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THE ROLE OF PROFITABILITY MEDIATING THE EFFECT OF THE COMPANY SIZE AND LIQUIDITY TO CORPORATE SOCIAL RESPONSIBILITY IN COMMERCIAL BANKS IN INDONESIA STOCK EXCHANGE

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Abstract

This study aims to obtain empirical evidence on the role of profitability mediating the effect of company size and liquidity to corporate social responsibility at commercial banks in Indonesia Stock Exchange. This empirical study was conducted on banking companies in Indonesia Stock Exchange period 2012-2016 with the number of samples of 165 companies obtained by using saturated sampling technique. The research data used in this research is secondary data obtained from annual report in Indonesia Stock Exchange. The analytical technique used is path analysis with SPSS software. The result of research showed that (1) firm size had positive significant effect on CSR, (2) liquidity had no significant effect on CSR, (3) firm size had positive significant effect on profitability, (4) liquidity had positive significant effect on profitability, (5) profitability had positive significant effect on CSR (6) profitability is able to mediate the effect of company size on CSR, (7) profitability is able to mediate the influence of liquidity to CSR.

Keywords: Company Size, Liquidity, Profitability, Corporate Social Responsibility

INTRODUCTION

Corporate Social Responsibility is a way for companies to manage their business not only for the benefit of shareholders *(shareholder)* but also for parties - other parties outside the company such as local communities, government, environmental non-governmental organizations, workers, competitors and customers or often called as *stakeholders* . Today the concept of *Corporate Social Responsibility* or often abbreviated as CSR is closely related to the survival of the company. The concept of CSR is a company in carrying out the activities and decision-making is not only based on financial factors alone, for example dividends and profits, but also the social and environmental consequences of which are based on current and future.

Corporate Social Responsibility is increasingly gaining attention by the business community. After the reform era in Indonesia, people are increasingly critical and able to exercise social control over the business world. The issue of CSR arises because of various pressures from outside parties such as environmental damage, the rights of workers who are neglected by the company, financial scandals or social problems that arise as a result of the company's operational activities. Changes to the level of public awareness raise new awareness about the importance of implementing CSR for companies .CSR is intended so that the business world minimizes the adverse effects on social and environmental aspects that arise during carrying out all its activities.

The challenges faced by the company will be increasingly severe in the future. CSR can be the right business strategy if the implementation takes into account all the interests of *stakeholders,* so that it can increase the value of the company in the long run (Pradnyani 2016). CSR is one part of the concept of *Good Corporate Governance (GCG)*. GCG is a system or concept that is applied in managing a company, with the main goal of increasing shareholder value in the long term while still paying attention to the interests of *stakeholders*. Implementation of good governance will have a positive impact on the business environment and increase the trust of stakeholders, especially investors to the company.

According to Solihin (2009: 145) CSR must be fully supported by resources owned by the company. These resources include financial resources in the form of budget provision and human resources for the implementation of CSR. CSR is influenced by several factors, in research conducted by Mageid (2013) CSR is influenced by liquidity, Nawaiseh (2013) research CSR is influenced by company size and *leverage*, Putri's research (2017) CSR is influenced by company size, *leverage*, liquidity, and basis ownership. One of the keys to improving CSR is inseparable from the ability of management to manage the company's financial performance, namely liquidity (Rokhman, 2014). Increased CSR is also supported by an increase in company size (Nawaiseh, 2013).

The size of the company is chosen as an exogenous variable because the larger the size of the company it will have a wide operating activity and has a large branch of the company so that it has a social impact on the community and the surrounding environment, to minimize the social impact of the company is required an increase in social responsibility. Company size is a scale that serves to classify the size of a company (Maiyarni, 2014). Company size is measured by the total assets of the company at the end of the reporting period. Banking companies that have large assets will have wider market access reflected in the amount of loans disbursed by banks, one of which comes from third party funds and company capital. Banking operating activities are strongly influenced by its *stakeholders* so that an increase in CSR by the company is needed.

Research on the influence of firm size on CSR has been widely carried out but there are different results. Research conducted by Nawaiseh (2015), Cornett *et al* (2014), Putri (2017) and Bowrin (2013) proved that firm size has a significant positive effect on CSR. The research is not in line with research conducted by Ebiringa *et al* (2013) and Saputra (2016) which found that firm size has a significant negative effect on CSR.

