International Journal of Innovation, Creativity and Change. www.ijicc.net
Volume 10, Issue 12, 2020

The Impact of Good Corporate Governance on the Disclosure of Corporate Social Responsibility

Dian Novitasari[a], Yustrida Bernawati[b], [a,b]Department of Accountancy, Faculty of Economics and Business, Universitas Airlangga, Email: [a*]idadiklat@yahoo.co.id

The purpose of this research is to understand the influence of Good Corporate Governance on the Disclosure of Corporate Social Responsibility in companies listed in the 2013-2018 period of BEI that published a Sustainability Report. Good Corporate Governance was proxied with the Independent Board of commissioner Proportion, Board of commissioner Measurement, Managerial Ownership, and Institutional Ownership. Sampling was done with a saturated sample method until the amount of samples obtained reached 110 companies. This research used a regression analysis method, testing with the Determination Coefficient Test (R2) and p test. Based on the Regression analysis result, it can be concluded that the Board of commissioner Proportion, Board of commissioner Measurement and Institutional Ownership do not have a significant influence on the Disclosure of Corporate Social Responsibility. Whereas Managerial Ownership has a significant influence on the Disclosure of Corporate Social Responsibility.

Key words: *Corporate Disclosure, CSR.*

Introduction

Good Corporate Governance (GCG) has become a globally acclaimed issue, including in Indonesia. *Good Corporate Governance* is a guideline that is needed by corporations to generate added value for stakeholders, because *Good Corporate Governance* will form a transparent, clean and professional management work pattern (Effendi, 2009). Every corporation that operates using an effective and transparent *good corporate governance* policy implies success in GCG implementation. Thus, it is expected not only to focus on giving benefits to the management and employees, but also to the stakeholders, consumers, suppliers, government, and related communities.

In 1997, GCG started to gain more recognition in Indonesia due to the economic crisis that occurred. There were a lot of bad consequences to the crisis and one of the causes was due to the many corporations that collapsed because they could not survive the crisis. The effect is still apparent now. Realising such conditions, the government through the Ministry of State-owned Corporations (BUMN) started to introduce the concept of GCG in the State-owned Corporations' environment with Keputusan Menteri BUMN No. Kep-117/M-MBU/2002 dated 1st August 2002 about the implementation of GCG practice in state-owned corporations, emphasising the responsibility of state-owned corporations to implement GCG consistently and making GCG principles the corporations' operational base, which in essence had the purpose to increase the success and sustainability of business and corporate accountability that is based on law, order and ethical values. *Good Corporate Governance* is related to *Corporate Social Responsibility* (CSR) and is in line with one of the principles of GCG, which is *responsibility* (Murwaningsari, 2009). UU No. 40 the Year 2007 article 66 verse 2 part C explains that besides delivering *corporate responsibility* in the form of the financial report, the corporation must report their social and environmental responsibility activity. The CSR program, in this case, can build a harmonious relationship and effective communication between the corporation and the related communities. *The sustainability report* has become a global issue that must be understood and implemented on a local scale. *A sustainability report* isn't limited to environmental issues only, but also includes three policies, which are an economical report, social report, and environmental protection as explained in the *triple bottom line (profit, people, planet)* (Elkington,1998). In the implementation of the CSR, corporations are no longer faced with responsibilities that are based on the single bottom line, which is corporate value, but the responsibility must be based on the *triple bottom line (profit, people, planet)* that includes financial, social, and environmental aspects.

Legitimacy Theory

Legitimacy theory is the basis of CSR disclosure, because it is considered as a perspective theory, that corporations can influence or be influenced by the community in their activities. To fulfil that purpose the corporate organisation tries to develop harmony between social values connected and implied with activities and the norms from behaviors that are socially accepted which is bigger in areas where the corporation is part of (Dowling & Pfeffer, 1975). The legitimacy theory explains that the corporation will ensure operations inside the normal frame of the community of environment where the corporation is located, whereas the corporation will work to ensure that corporate activities can be accepted 'legitimately' by the community (Deegan, 2002). Environmental disclosure also found that they could work as a complement to enhance the performance of economic, social, and environment to achieve sustainable development (Kumar, 2012).

