The Effect of Corporate Social Responsibility, Voluntary Disclosure, Leverage, and Timeliness on Earnings Response Coefficient

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ARTICLE INFO	ABSTRACT
ISSN: 2723-1097	<i>The purpose of this study was to determine the effect of corporate social responsibility, voluntary disclosure, leverage, and timeliness on earnings response coefficient at LQ45 companies listed on the Indonesia Stock Exchange (IDX). The population of this study includes all LQ45 companies listed on the Indonesia Stock Exchange (BEI) for the 2015-2017 period. The sampling technique was using purposive sampling technique. Based on the predetermined criteria, 10 companies were obtained. The analysis method used is panel data regression analysis. The results showed that corporate social responsibility had effect on earnings response. meanwhile, voluntary disclosure, leverage and timeliness had no effect on earnings response coefficient.</i>
Keywords: <i>Earnings Response Coefficient, Corporate Social Responsibility, Voluntary Disclosure, Leverage, Timeliness.</i>	

Introduction

Profit information is one of the instruments used by investors in making investment decisions; however, currently, profit information cannot be used as the only instrument in determining investment decisions (Imroatussolihah, 2013). Profit also has a significant role, namely, to measure the net change in shareholder wealth and indicate the company's ability to generate profits (earnings power). Investors must predict the company's ability to generate long-term earnings (earnings power), so investors need information on past earnings to predict future earnings. Past earnings become the basis for investors to predict future cash flows from their investments (Suwardjono, 2010).

To find out the information contained in earnings, it can be seen using the Earnings Response Coefficient (ERC), which is known as research that explains and identifies differences in market responses to earnings announcements. Earnings Response Coefficient (ERC) is used to measure the level of abnormal return on a security in response to the unexpected earnings component or surprise earnings reported by the company that issues the security in question (Delvira & Nelvirita, 2013).

Hidayati & Murni (2009), discloses the content of information by analyzing if the change in unexpected earnings is positive. It has a positive average abnormal rate of return (which is good news for investors). If it does not have negative information, then it has an average abnormal rate of return. - negative average (bad news for investors). If investors perceive that financial information has a high level of credibility, investors will react to these financial reports.

The Earning Response Coefficient (ERC) phenomenon occurred in LQ45 companies during the last three months to 29 September 2017, the Composite Stock Price Index (IHSG) fell 0.15%. The LQ45 stock average fell even further, namely 1.81%. This decline was allegedly influenced by the outflow of foreign funds from the market, aka capital outflows. Starting from the beginning of July 2017 to 29 September 2017, the LQ45 shares fell the deepest coal & mining company with a decrease of 46.79%. And Manufacturer which fell 34.68%.

The Earnings Response Coefficient (ERC) factors are wrong, one of which is Corporate Social Responsibility (CSR). Corporate Social Responsibility (CSR) is defined as a process of providing information designed for raises issues around CSR which this action typically could account for in the media report Annualwell as the form of advertisements (Suryani & Herianti, 2015). research conducted by Suryani and Herianti (2015) shows that CSR information harms ERC. The results of this study indicated that the investor appreciates CSR information disclosed in the company's annual report. This negative effect means that CSR disclosure results in low abnormal returns in response b their CSR disclosure. However, in contrast to the results research conducted by Sukirman and Meiden (2012), partial CSR has a positive effect on ERC. This study indicates that the more CSR information disclosed in the annual report, the less uncertainty will affect the decline in k.profit information between Voluntary disclosure is a company management's free choice to provide accounting information and other information relevant for manufacture decisions of annual report users. Because the company has an internal weakness make voluntary disclosures in the annual report giving rise to a variety of wide variety of voluntary disclosures between companies (Paramita, 2012). Research conducted by Paramita (2012) shows a significant positive result. This study indicates that big companies do not always provide voluntary disclosure broadly, half is due management assumes the increased breadth of voluntary disclosure will cause less uncertainty which will affect the decline earnings informativeness. In other words, investors will base their earnings predictions on future information provided on voluntary disclosure. However, it is different from the results of research conducted by Sudarma and Ratnadi (2015). shows that voluntary disclosure hurts earning response coefficient (ERC). These