Banking companies must maintain the level of liquidity so that they are able to fulfill all obligations that are immediately due and meet the operational needs of the company. According to Kasmir (2014) Liquidity is the company's ability to fulfill its short-term obligations (debt). Liquidity in this study is proxied by *Cash Ratio*. *Cash Ratio* calculates the most liquid assets or short-term current assets, which are the easiest and quickest cash and cash equivalents to use in paying off the current debt. *Cash Ratio was* chosen in this study because banking companies are in dire need of cash, both cash at the company and cash in the form of demand deposits to carry out its operational activities. *High cash ratios* other than fulfilling the immediate obligations that are due, can also be used to meet the operational needs of the company and carry out CSR activities. If the company has sufficient cash in the company's operations, it will provide management with the flexibility to carry out CSR, because CSR requires substantial funds taken from the company's cash.

The relationship between liquidity and CSR has been empirically proven by Megeid (2013) who examines the liquidity implications of CSR in conventional and sharia banks in Egypt saying that the higher the liquidity, the higher CSR disclosure of this research is supported by Putri (2017) who says that liquidity is influential significant positive for CSR. This research is not in line with the research of Maiyarni (2014), Rokhman (2014), Mudjiyanti and Maulani (2017) who say that liquidity has a significant negative effect on CSR disclosure.

Profitability is the company's ability to generate profits (Kasmir , 2014). Profitability in this study is measured by *Return on Assets* (ROA). This ratio provides a measure of management effectiveness in managing company assets, this is indicated by the profit

generated from sales and investment income. Profitability is the end result of a number of policies and decisions made by the company. High profitability will be used by companies as financial resources to carry out CSR activities. In accordance with agency theory where high profitability means fulfilling the agency's responsibility to the principal, it will give confidence to shareholders to provide management with the company's profit to implement CSR, where CSR is a strategy to maintain good relations with its *stakeholders* .

Research on the effect of profitability on CSR is done by Rahayu (2016), Na waiseh (2013), Putri (2017), and Sha (2014) said that profitability has a significant positive effect on CSR. Company which have high profitability more social activities because companies are more oriented to business continuity while Meiyarni (2014) say that the profitability of significant negative effect on CSR.

The inconsistencies that occur in the results of research between firm size and liquidity on CSR are the reasons for making profitability a mediating variable in this study . Profitability is presumed to be another variable that also influences the relationship between the variables of firm size and CSR variables and the relationship between variable liquidity and CSR variables into indirect relationships.

Profitability is used as a benchmark in assessing the company's financial performance. Financial performance reflects the work performance that has been achieved by the company in a certain period and contained in the financial statements . Increased CSR activities must be supported by an increase in the financial performance of companies, especially profitability. The company's activities to be involved in CSR activities are strongly influenced by the economic or financial conditions of the company, meaning that if the company does not get enough *cash flow* from the company's profits it will be very difficult to carry out CSR activities considering the costs incurred to carry out CSR activities in general large enough so that profitability is expected to mediate the influence of company size and liquidity on CSR.

Company size affects profitability, through the management of company assets that are owned so that it affects the productivity and efficiency of the company which ultimately affects profitability. The size of a large company uses the available resources as much as possible to obtain profits. Companies with a high level of profitability will carry out broader CSR disclosures as an effort to convince external parties that the company is in strong competition and shows good performance. The implementation of CSR by the company in a sustainable manner also provides a significant positive image for companies in the community. The existence of a significant positive image of the company, the company can continue to develop the business and bring profits to the company.

Liquidity will be able to increase profitability, because a high level of liquidity identifies that the availability of cash both cash in the company and cash in the form of demand deposits increases so that excess cash can be used as working capital for banking companies such as channeling loans and financing, which later when well managed will have an effect on the company's ability to obtain profits to be higher. Companies that have high liquidity will have the opportunity to make more profitable investments.

Increasing profitability will motivate companies to carry out CSR disclosures to get positive values from *stakeholders.* Investors will be attracted to companies that have a good image in the community, consumer loyalty will increase and within a certain period of time the company's sales will increase so as to have a positive impact on the company's profits.