Hypothesis Development

The Influence of the Board of Commissioner Size to the CSR Disclosure

The board of commissioners has a function to carry out the supervision and assessment of corporate governance carried out by directors throughout the year. Also, the Board of Commissioners has the role of providing advice to the board of directors and ensuring the company has adequate internal controls. The board of commissioners has a big influence on the company, including in overseeing the implementation of company obligations to the public. The more the number of the board of commissioners, the more they will supervise and ensure CSR activities. This is consistent with previous research conducted by (Sari & Sukoharsono, 2013); (Purwati, 2012). Nasih *et al* (2019) stated that there is a positive relationship between the size of the board on CSR disclosure. Based on the explanation, the tested hypotheses are:

H1: The size of the Board of Commissioner influences the CSR disclosure

The Influence of the Proportion of Independent Board of the Commissioner to CSR Disclosure

Independent commissioners are obliged to ensure that the interests of shareholders, especially minority shareholders, are well protected. In carrying out its duties, independent commissioners will supervise and provide input to the CEO in making decisions. The greater the number of independent commissioners, the greater the oversight of the CEO's decisions in the implementation of activities, including the disclosure process of the company's CSR. The research conducted by Sudana & Putu (2011), showed that independent commissioners have a positive effect on CSR disclosure. The research is in line with that of Sembiring (2006), which states that the Independent Board of Commissioners is the highest internal control mechanism that is responsible for monitoring the actions of top management, so that more and more members of the Independent Board of Commissioners disclose CSR disclosure as well. Based on these explanations, the hypotheses tested are:

H2: The proportion of Independent Board of Commissioner influences CSR disclosure

The Influence of Managerial Ownership on CSR Disclosure

Managerial ownership is ownership shared by members of management. Thus shareholders act as management who actively participate in decision making. Managers in this case also play an important role, because managers carry out management functions, namely supervision, planning, organising, directing and making decisions. Research by Rawi & Muchlish (2010), shows that if in a company there is management that has a high managerial company, then company management will make decisions by the company's interests by revealing the widest possible social information to enhance the reputation of the company. The same results were also expressed by (Murwaningsari, 2009). Based on these explanations, the research hypothesis is formulated as follows:

H3: Managerialownership nfluences CSR disclosure

The Influence of Institutional Ownership on CSR Disclosure

Ownership by institutions or so-called institutional ownership influences and impacts management decisions. One of the decisions is the disclosure of CSR information. Institutional ownership is the ownership of shares of companies owned by institutions or institutions such as insurance companies, banks, investment companies and ownership of other institutions. This is consistent with research conducted by Anggraini (2006), who found a positive relationship between institutional ownership of CSR disclosure. In addition, research from Sari & Sukoharsibi (2013) states that Institutional Ownership as a mechanism in Corporate Governance can improve the quality of investment decisions in encouraging disclosure of broader corporate CSR. This is because large institutional ownership will cause pressure on management to express corporate social responsibility broadly. Based on these explanations, the hypotheses tested are:

H4: Institutional ownership influences CSR disclosure

Research Method

Research Approach

This study uses a quantitative approach. The hypothesis was tested by regression analysis found in the STATA program 14. The population in this study was listed on the Indonesia Stock Exchange in 2013 - 2018. The research samples were 110 drawn from the population using saturated sampling techniques with the following criteria:

1. Corporations that published the *Sustainability Report* from 2013 to 2018.
2. Non-financial corporations in the period of 2013-2018 (NON-SIC 6).

