Journal of International Conference Proceedings (JICP) Vol. 4 No. 3, 484-493, December, 2021
P-ISSN: 2622-0989/E-ISSN: 2621-993X
Https://www.ejournal.aibpm.org/index.php/JICP

The Effect of Leverage, Corporate Social Responsibility (CSR), Capital Structure, and Intellectual Capital on Financial Performance of Companies

Ninggih Annisa Daniswara[1], Indra Kusumawardhani[2], Windyastuti[3]
Universitas Pembangunan Nasional "Veteran" Yogyakarta[1,2,3]
Jl. SWK Jl. Ring Road Utara No.10, Sleman, 55283, Indonesia
Correspondence Email: ninggihdaniswara@gmail.com
ORCID ID: https://orcid.org/0000-0003-3292-8682

ARTICLE INFORMATION

Publication Information

Research Article

HOW TO CITE

Daniswara, NA. et al. (2021). The Effect of Leverage, Corporate Social Responsibility (CSR), Capital Structure, and Intellectual Capital on Financial Performance of Companies. *Journal of International Conference Proceedings*, *4*(3), 484-493.

DOI: https://doi.org/10.32535/jicp.v4i3.1352

Received: 27 November 2021
Accepted: 14 December
Published: 27 December 2021

ABSTRACT

The main purpose of the entity is to increase the value of the entity itself. The increase in the value of the entity is of course also directly proportional to the increase in the performance of an entity. One of the values of a company can be seen from its financial performance. The goal of this research is to find out the effect of leverage, corporate social responsibility (CSR), capital structure, and intellectual capital on financial performance of companies. The sample consisted of 67 respondents which are listed in the Kompas 100 Index for the period 2017 - 2019. In this research, purposive sampling was used to select the sample. To analyze the data, researchers were using multiple linear regression analysis. The results show that intellectual capital and leverage both affect company's financial performance. On the other hand, capital structure and CSR have no effect on company's financial performance.

Keywords: Capital, Intellectual Capital, CSR, Financial Performance, Leverage

JEL Classification: G3, M1, M41

INTRODUCTION

Good prospects in the future, the potential for growth and development of the entity that is how the company financial performance can be interpreted. To assess the potential for the future changes in economic resources and to estimate the production capacity of existing resources, financial performance information is needed (Barlian, 2003). One of the companies that experienced a decline in Return on Assets was PT Timah. Based on the financial statement, in 2018 PT Timah recorded a net profit after tax of Rp. 531 billion with total assets in that year of Rp. 15.1 trillion. Based on net income after tax and total assets available for the year, it can be calculated that the company has an ROA of 4%. Whereas in 2019 PT Timah actually recorded a decrease in net profit after tax which of course had an impact on decreasing ROA as well. In 2019, PT Timah experienced a decrease in net profit after tax, which was a loss of Rp. 608 billion with total assets reaching Rp. 20.3 trillion. Thus, in 2019 PT Timah recorded an ROA of -3%. Based on BI rules, a good ROA must be above 1.5%. So, it can be concluded that in 2019 PT Timah had a poor ROA.

Research Purposes

The main goal of this research is to find empirical evidence that leverage, corporate social responsibility (CSR), capital structure, and intellectual capital affect the financial performance of the company.

LITERATURE REVIEW

Leverage

Sudarmadji & Sularto (2007) explain that leverage is the financing of assets by debt. The financing of assets with this debt comes from creditors, not from investors or shareholders. Leverage can also be defined as the ratio of total assets in each equity. This leverage ratio figure is usually used to find out the amount of debt in the total assets of the company (Isbanah, 2015).

Corporate Social Responsibility

As a new accounting concept, corporate social responsibility can be interpreted as transparency of social disclosure of an activity carried out by the company, where in addition to disclosure of financial-related information, other disclosures related to environmental life and social impacts resulting from company activities are also expected to be disclosed by the company (Sari & Wardani, 2021). The World Business Council on Sustainable Development (WBCSD) explains the meaning of Corporate Social Responsibility (CSR) as a form of obedience from companies to implement behavioral ethics and participate in sustainable economic development. As for the understanding according to Gantino (2016) which states that corporate social responsibility is an obedience of a company in contributing for the long term to a particular problem in society. In this way, it is hoped that a better society or environment can be created.