This study uses a sample of commercial banks listed on the Indonesia Stock Exchange for the period 2012-2016. Banks are business entities that collect funds from the public in the form of deposits and channel them back to the community in the form of credit and / or other forms of forms in order to improve the living standards of the people (Kasmir, 2014: 14). Banks are financial service institutions that rely on the trust of their *stakeholders* so that the implementation of CSR and good corporate governance needs to be improved.

According to the Republic of Indonesia Law No. 25 of 2007 concerning Investment and Law Number 40 of 2007 concerning Limited Liability Companies, where every company in the form of PT (Limited Liability Company) must disclose CSR activities in its annual financial statements, but CSR disclosures in the annual reports of several banks are still limited. This is because banks still consider CSR activities to be *charity* or charitable, such as providing compensation, donations, and social activities whose impact is felt less by the community. According to Solihin (2009) in his book entitled *Corporate Social Responsibility: From Charity to Sustainability,* companies are required to carry out CSR in a more planned and programmed manner so that the impact is more felt by *stakeholders* and the CSR program that the company carries out must be able to support the company's goals in the long run. There is an inconsistency in the results of previous research so it is necessary to re-examine the factors that influence CSR.

LITERATURE REVIEW

The main principles of the theory of Keagenan stated that their working relationship between the party giving authority (principal), namely the shareholder and the party receiving the authority (agent), the manager. Jensen and Meckling (1976) stated agency relationship is a contract where one or more people (principals) involve other people (agents) to do some service on behalf of which involves delegating part of authority decision return to agent.

Good Corporate Governance in general is a system that regulates, manages, and supervises business controls for the success of a company's business as a form of attention to *stakeholders* and regulates relationships and responsibilities between employees, creditors and internal and external stakeholders in controlling the company in order to achieve company objectives what the interested parties want to achieve and pay attention to the interests of *stakeholders in* accordance with the rules and laws.

Good Corporate Governance is a collection of laws, regulations and rules that must be fulfilled that can drive the performance of company resources to work efficiently, generate long-term economic value that is sustainable for shareholders and the surrounding community as a whole. *Good Corporate Governance* is a system that regulates, manages and supervises the control process of businesses raising the value of shares, as well as a form of attention to *stakeholders* , employees, creditors, and the surrounding community (Pradnyani, 2016).

Corporate Social Responsibility is a concept that is developing globally and its application has penetrated into all sectors. According to Handoko (2009), defining corporate social responsibility means that management considers social and economic impacts in making its decisions. Corporate social responsibility is an ongoing commitment of a company to behave ethically and contribute positively to its employees, the community and the surrounding environment and the wider community. According to Hadi (2011) *Corporate Social Responsibility* is a form of action that departs from the company's ethical considerations that are directed to improve the economy, which is accompanied by an increase in the quality of life for employees and their families, as well as improving the quality of life of the surrounding community and society more broadly.

Profitability is the end result of a number of company management policies and decisions, thus it can be said that the company's profitability is the company's ability to generate net income from activities carried out in the accounting period (Brigham and Houston, 2011). Profitabilit as illustrates the company's ability to profit through all existing capabilities and resources such as sales activities, cash, capital, number of employees, number of branches, and so forth. In this study profitability is measured by *Return on Assets* (ROA). ROA ratio is one indicator of profitability. The Financial Services Authority (OJK) and Bank Indonesia (BI) advised banks in Indonesia to measure their profitability by using ROA, because most of the bank's assets are from public savings funds, and redistributed to the public in the form of credit or financing, so that ROA is more appropriate to be used as a measure for banking profitability in Indonesia (Pujana, 2016).

Company size is basically a grouping of companies into several groups, including large, medium and small companies. Enterprise scale is a measure used to reflect the size of a

company based on the company's total assets. Total sales can also be used to measure the size of the company. According to Law No. 20 of 2008 the size of the company is classified into 4 categories, namely micro-enterprises, small businesses, medium-sized businesses, and large businesses. The classification of the size of the company is based on the total assets owned and the total annual sales of the company

Liquidity is the ability of a company to meet its current liabilities at maturity. According to Kasmir (2014) Liquidity is the ability of a company to fulfill its short-term (debt) obligations. Liquidity in this study was measured by *Cash Ratio* . *Cash Ratio* takes into account the most liquid short-term assets or current assets, which are the easiest and quickest cash and cash equivalents to use in paying off the current liabilities. Companies that are able to meet their financial obligations on time means that the company is in a liquid state, and the company is said to be able to meet financial obligations on time if the company has a payment instrument or current assets that are greater than the current debt. Conversely, if the company cannot immediately fulfill its financial obligations when billed, it means that the company is illiquid.

