

## **The Effect of Corporate Governance and Profitability on Social Responsibility**

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**ABSTRACT:** This study examines and analyses corporate governance's effect on social responsibility. This research was conducted at PT. Pelabuhan Indonesia IV (Persero) and to test and analyze the impact of profitability on social responsibility. Data collection uses secondary data using a saturated sample technique (census). The population in this study is the financial statements of 10 working areas at PT. Pelabuhan Indonesia IV (Persero), while the sample taken is the number of observations for three years (2018 to 2020). The data obtained were analyzed using multiple linear regression analysis, t-test and the Coefficient of Determination ( $R^2$ ) test, the processing of which was carried out using the SPSS version 23 program. The results showed that the first and second hypotheses proposed were accepted because they showed positive and significant hypothesis test results. This means that corporate governance has a positive and significant effect on corporate social responsibility, and profitability has a positive and significant impact on corporate social responsibility.

Keywords: Corporate Governance, Profitability, Corporate Social Responsibility.

### **PRELIMINARY**

The development of the company's business activities cannot be separated from the external environment, namely the environment and society. The company must protect the external environment so as not to cause negative impacts, such as pollution and environmental damage. The company is expected to balance the operational activities used, followed by attention to the community's welfare and environmental sustainability. The balance of the company's ties to the environment and the community (stakeholders) must be maintained for long-term survival. Companies have three public needs that companies tend to ignore when conducting business, namely only the interests of shareholders, increasing negative impacts on the environment, and society having difficulty in obtaining compensation. While corporate social responsibility (CSR) is significant to pay attention to as a form of the company's attention to the community in the company and empowerment of small businesses, the company consistently carries out the Partnership and Community Development Program when assisting small businesses and small businesses. Cooperatives and social assistance align with the company's capabilities, together with research and evaluation of business viability so that the service provided is on target. Another decisive factor when increasing corporate social responsibility is corporate governance and profitability—the phenomenon of research on corporate governance, profitability, and social responsibility at PT. Port of Indonesia IV (Persero) from 2018 to 2020 is shown in Table 1: Research phenomena related to corporate governance, profitability, and social responsibility at PT. PELINDO IV (Persero) from 2018 to 2020.

**Table 1. The phenomenon of Corporate Governance, Profitability and Liability Answer Sosial at PT. PELINDO IV (Persero) Period 2018-2020**

Years	Good Corporate Governance (%)	Profitability (%)	Corporate Social Responsibility (%)
2018	83,93	72,73	19,75
2019	84,66	97,52	21,29
2020	80,44	15,29	17,91

Based on table 1. it can be explained that corporate governance, profitability, and social responsibility at PT. PELINDO IV (Persero) for the 2018-2020 period has fluctuated (up and down), namely in 2018, corporate governance of 83.93%, the profitability of 72.73%, and corporate social responsibility of 19.75%, furthermore in 2019 experienced an increase in corporate governance by 84.66%, profitability by 97.52% and corporate social responsibility by 21.29%. Still, in 2020 there was a decline in corporate governance by 80.44%, profitability by 15.29%, and responsible corporate social responsibility by 17.91%; there are indications due to corporate governance and profitability.

However, in contrast, the research made by Karina (2020) suggests that corporate governance has a positive and significant effect on corporate social responsibility, and profitability has a positive and significant impact on corporate social responsibility. Hidayati's research (2019) suggests that corporate governance has an influence positive and material impact on corporate social responsibility, profitability has a positive and material impact on corporate social responsibility, and leverage has a positive and material effect on corporate social responsibility. However, Wayan's research (2020) said that corporate governance, profitability, and leverage positively and materially impact corporate socialresponsibility.

**RESEARCH METHODS**

The determination of this research sample uses a saturated model (census), where the entire population is used as a sample with the number of observations for three years (2018-2020), so the value of this research observation is  $10 \times 3 = 30$  observation data. Until it is saturated, it is used because the population is limited or small (Sekaran, 2015: 118). The independent variables (independent variables) during this research are governance (X1) and profitability (X2). Corporate governance is an internal control system of the company with the main objective of managing significant risks to meet its business objectives. Meanwhile, profitability (X2) is an independent variable (independent variable).

