

Corporate Governance and Corporate Social Responsibility Disclosure Quality in Indonesian Companies

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The role of corporate governance in the corporate social responsibility disclosure of a company cannot be denied. According to the theory of legitimacy, stakeholder and agency, members of a company's board should monitor the activities of self-interested management to minimise the expenditure cost. Outside directors are expected to execute better performances than the executives, given that outside directors are responsible to increase shareholders' benefits. However, there have been inconsistent results on the relationship between corporate governance on corporate social responsibility disclosure of companies. Thus, this paper aims to examine the relationship between corporate governance attributes (political connections, women's proportion, multi-ethnicity, family ownership, and the composition of the board and foreign ownership of the board) on corporate social responsibility disclosure quality among 353 public listed companies in the Indonesia Stock Exchange in the year 2017. Data of the corporate social responsibility disclosure quality are taken from the environment and social items disclosed in the annual report. Multiple regression analysis is used to analyse the relationship between corporate governance attributes on corporate social responsibility disclosure quality. Findings of this study show that political connections of boards of commissioners, the composition of boards of directors and foreign ownership significantly influence corporate social responsibility disclosure quality.

Key words: *Corporate governance, Corporate social responsibility disclosure quality, Board of directors, Board of commissioners, Public listed companies, Indonesia stock exchange.*

Introduction

In the global context, the term corporate social responsibility (CSR) began to be used in the 1970's and has become increasingly popular, especially after the presence of "Partnership from cannibals with forks: the triple bottom line in 21st Century Business" (2007) by John Elkington. This book explained about developing three important components of sustainable development, namely economic growth, environmental protection, and social equity. The focus of the CSR programs and the practice of applying long-term partnership/ triple bottom line attracted the attention of observers, academics, and CSR practitioners.

CSR is a business practice that is based on ethical values, compliance with legal requirements and respect for people, communities and the environment (Esa & Zahari, 2016). CSR also means conducting business in a way that is economically law abiding, ethical and socially supportive (Carrol, 1979). It has been suggested by Bhimani and Soonawalla (2005), that CSR and corporate governance (CG) are two sides of the same coin. This is because CSR and corporate governance place emphasis on companies to discharge their duties and responsibilities to the stakeholders (Jamali & Rabbath, 2007). CSR and CG are also concerned with the importance of achieving long-term value, which in turn will assist new initiatives to promote CSR (Esa & Ghazali, 2012). Therefore, the role of CSR can be seen as an effort to realise good corporate governance (GCG), good corporate citizenship and good business ethics of a business entity, so that the company not only satisfies the interests of the shareholder, but also has orientation to meet the interests of all stakeholders (Raynard & Forstater, 2002).

In Indonesia, there is a corporate rule consecrated in 2007, known as the Government Act No. 40 year 2007. The legislation has been enforced since August 2007 (Darwin & Guntensperger, 2007). It regulates all companies which exploit Indonesia's natural resources to implement CSR programs by allocating a percentage of the reported revenue for social and environmental activities. Failure to comply with the said rule will make companies subject to the sanction of the government. CSR funds will be treated as operating expenses and thus are exempted from taxes (page no. 74 paragraph 1). In addition, starting from 2016, companies are required by the Otoritas Jasa Keuangan (OJK) Indonesia to disclose their CSR activities in their annual reports (OJK, 2016). However, the "Rancangan Undang Undang" (RUU) does not specifically explain how the CSR should be implemented. Both formats and contents of CSR activities that should be reported are also less visible (Darwin & Guntensperger, (2007); Pratama. I, et al., (2019).

The first issue addressed by this study is to address the lack of study in Indonesia about the corporate social responsibility disclosure (CSRSD) quality encompassing all sectors in Indonesia using the latest GRI index that is relevant to the Indonesian economy. For instance,

Rusmanto and Williams (2015), only studied the extent of CSR quality in the coal and mining sector using GRI 3.1 indicators (EC 1 and EN1-EN30). Secondly, there is a lack of study examining the influences of CG on CSR quality in Indonesian public listed companies (PLC). Thus, the purpose of this present paper is to investigate the relationship between CG and CSR quality in Indonesian PLC's in the year 2017. Generally, the organisational structure of Indonesian PLC's encompasses two-tiers of the board, namely the board of commissioners and the board of directors, in which these two boards directly and jointly serve the companies at the same time. Therefore, Indonesian PLC's are an interesting case for examining the relationship between CG and CSR quality.

The remainder of this paper is structured as follows. The next section documents a short review of the literature on organisational legitimacy theory (LT), stakeholder theory (ST) and agency theory (AT), to validate CSR activities and reporting practice for the firms. A short review of CSR reporting with CG is also addressed. The paper then outlines the development of hypotheses and details of the research method used in the study. The final section reviews the finding of the study, together with the implications and limitations of the study.