Capital Structure

Capital Structure is defined as the composition of the company's capital viewed from its source, especially which shows the portion of the company's capital originating from debt sources (creditors) and at the same time the portion of capital originating from the owners' equity (Sugeng, 2009). The capital structure provides a representation of how much own capital and how much long-term debt will be used so that it can be optimal (Romadhoni & Sunaryo, 2017). A good capital structure should be able to intensify the balance of risk and return in order to maximize stock prices (Brigham et al., 2006).

Intellectual Capital

Bontis et al. (2000) states that there are three primary pillars of IC, namely: structural capital (SC), human capital (HC), and customer capital (CC). Human capital (HC) describes the insights possessed by individuals from an entity (employees). Wijayani (2017) states that Intellectual Capital (IC) is a combination of process, human, and customer factors that provide advantage for the company in a form of invisible asset.

Financial Perrformance

Financial performance is a picture of the state of the company where the financial performance of a certain period of time and the good and bad financial conditions can be analyzed with financial analysis tools (Wibowo & Faradiza, 2014). Developments related to the company's financial performance that occur from year to year to determine whether or not the company is good can be identified from the financial statements of a particular year which is a reflection of the financial performance itself (Soelistyoningrum & Prastiwi, 2011).

RESEARCH METHOD

The research method used in this study is descriptive quantitative. Quantitative research aims to test assumptions on a population or sample, collect data using research instruments, and analyze statistical data.

Population and Sample

Companies that are members of the Kompas 100 index for the 2017 – 2019 period are used as the population in the research. In this study, the researcher used purposive sampling method. with a certain review based on the research objectives (Sugiyono, 2015). The sample in this study were companies that were consecutively incorporated in the Kompas 100 index for the 2017-2019 period with the following criteria:

1. Companies that issue completed and audited financial statements as of December 31 for the period 2017-2019.
2. Companies that publish complete sustainability report s for the period 2017- 2019

Data Analysis Method

To analyze the data, researchers were using multiple linear regression analysis. Researchers were also using the classical assumption tests, heteroscedasticity, and multicollinearity test. At last, to see the effect of each independent variable t-test was then implemented

RESULTS

Descriptive Statistics

The following is the results of descriptive statistical tests in the table below:

Table 1. Descriptive Statistics Results (*N* = 67)

Construct	Min.	Max.	*M*	*SD*
Leverage	.034	.813	.49961	.217743
CSR	.121	.681	.37117	.125145
Capital Structure	.028	1.992	.63877	.578979
Intellectual Capital	-.005	4.625	2.31372	.868127
Financial Performance	-.057	.155	.04507	.039809

Note. M = Mean, *SD* = Standard Deviation.
(Source: SPSS Output, processed by Researchers, 2021)

Table 1 shows that:

1. The value of 0.49961 and 0.217743 show the average and standard deviation of leverage. The lowest value of leverage is 0.034 and the highest is 0.813.
2. The value of 0.37117 and 0.125145 show the average and standard deviation of CSR. The lowest value of CSR is 0.121 and the highest is 0.681.
3. The value of 0.63877 and 0.578979 show the average and standard deviation of capital structure. The lowest value of capital structure is 0.028 and the highest is 1.992.
4. The value of 2.31372 and 0.868127 show the average and standard deviation of intellectual capital. The lowest value of intellectual capital is -0.005 and the highest is 4.625.
5. The value of 0.04507 and 0.039809 show the average and standard deviation of financial performance. The lowest value of financial performance is -0.057 and the highest is 0.155.

Normality Test

In this study, the normal distribution was detected using the Kolmogorov-Smirnov (K-S) test. The result showed that the significance value is 0.200 (>0.05). Thereby, it can be interpreted that the data is distributed normally.

