The sample in this study determined based on the following criteria:

1. The company is listed on the Indonesia Stock Exchange in 2017.
2. The company publishes a sustainability report or disclose the corporate social responsibility information in annual reports.
3. The company has the complete data of stock price and the value of individual stock prices during the observation period.
4. The company has the data of bid-ask spread, trading volume and stock price volatility.

3.2 Research Variable

The first model of this study using the profitability and liquidity as the independent variables and CSR disclosure as the dependent variable. The second model of this study using CSR disclosure as the independent variable and the economic consequences which consists of a proxy bid-ask spreads, trading volume and stock price volatility as the dependent variables.

Operational Definitions

1. Profitability

Profitability is a measure of a company's ability to earn income (profit) at a certain period. Profitability in this study will use the proxy of return on equity (ROE). The ROE calculation formula is as follows:

$$\text{Return on Equity (ROE)} = \frac{\text{Net Profit After Tax}}{\text{Total Equity}}$$

2. Liquidity

Liquidity is a measure of a company's ability to meet its short term obligations. The level of liquidity in this study was measured by the current ratio (CR). The liquidity calculation formula is as follows:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

3. CSR Disclosure

CSR disclosure is measured by proxy CSRDI (corporate social responsibility disclosure index) based on the index of Global Reporting Initiatives G4 (GRI G4) Guideline on Disclosure. The CSRDI consists of six variables, which are based on GRI guidelines dimensions (economic, environment, labor, society, human rights and product responsibility). GRI indicator chosen because it is the international guidelines that has been recognized by many companies in the world. This approach is basically using a dichotomous approach, i.e. each item of CSR in the research instrument rated 1 if disclosed and rated 0 if not disclosed. Furthermore, the scores of each item are summed to obtain the overall score of each company. The CSRDI calculation formula is as follows:

$$CSRDI_j = \frac{\sum X_{ij}}{n_j}$$

Description:

CSRDI_j = Corporate Social Responsibility Disclosure Index company j

n_j = Number of items for company j, $n_j = 91$

$X_{i,j}$ = Dummy variable: 1 = if the item i disclosed; 0 = if the items were not disclosed.
Thus, $0 < CSRDI_j < 1$

4. Economic Consequences

The economic consequences are the impact of accounting reports on the behavior of decision-making, although the accounting reports do not affect the cash flow. The economic consequences are proxied by bid-ask spreads, trading volume and stock price volatility.

a. Bid-Ask Spread

Bid-ask spread is the difference between the highest purchase price that the buyer wants the stock and the lowest selling price offered by the seller of the stock. In this study, the measurement of bid-ask spreads using the following formula:

$$\text{Spread}_{i,t} = \frac{((bid_{i,t} - ask_{i,t}) / (bid_{i,t} + ask_{i,t}) / 2) \times 100}{n}$$

Description:

Spread_{i,t} = The average difference between the highest purchase price and the lowest selling price daily of firm i for one year

Bid = The highest purchase price

Ask = The lowest selling price

b. Stock Trading Volume

Stock trading volume refers to the method used by Zhang et al. (2015), which is based on the average (mean) the volume of stock trading for one year. Stock trading volume calculation formula is as follows:

$$VPS_i = \frac{\sum_{t=1}^n VPS_{i,t}}{n}$$

Description:

VPS_i = The average daily stock trading volume of firm i for one year

$VPS_{i,t}$ = Volume of daily stock trading firm i from the beginning of the year until the end of the year

n = Number of transactions day for a year

c. Stock Price Volatility

Stock price volatility is determined by calculating the standard deviation of a portfolio that occurred during the study period. Stock price volatility calculation formula is as follows:

Description:

σ_i^2 = Variance

σ_i = Deviation standard

$X_{i,t}$ = Each daily stock price of firm i for one year

\bar{X}_i = Average daily stock price of firm i

3.3 Data Collection Methods

Data collected by collecting the empirical data in the form of a data source that created by the company in the form of annual reports and sustainability reporting.

3.4 Method of Analysis

The analytical method used in this study includes descriptive analysis and classical assumption test.

1. Descriptive Analysis

Descriptive analysis is used to provide an overview of the study variables. Descriptive statistics were used in this study include the mean, median, minimum, maximum, and standard deviation.