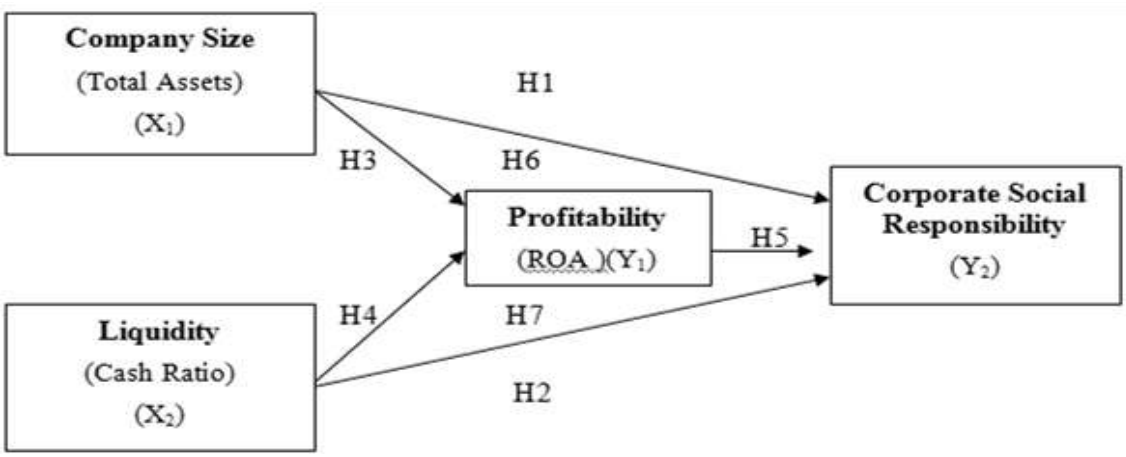

Figure 1. Proposed Research Framework

Hypotheses

H1: Company size has a significant positive effect on CSR

H2: Liquidity has a significant positive effect on CSR disclosure

H3: Company size has a significant positive effect on profitability

H4: Liquidity has a significant positive effect on profitability

H5: Profitability has a significant positive effect on CSR

H6: Profitability is able to mediate the influence of Company Size on CSR

H7: Profitability is able to mediate the influence of Liquidity in CSR

RESEARCH METHODOLOGY

This study aims to examine the Role of Profitability in mediating the effect of Company Size and Liquidity on *Corporate Social Responsibility* (CSR). The data used in this study is secondary data obtained from annual financial statements for the 2012-2016 period. The scope of this research area is the banking sector companies listed on the Indonesia Stock Exchange, by accessing the *website*www.idx.co.id. The analysis technique used in this study is the *path* analysis, then the results of data analysis are interpreted and drawn conclusions.

The target population of this study is a banking company listed on the Indonesia Stock Exchange that publishes annual financial statements in a row in the period 2012-2016 to obtain a population of 33 companies. The research sample used is 33 companies where the method used is saturated sampling, which is the technique of determining the sample by making the entire population into a sample. This study uses *time series* data carried out for 5 years so that the overall sample size is 33 x 5 = 165. The data analysis technique used in this study is to use *path analysis.* Path analysis can be done with the SPSS program and a double test is performed . Sobel test is done by testing the strength of the indirect influence exogenous variables on endogenous variables through mediating variables, and therefore aims to examine the role of a variable, the model used is nonstandard.

ANALYSIS AND RESULTS

Descriptive Analysis

Table 1 Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
X1	165	13,17	20.76	17.3070	1.85394
X2	165	6.93	25.31	11.9832	3.48664
Y1	165	-9.58	5.42	1.6728	1.78792
Y2	165	.10	.42	.2490	.08007
Valid N (listwise)	165				

Table 1 shows an overview of descriptive statistics for each variable. The following are descriptive statistics:

1) Firm size variable (X_1) has a *minimum* value of 13.17 *maximum* value of 20.76 and a *mean* value of 17.3070 with a *standard deviation* of 1.85394. This shows that the average total assets of banking companies in Indonesia are 17.30 %.