Autocorrelation Test

To determine whether there is autocorrelation in this study, the researcher used the Durbin-Watson (DW) test. From the DW test, the DW value obtained is 2.159. Based on the amount of data (n) as many as 67 and as many as 4 independent variables (k = 4) at a significance level of 5%, the values dl = 1.4806 and du = 1.7327. The condition for not autocorrelation is du value < DW value < 4 – du. Because 1.7327 < 2.159 < 2.2673, there is no autocorrelation in this research data.

Multicollinearity Test

To find out the possible correlation between the dependent and the independent variable in this regression model, the researcher conducted a multicollinearity test. The table below shows the results of this test:

Table 2. Multicollinearity Test

Coefficients[a]								
Model		UC		SC	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.010	.018		.563	.576		
	Leverage	-.072	.023	-.393	-3.162	.002	.433	2.309
	CSR	.009	.027	.029	.345	.731	.943	1.060
	Capital Structure	.000	.009	.004	.033	.974	.406	2.465
	Intellectual Capital	.029	.004	.636	7.252	.000	.871	1.148
a. Dependent Variable: Financial Performance								

Note. UC = Unstandardized Coefficients, *SC* = Standardized Coefficients
(Source: SPSS Output, processed by Researchers, 2021)

Based on the description above, it can be interpreted that all independent variables have a VIF value below 10 and tolerance value above 0.1. So, this regression model equation is free from multicollinearity problem.

Heteroscedasticity Test
According to Ghozali (2016), this test serves to determine whether or not there is a similarity of variance between one residual to another observation. The regression model can be said to be good if there is no heteroscedasticity problem in it. Using the glejser test, the result shows that the significance value of the leverage, CSR, capital structure, and intellectual capital variables was obtained above 0.05. Because the significance value is > 0.05, the regression model of all existing variables (leverage, CSR, capital structure, intellectual capital) is free from heteroscedasticity problems.

Multiple Regression Test
Multiple regression analysis is considered appropriate in this test because multiple regression analysis not only determines the magnitude of the effect of the independent on the dependent variable, but can also indicate the direction of the influence, both positive and negative. Researchers used SPSS 26 to perform this test. The results are described in the table below:

Table 3. Multiple Regression Test

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.0099	.018		.563	.576
	Leverage	-.0719	.023	-.393	-3.162	.002
	CSR	.0093	.027	.029	.345	.731
	Capital structure	.0003	.009	.004	.033	.974
	Intellectual Capital	.0292	.004	.636	7.252	.000
a. Dependent Variable: Financial Performance						

(Source: SPSS Output, 2021)

From the table 3, the linear regression equation model formed is:

$$Y = 0{,}0099 - 0{,}0719L + 0{,}0093C + 0{,}0003S + 0{,}0292I$$

Where:

1. The constant value of 0.0099 means that financial performance will be worth 0.0099 if the regression coefficient of each variable (leverage, CSR, capital structure, and intellectual capital) is zero.
2. The leverage variable has a regression coefficient of -0.0719 which means it has a negative effect on financial performance. Financial performance will decrease by 0.0719 if there is an increase in leverage by 1 unit, assuming the regression coefficient values of other independent variables are consistent.
3. The significance value of CSR is 0.731, which means it is bigger than 0.05. So, there is no effect generated by CSR on the financial performance.
4. The significance value of the capital structure is 0.974, which means it is bigger than 0.05. So, there is no effect generated by capital structure on the company's financial performance.
5. The regression coefficient of 0.0292 on the intellectual capital means that it has an effect on financial performance and the direction of its influence is positive. Financial performance will decrease by 0.0292 if there is an increase in

intellectual capital by 1 unit, assuming the regression coefficient values of other independent variables are consistent.

Simultaneous Hypothesis Testing (F-Test)
To know whether the regression model used is significant, the F test is used in this research. This test uses a significance level of 5% or 0.05, which is a standard measure that is often used in research. The regression model used can be said good or significant if the results of the significance value less than 0.05. The results of the F test can be seen in the following table:

Table 4. Simultaneous Hypothesis Testing (F-Test)

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.061	4	.015	21.788	.000[b]
	Residual	.043	62	.001		
	Total	.105	66			
a. Dependent Variable: Financial Performance						
b. Predictors: (Constant), INTELLECTUAL CAPITAL, LEVERAGE, CSR, Capital structure						

(Source: SPSS Output, 2021)

The table shows that the calculated significance level is 0.00 and has F value of 21.788 and the. Because the significance value is <0.05, the conclusion that can be drawn is the regression model with leverage, CSR, capital structure and intellectual capital together affects the dependent variable (financial performance).