**RESEARCH RESULTS AND DISCUSSION**

**Corporate Governance (X1)**

The following will present the annual data on corporate governance (managerial ownership) at PT. PELINDO IV (Persero) from 2018 - 2020 (3 x 10 working areas) = 30 observation data. For more details, it can be seen in Table 5.1 below:

**Table 1. Results of Calculation of Corporate Governance at PT. PELINDO IV (Persero)**

No	Work Area / Province	Managerial ownership ( %)		
		2018	2019	2020
1.	Sulawesi Selatan	83,93	84,66	80,44
2.	Sulawesi Utara	83,93	84,66	80,44
3.	Sulawesi Tenggara	83,93	84,66	80,44
4.	Sulawesi Tengah	83,93	84,66	80,44

5.	Gorontalo	83,93	84,66	80,44
6.	Kalimantan Timur	83,93	84,66	80,44
7.	Maluku	83,93	84,66	80,44
8.	Maluku Utara	83,93	84,66	80,44
9.	Papua	83,93	84,66	80,44
10.	Papua Barat	83,93	84,66	80,44

*Profitability (X2)*

Measured by a proxy, namely Return On Assets (ROA). The following will present the annual data on profitability (ROA) at PT. PELINDO IV (Persero) from 2018 - 2020 (3 x 10 working areas) = 30 observation data. For more details, it can be seen in Table 5.2 below:

**Table 2. Profitability Calculation Results (ROA) at PT. port Indonesia IV (Persero) 2018-2020**

No	Work Area / Province	ROA (%)		
		2018	2019	2020
1.	Sulawesi Selatan	33,28	9,83	5,99
2.	Sulawesi Utara	10,66	11,95	15,29
3.	Sulawesi Tenggara	6,14	7,14	5,08
4.	Sulawesi Tengah	3,05	3,45	1,10
5.	Gorontalo	1,18	0,53	0,22
6.	Kalimantan Timur	72,73	97,52	118,47
7.	Maluku	5,51	3,87	4,94
8.	Maluku Utara	1,44	5,56	1,21
9.	Papua	6,29	5,57	5,35
10.	Papua Barat	6,83	5,10	5,20

*Normality Test Results*

Normality test can be seen by statistical test, namely in this research together with non-parametric statistic Ko Imogorov-Smirnov test. The basis for decision-making is if the probability value (a sym sign) is greater than the error rate of 5% (0.05). The following is table 5.4 for the results of the heteroscedasticity test. b. Multicollinearity Test Results A good regression model should not correlate with independent variables. The tolerance value and the Variance Inflation Factor (VIF) value are used to obtain the existence of linearity.

*Hypothesis Testing Results*

Partial Test Results (t-Test) The results of the t-statistical test show how much the influence of one independent variable (independent) partially or individually influences the dependent variable. The following table describes the results of the t-statistical test.

**Tabel 3. Hasil Uji Parsial (Uji t) Coefficients**

Model	T	Sig.
1 (Constant)	2,761	,010
Tata Kelola Perusahaan	4,412	,000
Profitabilitas	4,433	,000

Based on table 3 the corporate governance variable has a tcount value of 4.412 while the ttable value is 2.048, with a significance value of 0.000, a significant level of 5% or 0.05 and degrees of freedom (df) = n - k - 1 (in this study df = 30 - 1 - 1 = 28). This shows that the value of t- count is greater than the value of ttable (4,412 > 2,048), and if the significance value is less than the

significance level of 5% or 0.05 ( $0.000 < 0.05$ ), then  $H_{01}$  is rejected and  $H_{a1}$  is accepted. This means that corporate governance positively and significantly affects corporate social responsibility.

The results of testing the second hypothesis ( $H_2$ ) by testing the effect of profitability on corporate social responsibility. Based on table 3, the profitability variable has a tcount value of 4.433 while the ttable value is 2.048, with a significance value of 0.000, a significant level of 5% or 0.05 and degrees of freedom ( $df = n - k - 1$  (in this study  $df = 30 - 1 - 1 = 28$ ). This shows that the value of tcount is greater than the value of ttable ( $4.433 > 2.048$ ), and the significance value is smaller than the significance level of 5% or 0.05 ( $0.000 < 0.05$ ), then  $H_{02}$  is rejected, and  $H_{a2}$  is accepted. This means that profitability has a positive and significant effect on responsibility corporate social.

