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CAN COMPANY SIZE MODERATE CORPORATE SOCIAL RESPONSIBILITY TO DIVIDEND POLICY?

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Abstract. This article discusses the importance of investment in social responsibility (CSR) will have an impact on decisions about the dividend policy of the company. This study will reveal the existence of variable size companies in moderating the relationship between CSR to Dividend Policy. The sample will be tested with multiple regression analyses to determine the effect of two or more independent variables on the dependent variable and using MRA (Moderated Regression Analysis) tests in variable moderating. In this paper builds observation of Indonesian Manufacturing Companies from 2014 to 2017. The sample will be tested with multiple regression analyses to determine the effect of two or more independent variables on the dependent variable and using MRA (Moderated Regression Analysis) tests in variable moderating.

Keywords: CSR, company size, dividend policy, moderation, MRA..

1 INTRODUCTION

Dividend policy is an integral part of its financing decisions [13]. Every company should set a dividend policy, that policy made by the company to establish the proportion of income that is distributed as dividends and also the proportion of the company's retained earnings are reinvested. Decision dividend of contradiction between the stakeholders, especially for investors and corporate managers.

For investors, the determination of the dividend policy is very important for their well-being. This is because the dividend is the return on investment for him. Hand part of the manager, the dividend is a cash outflow that reduces the company's cash to pay the interest or even pay off the loan principal, in addition to the opportunity to invest with cash distributed as dividends are to be reduced.

According to [7], states that any change in the dividend payout policy will have two opposing effects. If the dividend will be paid all, the interests of the backup will be ignored. Conversely, if profits will be arrested all, the interests of shareholders for cash have also been ignored. To keep both the interests, financial managers must take the optimal dividend policy.

Based on various phenomena, dividend policy decisions be an interesting thing to study. Based on the factors considered by management and investor decisions based on the investment on the environment (CSR) and the market capitalization value of this research is to identify variables that are supposed to influence the dividend payout ratio.

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Corporate Social Responsibility (CSR) is becoming increasingly important in recent years because of the dramatic growth in the number of institutions, mutual funds, and online resources and publications that specialize in encouraging companies to improve their practices following the various criteria of responsibility [2]. According to stakeholder theory, companies should conduct social disclosure as a form of responsibility to stakeholders, one of which is the investor.

[15] found that CSR investment does not change the level of the dividend is expected. Rakamovo also shows that investment in CSR does not eliminate dividends, even when the characteristics of the company are used as control variables. But the findings of [3] give different results. Cheung revealed in his research that CSR does not affect the dividend payment decision, but the impact on the nominal amount of the payment of dividends to investors. The greater the CSR paid by the company, the greater the dividend payment, and vice versa.

In Indonesia, there is a standard policy or procedure governing dividend payments, despite paying dividends is not compulsory and is still largely dependent on the General Meeting of Shareholders. Thus, firms in Indonesia are free to decide when and how much to pay dividends for a specific financial business year. As it relates to the value of the company that reflects the company's ability to generate profits for the company's stock performance results used for the welfare of shareholders. It said the value of firms can provide maximum shareholder wealth when the company's stock price to rise. This relates to the market value (market value).

1.1. Effects of Corporate Social Responsibility on Dividend Policy

In theory, CSR can affect dividend policy through two main channels. One is the revenue line and the other is the cost of equity capital channel. Channel earnings illustrate that CSR can affect the revenue, which in turn affect dividend policy. It has been well documented in the literature that income is a major determinant of dividend policy [10], [14].

Companies with a higher earning capacity are more likely to pay dividends, and if they do, they will pay more dividends. [12] argued that CSR can increase revenue through better relationships with stakeholders, more efficient management, better asset allocation, labor policy better, and other efficiency improvements. Advantage as it expected to flow to investors in the form of increased revenue and strong dividend policy, resulting in a win-win scenario for companies, investors and stakeholders [18].

[3] found that scores CSR does not affect the tendency to pay dividends but affect the dividend payout ratio. Consistent with the findings [15] that firms with higher CSR scores did not reduce the dividend, Cheung found that companies with higher CSR scores tend to have a higher payout ratio. [3] found that scores CSR does not affect the tendency to pay dividends but affect the dividend payout ratio.

Consistent with the findings [15] that firms with higher CSR scores did not reduce the dividend, Cheung found that companies with higher CSR scores tend to have a higher payout ratio. [3] found that scores CSR does not affect the tendency to pay dividends but affect the dividend payout ratio. Consistent with the findings of [15] that firms with higher CSR scores did not reduce the dividend, Cheung found that companies with higher CSR scores tend to have a higher payout ratio.

H1. Companies with higher CSR scores tend to pay more dividends.

1.2. Company Size as Moderating Variable

[16] revealed that the company is large and liquid companies are more likely to pay dividends. These results were statistically significant and economically. The results also show, but not that strong, that large companies and corporations tend to pay dividends liquid in bulk. It shows that the model size companies currently have the strongest contribution in explaining the decision of whether to pay a

dividend or not. In the life cycle models like those of the [19] and [17], the rms distribute assets after achieving an efficient size. It shows why large companies may be more likely to pay dividends. However, this only applies if, as assumed in the model tax capitalization as [1].