2. Classical Assumption Test

The classical assumption test is performed to determine the data that are worth to be analyzed. Testing data in this study include:

a) Normality Test

The normality test aims to test whether in the regression model, confounding or residual variables were normally distributed. This study used the Kolmogorov-Smirnov (KS) test. A good regression model is to have a normal or near-normal distribution. This testing is done by looking at the statistical significance value resulting from the calculation. If the significance value > 0.05 , the regression equation were normally distributed.

b) Multicollinearity Test

The multicollinearity test aims to test whether in the regression model found a correlation between free variables (independent). If the results show the value of Variance Inflation Factor (VIF) ≥ 10 means there any multicollinearity, otherwise if $VIF < 10$ means no multicollinearity.

c) Autocorrelation Test

The autocorrelation test aims to test whether in the linear regression model any correlation between confounding error in period t with confounding error in period

t-1 (previously). Detection of the autocorrelation can be seen from the figures DW (Durbin-Watson). If $DU < DW < (4-DU)$ then there is no autocorrelation (Ghozali, 2011: 110).

d) Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model occurred inequality residual variance from one observation to another observation. This test also aims to test whether in the regression model occurred inequality standard deviation value of the dependent variable at each independent variable. A good regression model is a model that homoscedasticity or not happen heteroscedasticity. This study uses a Plot Graph and the basic analysis are:

1. If there is a specific pattern, such as dots forms a pattern of certain existing regular (wavy, widened, then narrowed) would indicate there was a heteroscedasticity.
2. If there is no clear pattern and the point spread above and below the number 0 on the Y axis, then there is no heteroscedasticity.

IV. Data Analysis and Discussion

4.1 Sample Selection

The population in this study is all companies listed on the Indonesian Stock Exchange (IDX) in 2017. Selection of the sample in this study using purposive sampling method. The number of companies whose data have been obtained by researchers until June 5, 2015 and has met all the criteria of sampling are as many as 62 companies.

4.2 Descriptive Analysis

Descriptive statistical analysis results are shown in Table 1.

Table 1
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
		m			
ROE	62	.14	75.40	15.3824	14.59363
CR	62	.32	7.90	1.9181	1.40715
CSR	62	.14	.88	.4753	.19509
BAS	62	.08	4.81	1.8742	1.13284
TV	62	935.25	92091041.00	10313470.2271	17781828.17487
SPV	62	7.77	5427.04	635.3167	969.76989
Valid N (listwise)	62				

1. Profitability

The average value of ROE is equal to 15.3824. This shows that the average company's ability to generate earnings from its capital amounted to 15.38%. The minimum value is 0.14 or 0.14% of the company's equity, while the maximum value is equal to 75.4 or 75.4%. This means the company can generate a net profit up to 75.4% of the total equity of the company.

2. Liquidity

Liquidity variable (CR) has the lowest value of 0.32, the maximum value of 7.90, the average value of 1.9181 and a standard deviation of 1.40715. Liquidity variable as measured by CR

showed an average of 1.9181. This means that the average company listed on the IDX has current assets amounted to 1.9181 from all current debts.

3. Corporate Social Responsibility (CSR)

The CSR disclosure index variable has the lowest value of 0.14, the maximum value of 0.88, the average value of 0.4753 and a standard deviation of 0.19509. On average CSR disclosure is 0.4753 or 47.5% or over a period on average the company has revealed the social responsibility as much as 47.5% in the annual report.

4. Bid-Ask Spread

Bid-ask spread (BAS) variable has an average value of 1.8742, the minimum value of 0.08, the maximum value of 4.81 and a standard deviation of 1.13284. It shows that the average difference between the highest buying price and selling price lowest daily stock company during the year amounted to 1.8742.

5. Trading Volume

Trading volume (TV) variable has an average value of 10,313,470.23, minimum value of 935.25, the maximum value of 92,091,041 and a standard deviation value of 17,781,828.17. It shows that the average daily stock trading volume of the company for one year is 10,313,470.23.

6. Stock Price Volatility

Stock price volatility (SPV) variable has an average value of 635.3167, a minimum value of 7.77, the maximum value of 5427.04 and a standard deviation value of 969.76989. It shows that the average daily stock price of the company for one year is equal to 635.3167.

4.3 Classical Assumption Test

Classical assumption test consisting of normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test. The result of classical assumption test is shown in Table 2.

Table 2
Classical Assumption Test

	Profitability and Liquidity	Bid- Ask Spread	Trading Volume	Stock Price Volatility
Asymp. Sig. (2-tailed)	0,967	0,678	0,700	1.000
Durbin-Watson	1.825	1.636	2.139	2.041
VIF	1,009	-	-	-

1. Normality Test

Results of Kolmogorov-Smirnov (KS) test in Model 1 indicates that the value Asymp.Sig. (2-tailed) is equal to 0.967. While the test results in Model 2 show that the value Asymp.Sig. (2-tailed) respectively are 0.678, 0.700 and 1.00. Based on test results, it can be concluded that the residual data in the regression model are normally distributed because the value Asymp. Sig. (2-tailed) greater than 0.05.