2) The Liquidity variable (X_2) has a *minimum* value of 6.93 , a *maximum* value of 25.31 and a *mean* value of 11.9832 with a *standard deviation* of 3.48664. This shows that the average banking *ratio* of banking companies in Indonesia is 11.98 %.
3) Profitability variable (Y_1) has a *minimum* value of -9.58, a *maximum* value of 5.42 and a *mean* value of 1.6728 with a *standard deviation* of 1.78792. This shows that the average *Return on Assets* (ROA) banking company in Indonesia is 1.67%
4) Variable Profitability (Y_2) has a *minimum* value of 0.10, a *maximum* value of 0.42 and a *mean* value of 0.2490 with a *standard deviation* of 0.08007. This shows that the average CSR disclosure of banking companies in Indonesia is 0.24%

Classic assumption test

The classic assumption test is intended to ensure that the model obtained really meets the basic assumptions in the regression analysis, so that the results of the calculation can be interpreted efficiently and accurately. Path analysis is used to divide the two test stages Classic assumptions are:

1) Test the classic assumption of the first model

The classic assumption test of the first model will test the exogenous variable, namely the size of the company (X_1) and liquidity (X_2) to the endogenous variables, namely Profitability (Y_1) with the structure equation :

$Y_1 = \beta_1 X_1 + \beta_2 X_2 + e_1$ ……. …… (1)

2) Classic Assumption Test of the second model

The classic assumption test of the second model can test exogenous variables, namely company size (X_1), liquidity (X_2), and Profitability (Y_1) to the endogenous variable namely CSR (Y_2) with the structure equation :

$Y_2 = \beta_3 X_1 + \beta_4 X_2 + \beta_5 Y_1 + e_2$ ……. …….(2)

Classical Assumption Test consists of four tests namely Normality Test, Multicollinearity Test, Autocorrelation Test and Hesteroskedasticity Test. The results of the normality test showed that the results of the SPSS *Output of* the first model showed that there was a significant level of data Sig. (2-tailed) is equal to 0.200 and the second model is 0.190 greater than 0.05 so that the figure shows the data is normally distributed, then the first and second models are stated to meet the assumption of normality test.

The multicollinearity test results show that the value of *tolerance* and *Variance Inflation Factor* (VIF) has a *tolerance* value of more than 0.10 and the VIF value is smaller than 10, which means that the first and second models in this study have no multicollinearity problems.

Autocorrelation test results showed DW use values for the first model is 1, 8 73. Value dU is 1.77 and 4-dU value is 2.23. Then 1.77 <1.87 <2.23, meaning that the first model has no autocorrelation so that it passes the autocorrelation test . The DW value for the second model is 2.073. The dU value is 1.77 and the 4-dU value is 2.23. Then 1.77 <2.07 <2.23. this means that the second model does not have autocorrelation so that it passes the autocorrelation test.

Results of Hesteroskedasticity test shows the results with a significance value in the Hesteroskedasticity test greater than 0.05 where the firm size variable has a Sig value. 0,309 while liquidity has Sig. 0,528 it can be concluded that the first model is symptom free of Hesteroskedasticity. The results of the Hesteroskedasticity Test on the second model can be seen in table 5.9 showing the results with a significance value in the Hesteroskedasticity test greater than 0.05 where the firm size variable has a Sig. 0.065, liquidity has a Sig. 0.151 and profitability of 5.43 it can be deduced the first symptom-free model of Hesteroskedasticity.

Path analysis results

Methods of data analysis used in this study is the method of path analysis *(path analysis).* Path analysis is an extension of multiple linear regression analysis, to estimate the level of causal relationships between variables based on theory.