results indicate that voluntary disclosures were made and the company responded less to giving negative signals to report users' finances. The company in its annual report reveals the good news, of course, and bad news facing the company. Most things disclosed by the company are bad news. This causes the company to give negative signals to users of financial statements so that companies' voluntary disclosure will decrease ERC value. Voluntary disclosure is important to disclose besides reducing information asymmetry. It will also reduce the company's cost of capital (Darma & Irwanto, 2017) where the low information asymmetry in a company will reduce the cost of capital the company. The more voluntary information that is conveyed, the fewer shareholders monitor management. Because management has disclosed more information that can help shareholders make decisions (Healy & Palepu, 2001).

Leverage ratio is the proportion of total debt to shareholder equity. The ratio is used to provide an overview of the company's structure to see the risk of a debt uncollectible (Paramita, 2012). Research on the relationship between Leverage and the Earnings Response Coefficient (ERC) conducted by Kurniawati (2014) showed positive results. This study shows that high-leveraging does not mean only creditors will be benefited; however, investors will receive the company's profits. However, it differs from the research results conducted by Imroatussolihah (2013) that shows that leverage hurts ERC. The results showed that higher corporate debt levels, the more any budgeted profit to the lender otherwise share of profit given to investors will be less and less. Leverage is closely related to the cost of equity that is generated when the leverage used by the company is high, and it will also have an impact on high equity so that it will increase the risk received by investors as reflected by the increase in stock beta (Baker M, et al. 1., 2019).

Another factor affecting ERC is the timeliness of report submission financial (timeliness). Timeliness (timeliness) submission of reports is an important factor in presenting financial information. Relevant Report as the financial information will help information containing delivered promptly to decision-makers before the information is lost its ability to influence decision making (Mulianti & Ginting, 2017). Research conducted by Murwaningsari (2008) shows positive results significantly. The results of this study that the inaccuracy of reporting time financial reports showed to influence the credibility or quality of earnings. This is based on the argument that the timeliness, for users of the information, is perceived that the information contained in the financial statements contains noise (interference). The noise that occurs is a factor that affects the quality of earnings, ultimately reflected in the ERC. However, different from the research results according to Mulianti and Ginting (2017) showing no there is a significant effect. This study indicates that credibility or earnings quality which is

ultimately reflected in ERC is not only seen from accuracy the time of submission of financial reports to the public but how are they available existing information. Whether the information can be understood, can be compared, reliably, and depicts the true state. Published information, including accounting profit information, will always be responded to by the market and provide benefits even if delivery is not on time.

Signal theory explains that managers have an incentive to voluntarily report information to the market (Sudarma & Ratnadi, 2015). Gumanti (2009) argues that in signal theory, managers (agents) or companies qualitatively have excess information compared to outsiders. They use certain measures or facilities to imply the quality of their company. According to Jogiyanto (2014), information published as an announcement will signal investors to make investment decisions.

Market efficiency can be viewed in terms of the availability of information only. It can also be viewed from the sophistication of market players in making decisions based on an analysis of available information. The market which is viewed from the point of view of information alone is called the informationally efficient market. Meanwhile, a market that is viewed from the point of view of market players' sophistication in making decisions based on available information is called a decisional efficient market. The main key to measuring an efficient market is the relationship between security prices and information. The efficiency of the capital market or money market is a reflection of the concept of informational efficiency. That is, the market is said to be efficient if and only if the price of securities in the market is a reflection of all available, both information past information, public information, and private information (Mulianti & Ginting, 2017).

This research was conducted because there were still inconsistencies in previous studies' results, which motivated researchers to conduct further research on these variables. With this research, it is expected to find the influence that exists on the variables of corporate social responsibility, voluntary disclosure, leverage, timeliness, and earning response coefficient to assist investors in making investment decisions. Based on the explanation of the research gap above, several problems identified that motivated researchers to conduct this research were as follows:

1. Companies that do not implement CSR will find it difficult to get investors because it will negatively affect investors in making decisions. Investors tend to invest in companies that have high standards in social and environmental issues.