3. Corporations that published sustainable reports with the implementation of GRI-G4 in 2013-2018.
4. Corporations that provide complete data

Result and Discussion

Descriptive Statistics

Descriptive statistical testing is carried out to get an overview of the research variables, which include the lowest value, the highest value, the average value, and the middle value. The researcher uses winsorize to remove outlier data. The results of the descriptive statistics are as follows:

Table 4.1: Descriptive Statistical Analysis Results

	Mean	**Median**	**Minimum**	**Maximum**
CSR_EC	0.544	0.556	0.000	1.000
CSR_EN	0.390	0.382	0.000	0.971
CSR_LA	0.526	0.563	0.125	1.000
CSR_HR	0.246	0.167	0.000	1.000
CSR_SO	0.360	0.273	0.000	1.000
CSR_PR	0.338	0.278	0.000	1.000
CSRD	0.401	0.357	0.099	0.956
IND_COM	2.336	2.000	0.000	5.000
COM_SIZE	6.018	6.000	0.000	12.000
MAN_OWN	13.716	0.000	0.000	99.230
INS_OWN	44.629	49.890	0.000	95.000
FSIZE	30.702	30.771	28.373	32.822

Based on table 4.1, the description of variables can be described as follows:

1. Mean values CSR_EC, CSR_EN, CSR_LA, CSR_HR, CSR_SO. CSR_PR in the sample corporation 0.544; 0.390; 0.526; 0.246; 0.360; 0.338. Whereas the highest value of CSR_EC, CSR_EN, CSR_LA, CSR_HR, CSR_SO, CSR_PR is 1; 0.971; 1; 1; 1; 1; in several companies and the lowest from each sample are 0; 0; 0.125; 0; 0; 0; and the medians of each sample are 0.556; 0.382; 0.563; 0.167; 0.273; 0.278.
2. The mean value of CSRD in the sample corporation is 0,401. The highest CSRD is 0,956 in some of the sample corporations and the lowest value is 0,099. Meanwhile, the median value in this research is 0,357.
3. The value of the Independent Board of the Commissioner in the sample corporation is 2,336. The highest Independent Board of the Commissioner is 5 in some of the sample corporations and the lowest is 0. Meanwhile, the median value in this research is 2.

4. The mean value of the proportion of the Board of the Commissioner in the sample corporation is 6,018. The highest proportion of the Board of the Commissioner is 12 in some of the sample corporations and the lowest value is 0. Meanwhile, the median value in this research is 6.
5. The mean value of Managerial Ownership in the sample corporation is 13,716. The highest Managerial Ownership is 99,230 in some of the sample corporations and the lowest is 0. Meanwhile, the median value in this research is 0.
6. The mean value of Institutional Ownership in the sample corporation is 44,629. The highest Institutional Ownership is 85 in some of the sample corporations and the lowest is 0. Meanwhile, the median value in this research is 44,629.
7. The control variable of this research is FSIZE. The mean value in the sample corporation is 30,702. The highest value is 32,822 in some of the sample corporations and the lowest is 28,373. Meanwhile, the median value in this research is 30,771.

Double Regression Analysis

The regression analysis in the research is used to understand the influence of the independent variables: Board of Commissioner size, the proportion of Independent Board of Commissioner, Managerial Ownership, and Institutional Ownership towards the disclosure of Corporate Social Responsibility (CSR) in the corporations that published Sustainability Reports from 2013 to 2018. The result of the regression model assumption is as follows:

$$\mathbf{CSRD} = \alpha + \beta_1 BCom + \beta_2 BInd + \beta_3 Man\_Own + \beta_4 Ins\_Own + \beta_5 FSize + e$$
$$\mathbf{CSRD} = -0.475 + \mathbf{0.001} + \mathbf{0.016} \pm \mathbf{0.002} \pm \mathbf{0.002} + \mathbf{0.030} + \mathbf{0}$$

Based on the regression model above can be explained as follows:

1. Regression coefficient value in the prediction of IND_COM or Independent Board of the Commissioner is 0.16 states that if the predicted variable of IND_COM increases by 1 unit then the value of CSR disclosure increases by 0,16 with the assumption that the other independent variable is constant. Based on that figure, it is shown that the significance value of prediction variable IND_COM is 0.59. The IND_COM variable doesn't impact CSR disclosure.