Company size affects the level of commitment to CSR. As a result, [11] consider that large entities, to share their relationship with the many stakeholders, and their high sensitivity to the media, more eager to reflect a good image. A large size company can be a proxy for the importance of financial resources to carry out responsible management mode. Besides, the size is often considered as a factor affecting the company's financial performance as measured by indicators of the stock market [8] and [9].

H2. Firm Size can strengthen the relationship between CSR to Dividend Policy.

2 DATA AND METHOD

2.1 Data

Data that will be used as object of research is secondary data, using purposive sampling method, which uses certain considerations [20] is a manufacturing company of various industrial sectors that have been listed on the Indonesia Stock Exchange for the period 2014-2017, 2) companies that produce nominal value of routine CSR funds every year, 3) companies that add data on dividend value distribution per routine share every year. Data sources obtained through the third research, namely the official website (http://www.idx.co.id).

2.2 Corporate Social Responsibility (CSR)

To calculate the Corporate Social Responsibility (CSR) variables, systematically, according to [22], it can be measured using the allocation of social responsibility costs and using the formula: Social responsibility costs at present divided by previous year's profit/loss and multiplied by 100 %.

2.3 Company Size

To calculate variable size companies can use market capitalization values. According to [16], market capitalization can reflect the value of the company's current wealth which is a measurement of company size. According to [16], market value can be obtained from the calculation of stock market prices multiplied by the number of shares issued (outstanding shares). This market value is commonly referred to as market capitalization. Market capitalization reflects the value of the company's current wealth.

2.4 Dividend Per Share (DPS)

Dividend policy variables will be proxied by the Dividend Per Share variable (dividend per share) where the total of all cash dividends distributed to shareholders compared to the number of shares outstanding [23].

2.5 Method

In this study, we use multiple linear regression to determine the effect of two more independent variables on one dependent variable. Furthermore, to determine the role of company size variables moderating as a moderating variable, analysis is performed using the Moderated Regression Analysis (MRA) or interaction test is done by multiplying the variables hypothesized as moderating variables with independent variables [21].

3. RESULTS

3.1 Testing Model 1: Without Moderation Variables

Table 1

Testing Result Model 1

Model		Unstandardlized Coefficient		Standardlized Coefficient	t	Sig.
		B	Std. Error	Beta		
1	Constant	17.917	3.321		5.395	.000
	CSR	-6.667	2.299	-.408	-2.900	.006

a. Dependent Variable: DPS

Based on table 1, the test results provide empirical evidence of the effect of Corporate Social Responsibility (CSR) on the Dividend Policy (which is proxied by the Dividend Per Share), which has a number of -6,667 with a significance level of .006 (smaller than alpha .05). So that it can be concluded that CSR influences the Dividend Policy and the effect given by the CSR variable is negative. From these results, the first hypothesis which states Companies with higher CSR scores tend to pay more dividends, **rejected**.

DPS = 17.917 – 6.667CSR

3.2 Testing Model 2: With Moderation Variables

Tabel 2

Testing Result Model 2

Model		Unstandardlized Coefficient		Standardlized Coefficient	t	Sig.
		B	Std. Error	Beta		
1	Constant	-178.748	49.474		-3.613	.001
	CSR	89.703	35.770	5.496	2.508	.016
	Market_Capitilization	6.725	1.707	1.324	3.939	.000
	bCSR_MC	-3.312	-1.254	-5.636	-2.641	.012

a. Dependent Variable: DPS

Based on table 2, the test results provide empirical evidence of the effect that company size variables (which are proxied by market capitalization) are able to be moderated in a negative direction towards the Corporate Social Responsibility (CSR) variable on the Dividend Policy (proxied by Dividend Per Share), numbers -3.312 with a significance level of .012 (smaller than alpha .05). So that it can be concluded that Firm Size moderates the relationship between CSR and Dividend Policy and the effect given by Firm Size variable is negative (weakening). From these results, the second hypothesis which states that Firm Size can strengthen the relationship between CSR and the Dividend Policy, **rejected**.

DPS = -178.748 + 89.703CSR + 6.725Market_Capitalization – 3.312bCSR_MC

4. CONCLUSSIONS

In this paper, we analyze two things, the first is whether CSR influences dividend policy. Second is the size of the company can moderate the relationship between CSR and dividend policy. From the results of the above research, we find there are 2 conclusions. First, there is a significant relationship between CSR and the dividend policy in a negative direction. This can indicate that the greater the CSR funds issued by a company, the lower the dividend distributed by the company.

Second, the Firm Size variable can moderate the relationship between CSR and dividend policy in a negative direction. It can be concluded that every increase in the ratio of the moderating variable (CSR variable with Firm Size) is 1 unit, it will negatively affect the Dividend Policy. This means that when the Firm Size goes up it will also increase the cost of CSR allocation. As a result, the dividend policy has dropped.

5. LIMITATION

The results of this study are expected to provide an overview of the effect of Corporate Social Responsibility (CSR) on Dividend Policy (DPS) with Company

Size (Market Capitalization) as a moderating variable. Nevertheless, this study still has several limitations.

First is the number of sample companies is still limited because there are still many companies that do not routinely publish financial reports each year. Second, no previous research was found related to the size of the company in moderating the relationship between the independent variables to the dependent. So that the results obtained are less supportive and less powerful in explaining existing phenomena.

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