Partial Hypothesis Testing (Test Statistics t)
To see the effect caused by each independent variable t-test with significance level of 0.05 is used. The results are described in the table below:

Table 5. Partial Hypothesis Testing (Test Statistics t)

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.0099	.018		.563	.576
	Leverage	-.0719	.023	-.393	-3.162	.002
	CSR	.0093	.027	.029	.345	.731
	Capital structure	.0003	.009	.004	.033	.974
	Intellectual Capital	.0292	.004	.636	7.252	.000
a. Dependent Variable: Financial Performance						

(Source: SPSS Output, processed by Researchers, 2021)

With the significance value on the leverage (X1) and intellectual capital (X4) of 0.002 and 0,000, it can be said that leverage and intellectual capital have effects on company's financial performance. The result is also accepting the first and fourth hypothesis which said that leverage and intellectual capital have effects on company financial performance. Furthermore, the significance value of CSR (X2) and capital structure (X3) are 0.731 and 0.974. From the significance value of CSR and capital structure, it can be interpreted that both CSR had capital structure have no effect on company financial performance.

So, the second and third hypothesis wich said that CSR and intellectual capital has effect on the company financial performance are rejected.

Coefficient of Determination (R^2)
According to Ghozali (2016), the coefficient of determination value is between 0 to 1. The coefficient value which is almost close to 1 has a stronger effect on the dependent variable. On the other hand, the coefficient value which is close to 0 indicates the effect is weaker. The following is a table of test results:

Table 6. Coefficient of Determination (R^2)

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.764[a]	.584	.558	.026481
a. Predictors: (Constant), Intellectual Capital, Leverage, CSR, Capital structure				
b. Dependent Variable: Financial Performance				

(Source: SPSS Output, 2021)

Based on the Table 6, the value of the adjusted R square is 0.558. It shows that 55.8% of the variable changes in financial performance is caused by leverage, CSR, capital structure and intellectual capital. Meanwhile, 44.2% is caused by other variables outside this research model.

DISCUSSION

Leverage on Financial Performance of Companies
The results of hypothesis testing on the leverage (X1) show a significance value <0.05. So, it can be said that there is no influence given by the leverage of financial performance. These results are in accordance with the results of research implemented by Isbanah (2015) and Putri & Dewi (2017). Isbanah (2015) states that the company's performance tends to decrease (become less good) if the use of debt by the company is getting bigger. With a larger source of funds, of course the profits obtained by the company can increase as well. However, an increase in debt can also increase the risk that is greater than the increase in profits.

According to Horne and Wachowicz (in Azis & Hartono, 2017), the higher the DAR value means that the greater the financial risk the entity must encounter. The increased risk in question is the possibility of default. The increase of corporate financing through debt is represented by an increase in the value of the DAR. An increase in debt company funding will actually cause a decrease in company income. Thus, the possibility of default will certainly increase. This is in accordance with the statement that the level of profitability is inversely proportional to the company's debt described in the pecking order theory. Companies with high profitability have high internal sources of funds (not debt) too so that low levels of debt tend to be owned by companies with high levels of profitability. Company that has sufficient financial slack (internally generated funds) don't have to issue risk debt or shares to fund their new projects so that information asymmetry problems will not arise (Sugiarto, 2009).

Corporate Social Responsibility (CSR) on Financial Performance of Companies
Based on the hypothesis test, the significance value of CSR (X2) is 0.731 (> 0.05), so CSR has no effect on financial performance as measured by ROA. These results are in accordance with the research conducted by Yaparto et al. (2013) which states that CSR has no effect on financial performance. Sembiring (2005) states that the submission of

CSR disclosures is only used as a "lip service" to increase the value of an entity. When the company's profitability is low, the company will try to make users of the report read the "good news" of the company's performance, one of which is in the social sector.

