

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In a company, every employee has the right to communicate and gain information to improve on personal and social environment, followed with the right to pursue, store, process and take information accurately. One way to reduce asymmetry information, known as information failure between management and owners in a company is to create disclosure of information on the financial statement. To create disclosure information, the owner of the company tends to seek and analyze the circumstances of company through disclosure made by management, while management job is to create disclosure as one of the responsibilities for the authority that has been given to minimizing stakeholder's problem.

Two types of disclosure in accounting, known as mandatory disclosure and voluntary disclosures. Mandatory disclosure known as disclosure that create a minimum information that should be disclosed in company annual report that must be submitted as a government regulation issued by the Badan Pengawas Pasar Modal (BAPEPAM), while if voluntary disclosure known as a voluntarily submitted information by the company without being required by current regulation.

Management disclosure relates to achievement of corporate social responsibility (CSR). The definition of CSR is to monitor company's commitment

on the contribution of economic development on full concerning regarding corporate social responsibility and balancing economic aspects, social and environmental sections (Haniffa & Cooke, 2005). By applying corporate social responsibility in a company result in increasing company's empathy towards environmental and social issues around company areas. Corporate social generosity presence in a company has increase the concept growth corporate social responsibility where the business participating in giving an empathy for various environmental and social problems to places around the company. In this era, many company required to be able to compete on the global market competition. This technique helps the company to focus not only to competitors, but to do good deeds that will benefit the community and environment.

This would also help the community and environment to have a strong connection towards company in carrying out activities with mutual members and each other needs. A reminder to company that aside from giving shareholders responsibility, providing CSR activities is a positive impact into surrounding of community and environment. As a result, company should not be worried from the care on environment. the importance of having CSR in a company is to get more resources in the form of goods and service from the environment and community.

Several research mention about the studies that effect on corporate social responsibility disclosure in a company, the variables used are Size of Company, Leverage Ratio and Profitability Ratio. The research shows effect on Size of Company and Profitability Ratio towards CSR disclosure conducted by Barnas et al. (2016). Next, the research conducted by Yanti & Budiasih (2016) found that

Size of Company, Leverage and Profitability Ratio shows effect on the disclosure of CSR. Size of Company known as predictor variable that used to explain variations of disclosure in company's annual financial statement, which bring the influence on CSR. But another researcher from Kristi (2013) mention the result of profitability has no effect towards disclosure. Then, research on Lucyanda & Siagian, (2012) mention leverage has no effect on corporate social responsibility as high level of leverage in a company would reduce the extend of CSR disclosure, which will bring inconsistent results.

This research will only focus on manufacturing companies, part of consumer goods sector, because many type of business sector will provide accurate information based on activities in a company. Thus, since previous research shows a research gap, the writer interested in doing research about "Effect of the Size of Company, Leverage, and Profitability on Corporate Social Responsibility disclosure in company on consumer goods sector of manufacturing company listed in Indonesia Stock Exchange (IDX)".

1.2 Problem Limitation

In this research, the problem limitation consists of:

1. The variable that are used in this study are Size of Company, Leverage (Debt to Asset Ratio) and Profitability (Return on Assets Ratio).
2. Companies used in this research are consumer good sectors in manufacturing companies listed on Indonesia Stock Exchange
3. Period used in this research on year 2016-2018.

1.3 Problem Formulation

Based on the background of study that has been illustrate, the problem of this study can be formulated as:

1. Does the Size of Company effect the disclosure of the corporate social responsibility (CSR) on manufacturing companies in period of 2016-2018?
2. Does the Leverage Ratio effect the disclosure of corporate social responsibility (CSR) on manufacturing companies in period of 2016-2018?
3. Does the Profitability Ratio effect the disclosure of corporate social responsibility (CSR) on manufacturing companies in period of 2016-2018?
4. Does Size of Company, Leverage Ratio, Profitability Ratio has effect on the disclosure of the Corporate Social Responsibility (CSR) on manufacturing companies in period of 2016-2018?

1.4 Objective of the Research

1. To discover the effect of Size of Company influence on disclosure of corporate social responsibility on manufacturing companies for period 2016-2018?
2. To discover the effect of Leverage Ratio influence on disclosure of corporate social responsibility on manufacturing companies for period 2016-2018?
3. To discover the effect of Profitability Ratio is influence on disclosure of corporate social responsibility on manufacturing companies for period 2016-2018?

1.5 Benefit of the Research

This research provides several benefits;

1.5.1 Theoretical Benefit

This research expected to give insight and knowledge about the variables of Size of Company, Leverage and Profitability that impact on Corporate Social Responsibility (CSR). Another benefit that this study will influence on more understanding about the theory of each variable.

1.5.2 Practical Benefit

1. This research can contribute to give the more insights and knowledge that influence on the variable on Size of Company, Leverage, Profitability on impact of Corporate Social Responsibility.
2. In the future, this research will help others to reference the study material based on field of accounting and financial management.