***Coefficient of Determination Test Results (R<sup>2</sup>)***

The coefficient of determination ( $R^2$ ) shows the magnitude of the influence of corporate governance and profitability as independent variables on corporate social responsibility as a dividend variable. The coefficient value of 1 indicates that the independent variable used is 100% correct (perfect) in explaining the variations in the dependent variable. Based on the results of data processing, the value of the coefficient of determination ( $R^2$ ) is obtained as follows:

**Table 4. Results of the Coefficient of Determination (R<sup>2</sup>)**

Model	R	R Square	Adjusted R Square	Std. Error Of The Estimate
1	,978 <sup>a</sup>	,956	,914	9,770

Based on table 4 shows that the value of R Square ( $R^2$ ) used to calculate the effect of the independent variables ( $X_1$  and  $X_2$ ) on the dependent variable ( $Y$ ) is 0.956 or 95.60%. This means 95.60% of corporate social responsibility is influenced by corporate governance and profitability. Meanwhile, 4.40% ( $100\% - 95.60\%$ ) is controlled by other factors not examined, such as leverage and firm size.

***The Effect of Corporate Governance on Corporate Social Responsibility (H1)***

The results of this study indicate that corporate governance has a positive and significant effect on corporate social responsibility. This means that corporate social responsibility will increase when corporate governance is improved or vice versa. When there is a decrease in corporate governance, it will have an impact on decreasing corporate social responsibility, and this is statistically proven by the regression coefficient of 5.949, tcount is greater than ttable ( $4,412 > 2,048$ ). ) and the level of significance less than 0.05 ( $0.000 < 0.05$ ). The results of this study are in line with the Single theory (2016: 25), which states that Corporate Social Responsibility (CSR) is a balance between society, the environment, and profit, which means the company's concern for setting aside some of its profits (profit) for the benefit of human development. (people) and the environment (planet) in a sustainable manner based on appropriate and professional procedures to create good corporate governance or Good Corporate Governance (GCG). This research is also supported by Karina (2020), who suggests that corporate governance has a positive and significant effect on corporate social responsibility. This shows that the higher the corporate governance, the higher the social responsibility at PT. Pelabuhan Indonesia IV (Persero).

***Effect of Profitability on Corporate Social Responsibility (H2)***

The results of this study indicate that profitability has a positive and significant effect on corporate social responsibility. This means that when profitability is increased, corporate social responsibility will increase or vice versa. When there is a decrease in profitability, it will have an impact on decreasing corporate social responsibility; this is statistically proven by the regression coefficient of 6.438, tcount is greater than ttable ( $4.433 > 2.048$ ), and the level of significance is less than 0.05 ( $0.000 < 0.05$ ). The coefficient of determination ( $R^2$ ) which shows the R Square value is 0.956. This indicates that the influence of corporate governance and profitability on corporate social responsibility is 95.60%. The results of this study are in line with the Single theory (2016: 25), which

states that Corporate Social Responsibility (CSR) is a balance between society, the environment, and profit, which means the company's concern for setting aside some of its earnings (profit) for the benefit of human development. (people) and the environment (planet) in a sustainable manner based on appropriate and professional procedures to create good corporate governance and increase profitability.

Wayan's research (2020) suggests that corporate governance and profitability positively and significantly affect corporate social responsibility. This research is also supported by Hidayati (2019), who suggests that profitability positively and substantially affects corporate social responsibility. This shows that profitability has a significant role in increasing social responsibility at PT. PELINDO IV (Persero).

## **CONCLUSIONS AND RECOMMENDATIONS**

### ***Conclusions***

Based on the results of hypothesis testing and referring to the formulation and objectives of this research, it can be concluded that: Corporate governance has a positive and material impact on responsibilities social responsibility at PT. PELINDO IV (Persero). Hi, this means if when the corporate governance is high, then the social responsibility company will be increased. Profitability has a positive and material impact on responsibility social at PT. PELINDO IV (Persero). Hi, this means that the company's social responsibility will be tall when profitability is high.

### ***Suggestion***

Based on the results of the research that has been done, there are several suggestions which several parties may consider: From the results of this research, it can be seen that corporate governance and profitability partially positive and significant effect on responsibility social, it is desirable that the company leadership continues to improve social responsibility at PT. PELINDO IV (Persero). For further researchers if they add to the research or the scope of the company used as sample and the year of research as well as adding the research variables, so that the results of this research can be useful for companies and the development of knowledge about management finance.

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