Another aspect that causes CSR to have no effect on financial performance is the difference in the use of the CSR index. In this study, the examiners used the GRI G4 index which is the latest CSR measurement index launched in 2017. Based on the sustainability report published by the company, of the 67 observations tested, only 10 reports used the GRI G4 standard, the rest still used the GRI index. G3, even GRI G1. This difference causes the incomplete delivery of corporate social responsibility, because many indicators are not conveyed. For example, in the GRI G3 index there are 84 total indicators, while in the GRI G4 index there are 91 indicators. The most significant changes were in the personnel aspect, where 9 new indicators were added. Apart from the addition of many new indicators, many indicators have been removed. This is what causes the value of CSR tends to be small and causes it to have no effect on financial performance.

Capital Structure on Financial Performance of Companies

The results of hypothesis testing indicate that the capital structure variable has a significance value of 0.974 (> 0.05). So, there is no effect generated by the capital structure on financial performance as measured by ROA. The cause of the increasingly insignificant effect of capital structure in this sample is possible because many companies have shorter-term debts that are greater than their long-term debt.

Azis & Hartono (2017) state that the low use of long-term debt for investments that can increase profits, is indicated by the comparison of long-term debt which is lower than short-term debt. So that there is no influence given by LtDER on financial performance. Based on the financial reports issued by the company, the total equity value tends to be stable, however, from the overall unit of analysis, which is 67 data, only 27 data have the value of long-term debt greater than the amount of short-term debt. This of course causes a gap between the amount of long-term debt that is too small and the total value of its equity. This is what causes the LtDER value to tend to be small and has no effect on the company's financial performance.

Intellectual Capital on Financial Performance of Companies

The results of hypothesis testing indicate that intellectual capital (X4) has a significance value of 0.000 (less than 0.05). So, it can be interpreted that intellectual capital has an influence on financial performance as measured by ROA. These results are the same as the results of research conducted by Wijayani, (2017). If the ability of human resources is getting better, the performance generated by the entity will also be good, so that profitability will increase. The higher the value of intellectual capital, the higher the financial performance of a company because human capital is one aspect that is taken into account in measuring the company's intellectual capital. As for Lestari et al. (2018) states that the company's ability to manage intellectual capital will be directly proportional to the company's ability to manage assets. With good asset management, it is expected that the return on a number of assets owned by the bank as measured by Return on Assets (ROA) can increase.

CONCLUSION

Based on the results, the conclusions can be drawn as follows:

1. Leverage has an effect on financial performance and the direction of the effect is negative. Because of this result, the first hypothesis which states that leverage has an effect on the company's financial performance is accepted. This shows

that the higher the level of leverage is directly proportional to the company's financial performance.

2. Corporate social responsibility (CSR) has no impact on the company's financial performance. Because of this result the second hypothesis which states that corporate social responsibility (CSR) has an impact on the company's financial performance should be rejected. It means that the large or small value of CSR will not affect financial performance.
3. Capital structure has no impact on the company's financial performance. Because of this result the third hypothesis which states that capital structure affects the company's financial performance should be rejected. It means that the large or small value of the capital structure will not affect financial performance.
4. The intellectual capital has a positive effect on the company's financial performance. Because of this result, the fourth hypothesis which states that intellectual capital has an impact to the company's financial performance can be accepted. This shows that the higher the level of intellectual capital is directly proportional to the company's financial performance.

ACKNOWLEDGMENT
I would like to Thank the rector of the UPN Veteran Yogyakarta who gave me this incredible opportunity to join this seminar and meet a lot of great people. Thank you for all the support both mentally and financially.

DECLARATION OF CONFLICTING INTERESTS
The authors state that there's no conflicts of interest happened regarding the publication of this paper.

REFERENCES

Azis, A., & Hartono, U. (2017). Pengaruh Good Corporate Governance, Struktur Modal, Dan Leverage Terhadap Kinerja Keuangan Perusahaan Pada Sektor Pertambangan Yang Terdaftar Di Bursa Efek Indonesia Tahun 2011-2015. Jurnal lmu Manajemen, 5(3), 1–13.

Barlian, R. S. (2003). Manajemen Keuangan (Edisi 5). Yogyakarta: Literata Lintas Media.