Literature Review on Corporate Governance and CSR Disclosure

Richard (2001) stated that proper application of corporate governance (CG) requires great commitment to a set of basic rules on good administrative practice, which are quality of shareholders, gender equity in treatment, the role of stakeholders, disclosure and transparency, and the board of director's responsibilities. Shareholders' equity is achieved through the practice of the right to register and transfer of stock's ownership, attending the general assembly, voting and electing a board of directors, obtaining information on a regular basis and in a timely manner, to exercise control and get return of profits (Lubis et al., 2019). Corporate governance represents institutional arrangements, decision-making mechanisms, and organisational design. The core issue of CG is the principal-agent problem (Jensen & Meckling, 1976), which focuses on the principal, represented by corporate owners, who motivate and monitor the agent, represented by management staff. In fact, corporate governance is concerned with the responsibility of the agent, who should bear the responsibility entrusted by the principal (Hashim et al., 2015). Moreover, the objective of both CG improvement and CSR fulfilment is to enhance corporate legitimacy. Suchman (1995), pointed out that legitimacy is the general understanding and assumption of whether corporate actions fulfil expectations under existing social regulations, values, faith, and concepts. Corporate governance and CSR information disclosure are said to be methods for corporate legitimacy management.

Legitimacy theory (LT) and stakeholder theory (ST) are neither separate nor competitive, but have been developed from the broader political economy viewpoint (Deegan, Rankin, &

Tobin, (2002); Gray et al., (1995); Pratama. I, et al., (2019). This perspective views accounting reports as records of political, economic and social events. Both theories act as a tool to build, maintain and legitimise the political and economic regulations, organisational and ideological groups, which adds to the benefit of the company. According to Guthrie and Parker (1990), disclosures have the capability to transfer the political, economic and social meanings for a pluralistic set of people or groups receiving the report.

In terms of agency theory (AT), a manager of the company is considered to have more internal information and prospects of the company in the future than the owners or stockholders (principal). The manager is obliged to provide a signal about the condition of the company to the owner. However, the information conveyed does not correspond to the actual conditions of the company. The condition known as symmetric or asymmetric information occurs because managers are superior in mastering information compared to the other party (the owner or shareholder) (Ujiyantho, 2004; Lubis et al., 2019; Pratama. I, et al., 2019).

Using a longitudinal approach, Haji Ahmed (2013) examined the annual reports from 2006 and 2009 on the level and quality of CSR companies listed under Bursa Malaysia, which represents events before and after significant changes in Malaysia's business environment, such as the revised CG code and the mandatory requirement of CSR activities in Malaysia. Based on the total sample of 170 non-financial companies over eight sectors, an increase of CSR disclosure from 2006 to 2009 is demonstrated (i.e. from 18% to 31.71%, respectively).

Lungu et al. (2016) examined the extent of 85 companies listed under the Bucharest Stock Exchange. It is found that 39.03% of the Romanian companies do present CSR information, whether in their annual report, in separate statements of CSR reports or by disclosing this information on the company websites.

In Indonesia, Rusmanto and Williams (2015), explored whether KOMPAS 100 companies adopt GRI G3.1 guidelines on disclosure of policies, programs and cost of environment in 2011 and 2012 financial and sustainability reports. Only 9% of the companies disclosed their sustainability report in 2011 and 2012. This indicates that the adoption of sustainability reporting in Indonesia is still low.

Therefore, the following questions arise: which CG factor could affect the disclosure of social responsibility information? Corporate governance characteristics examined in this study were political connection, women's proportion, multi-ethnicity, family ownership, composition of the board and foreign ownership.

Hypothesis Development

Corporate governance (CG) refers to the extensive relationships between the companies and stakeholders or between the companies and society. High levels of corporate governance could safeguard stakeholders' rights and ensure social responsibility. Corporate governance structure is an important way to fulfil enterprise social responsibility and achieve sustainable development. With good corporate governance (GCG) structures, companies could avert unlawful acts or short-term behaviour and would be more willing to disclose social responsibility information to the public, thereby disclosing corporate achievements and attracting more investors (Khan & Muttakin, (2013) Pratama. I, et al., (2019). Hence, having an effective CG structure is the basis for undertaking social responsibility. Certainly, various CG factors have different influences on CSR information disclosure.

In order to test the relationship between CG attributes and CSR disclosure, the hypotheses are developed for five CG characteristics, namely political connections of the board, the proportion of women on the board, multi-ethnicity of the board, family ownership of the board and the composition of the board.