Table 2 Direct Influence *Output* Recapitulation

First Model

Model		Unstandardized Coefficients		Standardized Coefficients	Q.	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.323	.538		-2,460	.015
	Company Size	5.549	.062	.249	3.340	.001
	Liquidity	.135	.038	.267	3.586	000

R Square = 0.169 F Calculate = 16.468; Adj R Square = 0.1 59 Sig. = 0.000

a. Dependent Variable: Profitability

Table 2 shows the magnitude of the direct influence value on the first model that obtains a value in the structural equation, namely:

$Y_I = -1.323 + 5.549\ X_I + 0.135\ X_2 + e_1$

Where: Y_I = Profitability

X_I = Company size

X2 = liquidity

The regression equation gives where and how much influence each exogenous variable has on the endogenous variables as follows:

1) The regression equation above has a constant of -1.3323, meaning that if the size of the company and liquidity are assumed to be constant, then the variable profitability will decrease by 1.323%.
2) The variable coefficient of company size is 5.549, meaning that the size of the company has increased by Rp. 1 then profitability will increase by 5.548%
3) The coefficient of variable liquidity is 0.135, meaning that liquidity has increased by 1% then profitability will increase by 0.135%.

Table 3 Direct Influence *Output* Recapitulation

Second Model

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std.Error	Beta	Q.	Sig.
1	(Constant)	12.528	.339		36.967	000
	Company Size	17.580	1.063	.759	16.533	000
	Liquidity	.007	.024	.014	.302	.763
	Profitability	.188	.049	.182	3.873	000

R Square = 0.706 F Calculate = 128.671; Adj R Square = 0.700 Sig. = 0.000

a. Dependent Variable: CSR

Table 3 shows the value of the direct influence on the second model that gets the value of the structural equation, namely:

Y_2 = 12, 528 + 17,580 X_1 + 0 , 07 X_2 + 0,188 Y_1 + e_2

Where: Y_2 = CSR

X_1 = Company size

X2 = liquidity

Y_1 = Profitability

The regression equation gives where and how much influence each exogenous variable has on the endogenous variables as follows:

1) The regression equation above has a constant of 12,528, meaning if the size of the company, liquidity and profitability are assumed to be constant, then the CSR variable will increase by 12,528%.

2) The variable coefficient of company size is 17.580, meaning that the size of the company has increased by Rp. 1 then CSR will increase by 17.580%.
3) The coefficient of variable liquidity of 0.07, means that liquidity has increased by 1% then CSR will increase by 0.07%.
4) The variable profitability coefficient is 0.188, meaning that liquidity has increased by 1% then CSR will increase by 0.188%.

Simultaneous Significance Test

Simultaneous significance test shows the ability of exogenous variables can affect endogenous variables simultaneously, this test can be said by the model feasibility test. Simultaneous significance test can be accepted if the significance value on the calculated F value is smaller than the significance level (α), namely: 0.05.

Table 4 Results of Test F

Model	Calculate F value	Significance of F Calculate
First Model	16,468	0,000
Second Model	128,671	0,000

In Table 4 the first model gives the results of the calculated F value of 16.468 where the significance value of 0.000 is smaller than the value of the significance level (α) = 0.05. Results The significance value above shows the size of the company and liquidity simultaneously have a significant positive effect on profitability. Seen in the Second Model the calculated F value is 128.671 with a significance value of 0.000 smaller than the significance level (α) = 0.05. This means that the size of the company, liquidity and profitability simultaneously have a significant positive effect on CSR

Sobel test

Sobel test is done by testing the strength of the indirect influence exogenous variables on endogenous variables through mediating variables.

Table 5 Summary of Indirect Influence Path Coefficients Based on the Sobel Test

Variable Relationships	Mediation Variables	Ab	Bro	Q.	Ket
X_1 -> Y_2	Y_1	0.045	0.030	2,726	Var. Mediation
X_2 -> Y_2	Y_1	0.048	0.018	3,283	Var. Mediation

The results of the calculation of the multiple tests above get t count values of 2.726 and 3.283 greater than t table, which is 1.96 with a significance level of 5%, thus proving that profitability is able to mediate the influence of firm size and liquidity on CSR.

According to Shrout and Bolger (2002) a variable can be said to be a mediator of the relationship between variables If X_1 and X_2 to Y_1 the results are significant and if Y_1 to Y_2 the results are significant.