2. Companies that disclose little information will be considered companies that have bad news or have a negative influence due to the company's lack of earnings information. Investors will base their future earnings predictions on the information provided on the company's voluntary disclosures.
3. The amount of debt shows that the quality of the company is not good. If there is a lot of debt, the creditors will benefit if there is an increase in profit.
4. Inaccuracy of financial report reporting affects the credibility or quality of earnings, which for the users of the information will be considered that the information contains noise.

Literature Review

Signaling Theory

Annual reports and financial reports are forms of information that must be formally published as a means of accountability for management towards the management of owner resources. Also, annual reports and financial reports are windows of information that allow parties outside of management to know the company's condition. However, the extent to which information can be obtained depends on the report's level of disclosure. With the existence of broader disclosure, the company's risks can be known, which will affect investors' investment decisions. So it can be said that the signal theory explains managers have an incentive to report information to the market voluntarily. (Sudarma & Ratnadi, 2015). According to Paramita (2012), signal theory explains that a good quality company will deliberately signal the market. Thus, the market is expected to differentiate between good and bad quality companies. For these signals to be effective, they must be captured by the market and perceived as good, and not easily copied by other companies with poor quality. This theory reveals that investors can distinguish between companies with high value and companies with low value by observing their capital structure.

Market Efficiency Theory

This form of market efficiency can be viewed in terms of the availability of information only. It can also be viewed from the sophistication of market players in making decisions based on an analysis of available information. The market which is viewed from the point of view of information alone is called the informationally efficient market. Meanwhile, a market that is viewed from the point of view of market players' sophistication in making decisions based on available information is called a decisional efficient market. The main key to measuring an efficient market is the

relationship between security prices and information. The efficiency of the capital market or money market is a reflection of the concept of informational efficiency. The market is said to be efficient if and only if the price of securities in the market reflects all available information, both past information, public information, and private information (Mulianti & Ginting, 2017).

The theory of market efficiency or Efficient Market Hypothesis (EMH) states that the capital market is a fair game and information cannot be used to gain profits. This theory's basis is that investors are rational; the market is efficient and is a random walk. Market efficiency theory is also one of the bases for accounting's existence, namely information asymmetry. Market participants who know more information than others will pressure others to get better information to avoid losses. Investors are expected to know information that will affect their investment to predict various possibilities that arise and determine the decisions that must be made (Imroatussolihah, 2013).

Method

In this study, researchers used quantitative data. Approach The research used is a descriptive approach. Who explained that research by collecting data to test hypotheses or answer research questions regarding the variables affected. The population used In this study, companies that are included in LQ 45 are 45 companies with the 2015-2017 observation year. The following are the results of selecting a sample based on the criteria used in this study, with a purposive method sampling. After testing the method, 10 companies were found LQ45, which is suitable for this study. With the following explanation: 13 companies are inconsistent in reporting their finances. Then, 10 companies do not use the rupiah currency. And there are 12 the company does not have complete data related to the variables studied. That The total number of research samples is 30 out of 10; the population used is multiplied by 3 years of observation.

Table 1. Operational Definition

No	Research Variable	Indicator	Scale
1.	<i>Earnings Response Coefficient (ERC)</i>	$CAR_{it} = \alpha_0 + \alpha_1 UE_{it} + \varepsilon$	Ratio
2.	Corporate Social Responsibility (CSR)	$CSRI = \frac{\text{Total of item disclosure}}{\text{Total GRI}}$	Ratio
3.	<i>Voluntary Disclosure</i>	$IPS = \frac{\text{Total of item disclosure}}{\text{Total disclosure score}}$	Ratio
4.	Timeliness	$Time = \sum Hari$	Nominal
5.	Leverage	$Leverage = \frac{\text{Total Debt}}{\text{Total Equity}}$	Ratio

Source : Literature Review

Result and Discussion

Descriptive Statistics

Before further analysis is carried out on measurements related to the influence of the Corporate Social Responsibility, Voluntary Disclosure, Leverage, and Timeliness variables on the Earnings Response Coefficient it is necessary to clarify in advance the description of the data from each of the variables used in this study. The following is an explanation of the statistical data description of all the variables observed in this study.