Bontis, W.C.C. Keow, S. Richardson. (2000). "Intellectual capital and business performance in Malaysian industries". Journal of Intellectual Capital. Vol. 1 No. 1. pp. 85-100.

Brigham, Eugene, F., & Houston. (2006). Fundamental of Financial Management (Buku 2, Ed). Salemba Empat.

Gantino, R. (2016). Pengaruh Corporate Social Responsibility Terhadap Kinerja Keuangan Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia periode 2008-2014. Jurnal Dinamika Akuntansi dan Bisnis, 3(2), 19–32. https://doi.org/10.24815/jdab.v3i2.5384

Ghozali, I. (2016). Aplikasi Analisis Multivariete IBM SPSS 23 (Edisi 8). Semarang: Badan Penerbit Universitas Diponegoro.

Isbanah, Y. (2015). Pengaruh Esop, Leverage, and Ukuran Perusahaan Terhadap Kinerja Keuangan Perusahaan Di Bursa Efek Indonesia. Jurnal Riset Ekonomi dan Manajemen, 15(1), 28. https://doi.org/10.17970/jrem.15.150103.id

Putri, A., & Dewi, A. (2017). Pengaruh Good Corporate Governance, Ukuran Perusahaan, dan Leverage terhadap Kinerja Keuangan Pernankan yang Terdaftar di BEI 2012-2016. Journal of the Chemical Society, Faraday Transactions, 86(1), 11–16.

Romadhoni, & Sunaryo, H. (2017). Pengaruh Struktur Modal Terhadap Kinerja Keuangan Perusahaan Manufaktur Sektor Makanan Dan Minuman Yang Terdaftar Di Bursa Efek Indonesia Tahun 2013-2016. Jurnal Reset Manajemen, 06.

Sari, Maya., & Wardani, TUK. (2021). The Effect of Good Corporate Governance on Corporate Social Responsibility in Real Estate Companies Listed on The Indonesia Stock Exchange. Journal of International Conference Proceedings, 9(1), 23-31.

Sembiring, E. R. (2005). Karakteristik Perusahaan dan Pengungkapan Tanggung Jawab Sosial: Studi Empiris pada Perusahaan yang Tercatat di Bursa Efek Indonesia. Universitas Katolik St. Thomas.

Soelistyoningrum, J. N., & Prastiwi, A. (2011). Pengaruh Pengungkapan Sustainability report terhadap Kinerja Keuangan: Studi Empiris pada Perusahaan yang Terdaftar dalam Bursa Efek Indonesia. Jurnal Akuntansi Universitas Diponegoro Semarang.

Sudarmadji, A. M. dan Lana Sularto, (2007). "Pengaruh Ukuran Perusahaan, Profitabilitas, Leverage, dan Tipe Kepemilikan Perusahaan Terhadap Luas Voluntary Disclosure Laporan keuangan Tahunan ", Jurnal PESAT (Psikologi, Ekonomi, Sastra, Arsitek & Sipil), Volume 2, Universitas Gunadarma, Jakarta.

Sugiarto. (2009). Struktur Modal, Struktur Kepemilikan Perusahaan, Permasalahan Keagenan dan Informasi Asimetri. Yogyakarta: Graha Ilmu.

Wibowo, I., & Faradiza, S. A. (2014). Dampak Pengungkapan Sustainability Report terhadap Kinerja Keuangan dan Pasar Perusahaan (SNA 17). Mataram Lombok.

Wijayani, D. R. (2017). Pengaruh Intellectual Capital Terhadap Kinerja Keuangan Perusahaan Publik Di Indonesia (Studi Empiris Pada Perusahaan Manufaktur di BEI 2012-2014). Jurnal Riset Akuntansi Dan Bisnis Airlangga, 2(1), 97–116. https://doi.org/10.31093/jraba.v2i1.23

Yaparto, M., Frisko, D., & Eriandani, R. (2013). Corporate Social Responsibility. Jurnal Ilmiah Mahasiswa Universitas Surabaya, 2(1), 29–47. https://doi.org/10.1111/j.1467-8608.1992.tb00173.x