DISCUSSION OF RESULTS

Effect of Company Size on *Corporate Social Responsibility*

The results showed that the size of the company had a significant positive effect on CSR. This means that the greater the size of the company's CSR disclosure will increase. The greater the assets of the company, it will have a broad operating activity and have a large branch of the company so that it has a social impact on the community and the surrounding environment, to minimize the social impact, it requires an increase in the disclosure of corporate social responsibility

According to Maiyarni (2014) large companies are business entities that are not free from the risk of greater political pressure than small companies. Political pressure is the pressure for business entities that are highlighted by many people in order to better disclose CSR for their business activities. The large size of the company with a high number of assets (wealth) will increase the disclosure of social responsibility to reduce the risk of political pressure and reputation risk because the operations of banking companies are strongly influenced by their *stakeholders.*

Banking companies must implement good corporate governance because banking companies are engaged in financial services that serve the wider community so that public trust is very important. Large companies that implement the concept of good corporate governance will manage their business in accordance with the rules and laws that apply so that the impact on CSR disclosure increases. Implementation of governance Yag good will enhance corporate value and shareholder wealth over the long term by taking into account the interests of *stakeholders*. The results of this study support the research of Nawaiseh (2015), Cornett *et al* (2014), Putri (2017), Almiyanti (2014) and Bowrin (2013) which prove that company size has a significant positive effect on CSR.

Effect of Liquidity on *Corporate Social Responsibility*

The results of the study show that liquidity does not have a significant effect on CSR. This shows that the greater the level of company liquidity does not significantly influence the broad

disclosure of CSR by the company. This can be due to the existence of the Republic of Indonesia Law No. 25 of 2007 concerning Investment and Law No. 40 of 2007 concerning Limited Liability Companies, contributing to the climate of implementing CSR activities for all public companies on a compulsory basis and no longer voluntary so become less relevant to increasing CSR disclosure.

The company's obligation to carry out CSR disclosures makes the CSR activities scheduled and pre-planned and are not an obligation immediately due. The availability of cash is prioritized to meet immediate obligations and meet the operational needs of the company while CSR is implemented from the company's profits. The high and low liquidity of the company will not reduce or increase the social responsibility carried out by the company. This research is in line with Rahayu (2016) and Almiyanti (2014) who say that liquidity does not affect CSR disclosure.

Effect of Company Size on Profitability

The results showed that firm size had a significant positive effect on profitability. This means that the greater the size of the company, the higher the level of profitability of the company because larger companies can work more efficiently. Companies with large assets will use the available resources as much as possible to generate business profits . Large companies tend to have more stable financial conditions. This stability will make large companies tend to be able to generate greater profits than smaller companies.

Large companies with better market access have broader operational activities, so they have the possibility to get big profits, which can improve company performance. An increase in assets followed by an increase in operating results will further increase external trust in the company. Increasing external trust in the company will make investors interested in investing their funds in the company. Good corporate governance will help increase company profits and can effectively fortify the possibilities of performance engineering which results in incompatibility of the financial statements made (Pradnyani , 2016). The results of this study support the research conducted by Dewi (2016) Adawiyah (2017) and Dogan (2013) stated that firm size has a significant positive effect on profitability.

Influence of Liquidity on Profitability

The results show that liquidity has a significant positive effect on profitability. This means that the higher the liquidity measured by *Cash Ratio*, the higher the level of profitability of the company. Liquidity measures the ability of a company to meet cash needs to pay for immediate obligations that will be due. High liquidity identifies that the company has cash excess in both

cash in the company and cash in the form of demand deposits so that the excess can be used as working capital in banking companies such as credit and investment. Well-managed working capital will generate profits for the company which will ultimately increase profitability.

Management must determine how much cash should be available in order to meet its obligations when they are due, because scarcity will cash an early symptom of a possible bankruptcy of the company. Cash is also provided to finance the company's business as an example of employee salary payments, marketing costs, operational costs, cash reserves, and so on. Companies are required to be able to manage existing funds to be used to finance all types of activities. The success of the company in managing finances will support the company in maintaining and developing businesses and competing with competitors. A high level of liquidity will making companies have the opportunity to take a better business or investment opportunity so that it will increase the company's profitability. The results of this study support Kahn (2016) and Sari (2017) shows that liquidity effect significant positive towards profitability , k arena, it suggested the company should keep to quite late liquidity for illiquid assets in order to obtain a higher level of benefits .