Political Connections of the Board

The study defines political connections by following the approach of social networks, as proposed by Bertrand, Kramarz, Schoar, and Thesmar (2007), Cohen, Frazzini, and Malloy (2008), Fracassi (2016) and Nguyen (2012). A company is connected to a politician if one of its directors shares the same educational background with a politician (Bertrand, Kramarz, Schoar, & Thesmar (2007); Cohen, Frazzini, & Malloy (2008); Fracassi (2016); and Nguyen (2012). Cooper, Gulen, and Ovtchinnikov (2010), mentioned that connection of a network of classmates and alumni clearly based on public information on educational background all politicians and the board of directors. Network coverage is broad enough to represent a population of politicians and directors and avoid clear and specific political connections that are latent conflicts of interest, making it possible to generalise the empirical results. Then, classmate's alumni networks also play an important role in American society (Cooper, Gulen, & Ovtchinnikov, 2010).

In the political connection company, agency conflicts can occur due to the influential political directors having their own interests in the company (Rahman & Ismail, 2016). In addition, there is a stronger motivation than the formation of political connections in more perfect environments, which typically lack the protection of property rights and institutions required by the market supporting private companies (McMillan, 1995). Their representatives at the company are supposed to protect the stakeholders of wealth and resources of the company.

A politically connected company is generally considered a poor CG practice and more at risk, as perceived by the stakeholders such as auditors and lenders (Bliss & Gul 2012). For developing countries in particular, political connection is one of the most preferred mediums to expand the company's network within the country (Osamwonyi & Tafamel, 2013). This can be known with the presence of former delegates from institutions of a government that has been ruled in, though political connections have also been shown to weaken the structure of governance in the organisation and affect the company's performance. Consequently, politically connected companies will have to disclose additional information such as CSR to legitimise their activity in the public's eye. Based on the proposition of the legitimacy and agency theory and empirical research, the first hypothesis of the study is as follows:

H_{1a}: Political connections of the board of commissioners is related to the quality of corporate social responsibility disclosure.

H_{1b}: Political connections of the board of directors is related to the quality of corporate social responsibility disclosure.

Women's Proportion in the Board

The increasing number of women on companys' boards tends to reveal an altruistic attitude that leads to better social behaviour (Krüger, 2009), such as in the context of involvement in donations, environmental and labour relations (Bernardi & Threadgill, 2011). Companies that have at least three women as board members contributed more than 28 percent to CSR funds compared to companies with no women board members (Mullen, 2011). This is due to women being able to improve the quality of the decision-making process and provide more attention to ethical issues and environmental issues (Bernardi & Threadgill, 2011). In the United Kingdom, Liao, Luo, and Tang (2015), found that female representation gives a positive influence on CSR. Therefore, women on the boards are needed to affect the disclosure and control the endogeneity of selection bias (Adams & Ferreira, 2009). It can be inferred that the presence of gender diversity could improve CSR. Based on the above explanation, the following hypothesis is formulated as follows:

H_{2a}: Women's proportion in the board of commissioners is related to the quality of corporate social responsibility disclosure.

H_{2b}: Women's proportion on the board of directors is related to the quality of corporate social responsibility disclosure.

Multi-ethnicity of the Board

Using LT, Carter et al., (2003), found a positive relationship between the percentage of women or minorities on the board (of fortune 1000 US firms) and firm value. They argued

that diversity enhances board independence, as different people with different backgrounds, gender, or ethnicity may ask questions which may not come from a homogeneous group (Carter et al., 2003). Similarly, Bear et al. (2010), argued that an appropriate mix of experience and capabilities of board members is essential, not only in monitoring or evaluating management but also to assess business strategies and their impact on CSR.

Empirical studies which investigated the relationship between ethnicity and the CSRD are very limited. Erhardt, Werbel, and Shrader (2003), Van der Walt, Ingley, Shergill, and Townsend (2006) and Ujunwa et al. (2012) found that boards of directors from diverse ethnic backgrounds has a positive impact on performance. Therefore, we propose the following hypothesis:

H_{3a}: Multi-ethnicity in the board of commissioners is related to the quality of corporate social responsibility disclosure.

H_{3b}: Multi-ethnicity in the board of directors is related to the quality of corporate social responsibility disclosure.

Family Ownership of the Board

According to Brigham and Houston (2006), the managers are given the authority by the owner of the company, i.e. shareholders, to make decisions. Agency relationships occurred when one or more individuals, referred to as principal hired individuals or other organisations, which are referred to as an agent, perform a number of services and delegate the authority to make the decision to the agency (Brigham & Houston, 2006).