2. Multicollinearity Test

Based on test results, the value of VIF is less than 10 or equal to 1.009. Based on these results, it can be concluded that there is no strong correlation between the independent variables.

3. Autocorrelation Test

From the results of regression in the first model obtained Durbin Watson value of 1.825 or writable $1.6561 < 1.825 < 2.3439$. Therefore, it can be concluded that in the first model did not happen autocorrelation. Furthermore, in the second model obtained Durbin Watson value of 1.636, 2.139 and 2.041 somewhere in between Du at 1.6216 and (4-Du) of 2.3784. It was therefore can be concluded that in the second model did not happen autocorrelation.

4. Heteroscedasticity Test

In the scatterplots graph showed that the dots spread randomly and spread both in the above and below the number 0 on the Y axis. Based on this can be concluded that in the regression model did not happen heteroscedasticity making it feasible to be continued to test the hypothesis.

4.4 Discussion

The results of the Model 1 regression test are shown in Table 3.

Table 3
Model 1 Regression Test

		Coefficients ^a				Bas ed on the res ults of	
Model		Unstandardized		Standardized	t		Sig.
		Coefficients		Coefficients			
		B	Std. Error	Beta			
1	(Constant)	.767	.019		40.797	.000	
	ROE	.113	.040	.345	2.815	.007	
	CR	.003	.004	.085	.692	.491	

a. Dependent Variable: CSR

regression analysis above, the regression equation models produced in this study are as follows: $Y = 0.767 + 0.113X_1 + 0.003X_2$.

a. Profitability Positively Affects the CSR Disclosure

The test result of Hypothesis 1 demonstrated a significant level of 0.007. Sig $0.007 < 0.05$. This means that the first hypothesis (H_1) is accepted. High profitability will provide an opportunity for management to perform and disclose corporate social responsibility widely. The test result is consistent with the study of Elsakit and Worthington (2014) which states that the profitability affect the CSR disclosure. Companies with a high profitability can cope with the onset of the costs on the CSR disclosure.

b. Liquidity Positively Affects the CSR Disclosure

The test result of Hypothesis 2 demonstrated a significant level of 0.491. Sig $0.491 > 0.05$. This means that the second hypothesis (H_2) is rejected. The test result is consistent with research conducted by Wicaksono (2011), Rahajeng (2010), Hussainey et al. (2011) and Ekowati et al. (2014) which found no evidence that the liquidity affect the CSR disclosure. High liquidity makes companies more concerned to repay the debt rather than social activities (Hussainey et al., 2011 and Ekowati et al., 2014). In addition, the underlying reason for the liquidity does not affect the CSR due to the lack attention of stakeholders to the quality of liquidity. Investors assume that companies that have high liquidity is not necessarily the company that has a high profit. Liquidity more describes the short term condition of a company. Therefore, the liquidity does not affect the broad of CSR disclosure.

The results of the Model 2.1 regression test are shown in Table 4.

Table 4
Model 2.1 Regression Test

Model		Coefficients ^a		t	Sig.
		Unstandardized Coefficients	Standardized Coefficients		
		B	Std. Error	Beta	
1	(Constant)	2.565	.372		6.902
	CSR	-1.455	.725	-.251	-2.009

a. Dependent Variable: BAS

Based on the results of the regression analysis above, the regression equation models produced in this study are as follows: $Y = 2.565 - 1.455X_1$.

c. CSR Disclosure Negatively Affect the Bid-Ask Spread

The test result of Hypothesis 3 demonstrated a significance level of 0,049. Sig 0.049 < 0.05. This means that the third hypothesis (H_3) which states that CSR disclosure negatively affect the bid-ask spread is accepted. The result of this study supports the findings of Hapsoro (2006) which states that the company's commitment to increase the level of voluntary disclosure is proven reduce the bid-ask spread which is one of the essential elements of the information asymmetry component of the cost of capital. Ramadhani (2014) also states that all dimensions of CSR disclosure can reduce information asymmetry as measured by the bid-ask spread.

The results of the Model 2.2 regression test are shown in Table 5.