Table 3. Descriptive Statistics Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ERC	30	-.67	.95	.0253	.31423
CSR	30	.05	.15	.0960	.02699
VD	30	.57	.77	.6090	.06630
TIME	30	.14	.93	.5310	.22026
LEV	30	.16	5.79	2.0420	1.88240
Valid N (listwise)	30				

Source: Data processed by SPSS 25.0

The mean is the average of the data, obtained by adding up all the data and dividing by the data count. The largest mean value experienced by the leverage variable is 2.0420, while the Earnings Response Coefficient variable has the smallest mean value, namely 0.0253. Maximum is the largest value of data. The highest maximum is experienced by the Leverage variable, which is 5.79, while the variable with the smallest maximum is the Corporate Social Responsibility variable, which is 0.15. Minimum is the smallest value of data. The largest minimum is experienced by the Voluntary Disclosure variable, namely 0.57, while the smallest minimum is obtained by the Corporate Social Responsibility variable, which is 0.05. Std. Dev. (Standard deviation) is a measure of the dispersion or spread of data. The largest standard deviation value is owned by the Leverage variable, which is 1.88240, which means that the leverage variable has a higher risk of experiencing changes compared to other variables. Meanwhile, the Corporate Social Responsibility variable has the lowest level of risk, which is 0.02699. This shows that the Corporate Social Responsibility during the research period experienced changes that were not too volatile.

Table 4. Result of hipotesis test

Variabel	B	Std. Error	t-statistic	Prob
C	.742	.911	.815	.423
CSR	6.095	2.425	2.514	.019
VD	-2.405	1.650	-1.457	.157
TIME	-.078	.276	-.281	.781
LEV	.100	.060	1.660	.109
R	.650 ^a			
R Square	.422			
Adjusted R Square	.329			
F-statistic	4.561			
Sig.	.007 ^a			

Source: Data processed by SPSS 25.0

Based on multiple linear regression testing results, the R Squared results were 0.442 or 44.2%. This means that the relationship between the Earnings Response Coefficient with Corporate Social Responsibility, Voluntary Disclosure, Leverage, and Timeliness is moderate because it is in the range of 0.40-0.499. The R square value is 0.305 or 30.5%. This shows that the variable of Auditor's Job Performance which can be explained by the Responsibility, Experience and Autonomy variables is 30.5%, while the remaining 0.695 or 69.5% is explained by other factors not included in this research model.

Furthermore, based on the F test results, the result is 4,562, with the value of the f table, namely 1.71. so it can be seen that $4.562 > 1.71$, the F-statistic is greater than the F table value. So it can be said that the regression model used is feasible for analysis and interpretation. The following is the regression equation obtained based on the output of Statistical Product and Service Solutions (SPSS) Version 25 for Windows.

$$ERC = 0.742 + 6.095 CSR - 2.405 VD - 0.078 TIME + 0.100 LEV + \varepsilon$$

The Effect of Corporate Social Responsibility on the Earnings Response Coefficient

This identifies that Corporate Social Responsibility has a major effect on the Earnings Response Coefficient (ERC). The signal theory that underlies the relationship between the Corporate Social Responsibility variables can explain the relationship between these two variables. The signal in the form of disclosure of Corporate Social Responsibility has a strong influence on investors in responding to profits. The cause of the influence of Corporate Social Responsibility can be explained. Namely, the large

amount of information disclosure related to social and environmental issues is one of the benchmarks for investors in making decisions. Companies that disclose more of their social and environmental information will give positive responses to investors.

This study's results are in line with research conducted by Sukirman & Meiden (2012), and Suryani & Herianti (2015), which states that Corporate Social Responsibility affects the Earnings Response Coefficient. Thus the hypothesis H1 is accepted.