Table 4.2: The Results of the Estimation of the Regression Model

	Prediction	(1) CSRD
IND_COM	+/-	0.016
		(0.59)
COM_SIZE	+/-	0.001
		(0.93)
MAN_OWN	+/-	-0.002**
		(0.02)
INS_OWN	+/-	-0.002*
		(0.05)
FSIZE		0.030
		(0.19)
_cons		-0.475
		(0.51)
r2		0.162
Adj R-squared		0.122
N		110

*p<0.1,**p<0.05,***p<0.01

2. Regression coefficient value in the prediction of COM_SIZE or Board of Commissioner Size is 0.001 states that if the predicted variable of COM_SIZE increases by 1 unit then the CSR disclosure value increases by 0.001, with the assumption that the other independent variable is constant. Based on that figure it is shown that the significance value of the prediction variable COM_SIZE is 0.93. The COM_SIZE variable doesn't impact CSR disclosure.
3. Regression coefficient value in the prediction of MAN_OWN or Managerial Ownership is 0.002 states that if the predicted variable of MAN_OWN SIZE increases by 1 unit then the CSR disclosure value increases by -0.002 with the assumption that the other independent variable is constant. Based on that figure it is shown that the significance value of prediction variable MAN_OWN is 0.02. The MAN_OWN variable impacts CSR disclosure.
4. Regression coefficient value in the prediction of INS_OWN or Institutional Ownership is 0.002 states that if the predicted variable of INS_OWN increases by 1 unit then the CSR disclosure value increases by -0.002 with the assumption that the other independent variable is constant. Based on that figure it is shown that the significance value of the prediction variable INS_OWN is 0.05. TheINS_OWN variable doesn't impact CSR disclosure.
5. Regression coefficient value in the prediction FSIZE or Corporation is 0.030 states that if the predicted variable of FSIZE increases by 1 unit then the CSR disclosure value

increases by 0.030. Based on that figure it is shown that the significance value of the prediction variable FSIZE is 0.19.

6. The constant value is -0.475 states that if the independent variable value is 0 or none then the value of CSR Disclosure is -0.475. Based on that figure the value of predicted variable significance _cons is 0.51.

The regression model in the impact between Independent Commissary (ind_com), Board of Commissioner Size (com_size), Managerial Ownership (man_own), and Institutional Ownership (ins_own) in *Corporate Social Responsibility* (CSR) disclosure results in Adjusted R-Square value of 0.122. This shows that the variety of CSR disclosure in corporations that published *Sustainability Reports* from 2013 to 2018 can be explained by the free research variable being 12.2% and the remaining 87.8% is contributed from the other factors.

Determination Coefficient Test (R^2)

The Determination Coefficient Test or R^2 is explained by independent variables which are Independent Board of commissioner, Board of commissioner Size, Managerial Ownership, and Institutional Ownership related to CSR Disclosure results in Determination (R^2) value of 0.162, while Adjusted R-Square value is 0.122. This shows that the free research variable value is 12.2% while the remaining 87.8% is contributed by other factors.

Significance Test (t-Test)

Figure 4.1. Significance Test

Source	SS	df	MS			
				Number of obs	=	110
				F(5, 104)	=	4.03
Model	.737746737	5	.147549347	Prob > F	=	0.0022
Residual	3.81235042	104	.036657216	R-squared	=	0.1621
				Adj R-squared	=	0.1219
Total	4.55009716	109	.041744011	Root MSE	=	.19146

CSRD	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
IND_COM	.0157602	.0289197	0.54	0.587	-.0415887	.073109
COM_SIZE	.0013206	.0160521	0.08	0.935	-.0305114	.0331526
MAN_OWN	-.002042	.0008674	-2.35	0.020	-.003762	-.000322
INS_OWN	-.0016716	.0008568	-1.95	0.054	-.0033707	.0000275
FSIZE	.0304236	.0231625	1.31	0.192	-.0155085	.0763558
_cons	-.4747363	.7176305	-0.66	0.510	-1.897825	.9483519

1. t-test in the Independent Board of Commissioner (IND_COM) variable results int count value of 054. It is noted that the significant value is 0.59 > 0.05 that can be concluded as Good Corporate Governance implementation proxied with the Independent Board of commissioner doesn't have any significant impact on CSR disclosure.