Table 5
Model 2.2 Regression Test

Model		Coefficients ^a		t	Sig.	Based on the results of the regression analysis
		Unstandardized Coefficients	Standardized Coefficients			
		B	Std. Error	Beta		
1	(Constant)	12.034	.930		12.938	.000
	CSR	4.306	1.812	.293	2.376	.021

a. Dependent Variable: TV

above, the regression equation models produced in this study are as follows: $Y = 12.034 + 4.306X_1$.

d. CSR Disclosure Positively Affect the Trading Volume

The test result of Hypothesis 4 demonstrated a significance level of 0.021. Sig 0.021 < 0.05. This means that the fourth hypothesis (H_4) who stated that CSR disclosure positively affect the trading volume is accepted. The result of this study is consistent with the studies of Hejazi and Hesari (2012), Chetty et al. (2015) and Ramadhani (2014) which stated that the disclosure of CSR in the company's annual report affect the trading volume.

The results of the Model 2.3 regression test are shown in Table 6.

Table 6
Model 2.3 Regression Test

Model		Coefficients ^a			t	Sig.
		Unstandardized	Std. Error	Standardized		
		Coefficients B		Coefficients Beta		
1	(Constant)	4.901	.499		9.830	.000
	CSR	1.294	.972	.170	1.332	.188

a. Dependent Variable: SPV

Based on the results of the regression analysis above, the regression equation models produced in this study are as follows: $Y = 4.901 + 1.294X_1$.

e. *CSR Disclosure Negatively Affect the Stock Price Volatility*

The test result of Hypothesis 5 demonstrated a significance level of 0.188. Sig 0.188 > 0.05. This means the fifth hypothesis (H₅) which states that CSR disclosure negatively affect the stock price volatility is rejected. The result of this study is consistent with the study of Hapsoro (2006) which states that voluntary disclosure does not affect the reduction in stock price volatility. Ramadhani (2014) also argued that the stock price volatility is believed to be influenced by many factors other than the CSR disclosure.

5. Conclusion, Implication, Suggestion and Limitation

5.1 Conclusion

Based on the test results and the previous discussion, then some conclusions can be drawn as follows:

1. The first hypothesis (H₁) is accepted. The result of hypothesis testing shows that profitability has a positive effect on the CSR disclosure. The results of this study are in line with research of Elsakit and Worthington (2014).
2. The second hypothesis (H₂) is rejected. The result of hypothesis testing shows that liquidity has no effect on the CSR disclosure. High liquidity encourages companies to pay more to pay their debts than to conduct corporate social activities (Hussainey et al., 2011 and Ekowati et al., 2014). In addition, the underlying reason for liquidity has no effect on the CSR disclosure is the lack of stakeholder attention to liquidity quality. Investors assume that a liquid company does not necessarily have a high profit. Liquidity further illustrates the company's ability to fulfill its responsibilities in the short term. Therefore liquidity does not affect the extent of CSR disclosure.
3. The third hypothesis (H_{3a}) is accepted. The result of hypothesis testing shows that the CSR disclosure negatively influences the bid-ask spread. The results of this study are in line with Hapsoro (2006) study which stated that the company's commitment to increase the level of voluntary disclosure of information proved to decrease the bid-ask spread which is one of the important elements of the information asymmetry component.
4. The fourth hypothesis (H_{3b}) is accepted. The result of hypothesis testing shows that the CSR disclosure has a positive effect on trading volume. This is in line with the research of Chetty et al. (2015) and Ramadhani (2014) stated that CSR disclosure of the company's annual report affects trading volumes.
5. The fifth hypothesis (H_{3c}) is rejected. The result of hypothesis testing shows that the CSR disclosure has no positive effect on stock price volatility. This is in line with Ramadhani's (2014) study which argued that stock price volatility is believed to be influenced by various factors other than CSR disclosure.

5.2 Implication

The results of the above research bring some implications as follows:

1. Companies with high profitability should have a high commitment to disclose corporate social responsibility because the company is believed to be able to overcome the costs of CSR disclosure. With the high CSR disclosure is expected to reduce the possibility of conflict between companies and communities as a negative impact arising from the existence of companies in an environment.
2. Companies need to increase their commitment to disclose their corporate social responsibility as CSR disclosure has a negative effect on bid-ask spreads and has a positive effect on trading volumes. This commitment will increase investor interest in the activity of the capital market because both buyers and stock sellers have the same information thus reducing the information asymmetry between them.

5.2 Limitation

This study has some limitations, mainly because the number of samples obtained is relatively small. This is because this research uses only one year observation period that is 2017.

5.3 Suggestion

Based on the results of the study as well as matters related to the limitations of the study, the researchers convey the following suggestions:

1. Further studies are expected to multiply the number of samples so that the conclusion made possible to be generalized.
2. Future studies are expected to use a longer observation period in order to obtain information on actual conditions.
3. Further studies are expected to add or to use other variables that relevant in the CSR disclosure, such as management ownership, board size, and so forth.

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