The Effect of Voluntary Disclosure on the Earnings Response Coefficient

This identifies that the Voluntary Disclosure variable does not affect the Earnings Response Coefficient (ERC). The signal theory that underlies the Voluntary Disclosure variable's relationship cannot explain the relationship between these two variables. Signals in voluntary disclosure do not necessarily have a strong influence on investors in responding to company profits. The cause of not affecting Voluntary Disclosure can be explained. Namely, the size or size of the company's disclosure of Voluntary Disclosure information cannot always be of concern to the market and the public. The company's voluntary disclosure information is not a benchmark for investors in responding to company profits.

The results of this study are not in line with research conducted by Paramita (2012), and Sudarma & Ratnadi (2015), which state that Voluntary Disclosure affects the Earnings Response Coefficient (ERC). Thus the H2 hypothesis is rejected.

The Effect of Timeliness on the Earnings Response Coefficient

This identifies that the size or size of financial report reporting timeliness will not have a major effect on the Earnings Response Coefficient (ERC). Company signals in the form of information about the timeliness of reporting the company's financial statements do not necessarily have a strong influence on investors in responding to company profits. The cause of the non-effect of timeliness can be explained. Namely, the inaccuracy of financial report reporting does not fully affect the quality of company earnings. Because when making decisions, investors do not always see company information based on the timeliness of reporting the financial statements.

The results of this study are not in line with research conducted by Murwaningsari (2008), and Mulianti & Ginting (2017), which states that Timeliness affects the Earnings Response Coefficient (ERC). However, in contrast to this, the hypothesis H3 is rejected.

The Effect of Leverage on the Earnings Response Coefficient

This identifies that the size of the leverage will not affect the Earnings Response Coefficient (ERC). Market efficiency theory underlies the relationship between the leverage variable and the Earnings Response Coefficient (ERC) can explain the relationship between these two variables. The form of market efficiency can be viewed in terms of the availability of information and the sophistication of market players in making decisions based on an analysis of available information. The cause of not influencing Leverage can be explained: the greater its debt, it can reflect unqualified profits. This could be because companies with much debt will prioritize their profits to pay off their creditors' debts.

This study's results are not in line with research conducted by Kurniawati (2014) and Imroatussolihah (2013), which states that Leverage affects the Earnings Response Coefficient. Thus the hypothesis H4 is rejected.

Conclusion

Conclusions that can be drawn in this study involving the influence of Corporate Social Responsibility, Voluntary Disclosure, Leverage, and Timeliness on the Earnings Response Coefficient are as follows. First, the influence of Corporate Social Responsibility can be explained. Namely, the amount of disclosure of information related to social and environmental issues is one of the benchmarks for investors in making decisions. Companies that disclose more of their social and environmental information will give positive responses to investors. Furthermore, that the Voluntary Disclosure variable in this study does not influence the Earnings Response Coefficient, so it can be concluded that the causes of not affecting Voluntary Disclosure can be explained, namely that the size of the disclosure of Voluntary Disclosure information owned by the company cannot always be a concern for the market and the public because of the information. Voluntary corporate disclosure is not a benchmark for investors in responding to company profits. Third, the Timeliness variable in this study does not affect the Earnings Response Coefficient. So it can be concluded that the cause of not affecting timeliness can be explained. The inaccuracy of financial report reporting does not fully affect the quality of company earnings. Because when making decisions, investors do not always see company information based on the timeliness of reporting the financial statements. And finally, that the leverage variable in this study does not influence the Earnings Response Coefficient. The cause of not affecting Leverage can be explained, namely that the greater the company's debt, it can reflect unqualified earnings. This could be because companies with much debt will prioritize their profits to pay off their creditors' debts.

However, this study has several limitations. First, the value of Adjusted R square is low, which is 0.442 or 44.2%. Second, although this study has used a time span of up to five years, the data obtained based on the selection of the 45 LQ45 companies listed on the IDX has shrunk to 10 companies, so that only 30 were selected as samples, so this research is less generalizable. well. Therefore, the findings should be interpreted with caution because of these limitations.

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