This is supported by the research conducted by Ratnasari & Prastiwi (2011), stating that the proportion of the Independent Board of Commissioners stated that it is still low so that the ability of the Independent Commissioner to monitor management behavior has not reached its maximum. Other research by (Rohmah, 2015), states that there are also indications of the possibility of the selection and appointment of an Independent Commissioner that is less effective where the Independent Commissioner cannot demonstrate his Independence so that it has not influenced the quality of CSR Disclosures.

2. The t-test in the Board of Commissioner Size (COM_SIZE) variable results int count value of 0.08. It is noted that the significant value is 0.94 > 0.05 05 that can be concluded as Good Corporate Governance implementation proxied with Board of Commissioner Size doesn't have any significant impact on CSR disclosure.
3. The t-test in the Managerial Ownership (MAN_OWN) variable results int count value of -2.35. It is noted that the significant value is 0.020 < 0.05 that can be concluded as Good Corporate Governance implementation proxied with Managerial Ownership has a significant impact on CSR disclosure. This is supported by research (Setyarini & Paramitha, 2011), stating the Board of Commissioners' Size states that company managers will disclose social information to improve the company's image, although companies must sacrifice resources for these activities. In addition, research from (Susanti & Raharjo, 2013) states that the presence of Managerial Ownership relationship between Managerial Ownership and CSR Disclosure is expected to reduce managers' actions in manipulating earnings, care taken in making decisions and other forms of responsibility towards the shareholders and the surrounding community so it is expected that managers can also disclose corporate social responsibility.
4. The t-test in Institutional Ownership (INS_OWN) variable results int count value of -1.95. It is noted that the significant value is 0.054 > 0.05 that can be concluded as Good Corporate Governance implementation proxied with Institutional Ownership doesn't have any significant impact on CSR disclosure.

The results of this study are consistent with research conducted by Anggraini (2011) who obtained the results of research that institutional share ownership does not affect CSR disclosure. This is because institutional ownership in Indonesia is less effective in monitoring and influencing management decisions to disclose CSR. The results of this study are in line with the research of Priandita (2011) who states that the composition of institutional ownership does not affect the level of disclosure of Corporate Social Responsibility. Priandita (2011) states that institutional ownership does not affect the level of disclosure of Corporate Social Responsibility, because institutions are more inclined to maximise stock prices.

Conclusion

The purpose of this research is to understand the impact of Good Corporate Governance proxied with Independent Board of Commissioner proportion, Board of Commissioner size, Managerial Ownership, and Institutional Ownership to the disclosure of corporate social responsibility (CSR). This research was carried out using data from corporations that published Sustainability Reports in the period 2013-2017, with a total sample of 110 samples. Based on the hypothesis test discussion carried out, a few conclusions can be obtained, as follows:

1. *Good Corporate Governance* proxied with Independent Board of Commissioner, Board of Commissioner size, and Institutional Ownership don't have any significant impact on the disclosure of Corporate Social Responsibility (CSR).
2. *Good Corporate Governance* proxied with Managerial Ownership has a significant impact on the disclosure of Corporate Social Responsibility (CSR).

REFERENCES

Anggraini, Fr. RR. 2006. "Social Information Disclosure and Factor Affecting Social Information Disclosure on Annual Report (Empirical Study on Public Listed Firm in Indonesia)". *Simposium Nasional Akuntansi IX,* Padang. (In Bahasa)

Anggraini, Ririn Dwi. 2011. "The Impact of Institutional Ownership, Foreign Ownership towars CSR Disclosure on Annual Report". Skripsi Fakultas Ekonomi Universitas Diponegoro: Semarang. (In Bahasa)

Deegan, C. (2002). Introduction to the Legitimising Effect of Social and Environmental Disclosure–A Theoretical Foundation. *Accounting, Auditing and Accountability Journal*, 15(3), 282-311.