Effect of Profitability on *Corporate Social Responsibility*

The results showed that profitability had a significant positive effect on CSR. This means that the higher the profitability, the broader the disclosure of CSR. The higher the value of profitability as measured by ROA, the company performance can be said to be good because the ROA ratio increases which means that management performance is good in managing assets that are owned effectively to generate profits. The high profits of the company must be coupled with an awareness of the company will be the impact should they give when the company conducts its operations. Thus, there needs to be a disclosure of corporate social responsibility to *stakeholders* so that the company remains in a state *going concern* in which the company is established not only for a short time but for a long time

In accordance with agency theory where high profitability means fulfilling the agency's responsibility to the principal, it will give shareholders confidence to carry out CSR. High profitability also allows management to use company profits for CSR activities. Companies with a high level of profitability also tend to disclose more information about corporate social responsibility in order to reduce social pressure and significant negative views of the market. If by implementing CSR the company can get a significant positive response from the market, the company can attract investors' interest and trust to invest. This study supports the research of Rahayu (2016), Nawaiseh (2015), Megeid (2013), Sha (2014) and Putri (2017) Profitability has a significant positive effect on CSR disclosure.

The Role of Profitability in mediating the influence of company size on *Corporate Social Responsibility*

The results of the study show that Profitability is able to mediate the influence of company size on CSR. Company performance can be measured by analyzing profitability ratios. Company size can affect profitability, by managing existing assets then the company's assets or resources are maximized for productivity, investment and company efficiency so that it will have an influence on increasing profitability.

Fulfillment of the agent's responsibility to the principal by obtaining maximum profitability will convince shareholders to provide management with the flexibility to implement and improve CSR disclosures. CSR is carried out not only to help improve the environment but is important to be carried out because considering its contribution to the presence of the company to be well received by the surrounding community. Banking companies that deal directly with the public are very good at launching CSR programs and realizing them to get a positive assessment from the community and the surrounding environment. If the company gets a significant positive assessment from the community which is a consumer, then the sale of banking products it will be easier and will ultimately increase the company's profits in the long run.

Role of Profitability in mediating the influence of liquidity on *Corporate Social Responsibility*

The results showed that Profitability was able to mediate the influence of liquidity on CSR. Liquidity affects profitability through current assets in the form of cash and cash equivalents used for company operations such as increasing working capital to generate profits. High liquidity identifies that the company is able to pay its current liabilities, if all current liabilities can be paid on time, the excess funds can be used for working capital such as lending and making more profitable investments. Profit is the company's goal the greater the profit, it will increase profitability. The fulfillment of the agent's responsibility to the principal by obtaining maximum profitability will convince shareholders to provide flexibility for management in implementing and increasing CSR disclosure.

CONCLUSION AND SUGGESTION

Company size has a significant positive effect on *Corporate Social Responsibility.* Liquidity has no significant effect on *Corporate Social Responsibility.* Company size has a significant positive effect on profitability. Liquidity has a significant positive effect on profitability. Profitability has a significant positive effect on *Corporate Social Responsibility.* Profitability has proven to be able

to mediate the influence of company size on CSR. Profitability has proven to be able to mediate the influence of liquidity on CSR. Based on the discussion of the results of the research and the conclusions drawn, it can be submitted several suggestions: For companies, banking companies are expected to increase their total assets and manage these assets to increase profitability. Adequacy of liquidity is also important to be considered by the company so that the company still has liquid current assets, namely cash and cash equivalents to meet current liabilities and carry out operational and investment activities so that the expected profitability can be greater, with the profitability of the company can increase CSR disclosures. Good corporate governance also needs to be improved so that CSR is more programmed and not just *charity* or charity. Enhancing CSR programs in banks to focus more on market development, providing cheap credit to MSMEs, helping to increase young entrepreneurs and providing scholarships for educational advancement.

RESEARCH LIMITATIONS AND FURTHER RESEARCH

The sample used in this study only in banking companies listed on the Indonesia Stock Exchange so that they have not been able to represent CSR disclosures as a whole to other companies. This study only uses exogenous variables, namely company size and liquidity and mediation variables, namely profitability, so that in the next research, other variables need to be added that can increase CSR disclosure. Also, further research can use all companies in the Indonesia Stock Exchange so that the results of the research can describe the overall CSR disclosure of all companies in Indonesia.

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