Dowling, J., & Pfeffer, J. (1975). Organizational Legitimacy: Social Values and Organisational Behavior, Pacific Sociological Review, Vol. 18, No. 1, pp. 122-36, January 1975

Effendi, Muh. Arief. 2009. *The Power of Good Corporate Governance*: Theory and Implementation. Jakarta: Salemba Empat. (In Bahasa)

Elkington, J. (1998). *Cannibals with Forks: The Triple Bottom Line in 21st Century Business, Gabriola Island*, BC: New Society Publishers.

Kumar, T. (2012), "Achieving Sustainable Development through Environment Accounting from the Global Perspective: Evidence from Bangladesh", *Asian Journal of Accounting Research*, Vol. 2 No. 1, pp. 45-61. https://doi.org/10.1108/AJAR-2017-02-01-B005

Murwaningsari, Etty. 2009. Hubungan Corporate Governance, Corporate Social Responsibilities dan Corporate Financial Performance Dalam Satu Continuum. Dalam *Jurnal Akuntansi dan Keuangan,* 11(1): h:30-41.

Nasih, M.; Harymawan, I.; Paramitasari, Y.I.; Handayani, A. (2019). Carbon Emissions, Firm Size, and Corporate Governance Structure: Evidence from the Mining and Agricultural Industries in Indonesia. *Sustainability*, *11*, 2483

Purwati, Ni Kadek Ari. 2012. The Impact of Corporate Governance Element, Profitabilty, and Leverage towar CSR disclosure on Minig Firm. *Skripsi* Sarjana Jurusan Akuntansi pada Fakultas Ekonomi Universitas Udayana, Denpasar. (In Bahasa)

Priandita, I. A. (2011). Determinant of CSR Disclosure. *Skripsi* S1 Universitas Islam Indonesia. (In Bahasa)

Ratnasari,Y. & A. Prastiwi. 2011. The Impact of Good Corporate Governance towards CSR Disclosure in Sustainability Report. *Jurnal AkuntansiUndip.* (In Bahasa)

Rawi dan Munawar Muchlish. 2010. Managerial Ownership, Institutional Ownership, Leverage dan CSR Disampaikan dalam *Simposium Nasional Akuntansi XIII.* Purwokerto, 13-14 Oktober 2010. (In Bahasa)

Rohmah, Dita. 2015. Factor influencing CSR Disclosure on Sustainability Report (Empirical Study on Public firms in Indonesia 2010-2013). *Jurnal Bisnis dan Manajemen, Vol.5, No.2.* (In Bahasa)

Sari, A.R & Sukoharsono. 2013. The Impact of Institutional Ownership, Board Of Comissioner Composition, Firm Performance toward the extent of CSR Disclosure stated in Sustainability report on Manufacturing Firms listed on IDX *Jurnal Aplikasi Manajemen, Vol.11, No.3.* (In Bahasa)

Sembiring, Eddy Rismanda. 2006. "Firm Characteristics and CSR Disclosure: Empirical Study on firm Listed in Jakarta Stock Exchange". SNA8 (In Bahasa)

Setyarini, Y. & M. Paramitha. 2011. The impact of Good Corporate Governance Mechanism on CSR. *Jurnal Kewirausahaan, Vol.5, No.2.* (in Bahasa)

Sudana, I Made dan Putu Ayu Arlindania W. 2011. Corporate Governance and CSR Dislosure on Firm Listed in Indonesia Stock Exchange. Dalam *Jurnal Manajemen Teori dan Terapan,* 4(1): h:37-49. (In Bahasa)

Susanti, S. & I. B. Riharjo. 2013. The Impact Of Good Corporate Governance Toward Corporate Social Responsibility On Cosmetics And Household Firms. *Jurnal ilmu dan Riset Akuntansi. Vol.1, No.1.* (In Bahasa)