The main problem is how the decision to conduct CSR and quality of disclosure is affected by a particular owner's holdings. Consistent with the legitimacy theory, family firms view their ownership as an asset to pass on to their descendants, rather than wealth to consume during their lifetimes (Anderson, Mansi, & Reeb, 2003). Therefore, it is suggested that they foster some kind of socially responsible behaviour (Uhlener, van Goor-Balk, & Masurel, 2004; Deniz & Suarez, 2005; Stavrou, Kassinis & Filotheou, 2007; Block & Wagner, 2010) that build a good reputation (Dyer Jr & Whetten, 2006). Thus, the following hypothesis is proposed:

H_{4a}: Family ownership in the board of commissioners is related to the quality of corporate social responsibility disclosure.

H_{4b}: Family ownership in the board of directors is related to the quality of corporate social responsibility disclosure.

The Composition of the Board

Haniffa and Cooke (2005), asserted that corporate social disclosure practices can be viewed as a policy that is intended to close the legitimacy gap perceived between management and shareholders through the non-executive directors. In addition, independent directors are expected to respond to concerns on the reputation and duties and would generally be more interested in fulfilling the social responsibilities of a company (Zahra & Stanton, 1988) that may support their status and reputation in the community. Therefore, independent directors may be able to put pressure on the firms to provide CSR information in their annual reports. The following hypothesis is proposed:

H_{5a}: The composition of the board of commissioners is related to the quality of corporate social responsibility disclosure.

H_{5a}: The composition of the board of directors is related to the quality of corporate social responsibility disclosure.

Foreign Ownership

Amran and Susela Devi (2008) explained that foreign ownership is the proportion of shares owned by individuals, agencies, governments, as well as its parts that are out of the country. Foreign ownership is measured from a percentage of the number of shares owned by foreign investors (whether an individual, or institution) with the total number of outstanding shares. Relatively few researchers, for example Johnson and Greening (1999) and Barnea and Rubin (2010) have assessed the extent to which the ownership structure explains the firm's social performance.

In particular, since different owners may have different objectives and decision-making horizons, it is worthwhile to study the relationships between the different types of owners and the firm's social performance (Hoskisson, Hitt, Johnson, & Grossman, 2002). Some foreign companies are eager to invest into other countries, driven by the belief that foreign companies have a better chance because they have more financial capability that can be used compared to domestic companies themselves (Buckley & Casson, 1976; Buckley & Casson, 2003; Porter, 2011).

Foreign-owned companies will be more likely to use the company website to disseminate information about their CSR so as to reduce agency conflict between the manager and the owners and foreign information to facilitate access to foreign stakeholders (Firth, Li, & Wang, 2008). Foreign owners which have more information, knowledge, skill and experience could eliminate the agency problems by suggesting more CSR (Patrick, 2001). If the



company has a contract with foreign stakeholders in both ownership and trade, then the company will be better supported in doing the disclosure of CSR (Puspitasari, 2009).

H₆: Foreign ownership is related to the quality of corporate social responsibility disclosure.

Research Methodology

This study uses secondary sources to collect the data. In this paper, secondary data were collected from annual reports gathered from the Indonesian stock exchange (IDX) in Indonesia for the year 2017. Since this study was started in 2018, the year 2017 is chosen because it is the latest available completed data in public listed companies (PLC) in Indonesia containing enhanced CSRD quality. The total number population of PLC in IDX in the year 2017 are around 555 companies. However, the sample of the study is 353 companies after excluding banking and financial firms and companies with missing data. The quality in terms of accuracy of secondary data may be higher than collecting primary data (Stewart & Kamins, 1993), and secondary data provides a permanent source of data and is available in a form that can be checked by others (Descombe, 2003).

The dependent variable of this study is CSRD quality. This paper measured the CSRD quality based on GRI index, which are 25 items complying with the circumstances and the situation of Indonesia. The GRI index included two parts: the environmental and social sections. The environmental index consists of 12 items, while in the social section there are 13 items. The detail of the items is reported Table 1. The items on the index are coded as score one (1) if the company discloses information related to a given item, and coded as score zero (0) if the information is not disclosed. The total score for each company is calculated to generate the CSRD quality for each company. This means that the maximum score for each company should be a score of 25 if they disclose all the items set up by the GRI guideline in their annual report.

Table 1: CSR Disclosure Index Checklist from GRI

GRI Index	Checklist	No. of Items
1. Environmental Standard	a) Materials	2
	b) Energy	3
	c) Water	2
	d) Biodiversity	2
	e) Effluents and Waste	2
	f) Environmental Compliance	1
2. Social Standards	g) Occupational Health and Safety	3
	h) Training and Education	3
	i) Human Rights Assessment	2
	j) Local Communities	1
	k) Customer Health and Safety	2
	l) Marketing and Labelling	2
Total of Items		25

Source: GRI index (2019).

Meanwhile, the independent variables of this study are CG attributes, that are: political connection of the board, women's proportion on the board, multi-ethnicity of the board, family ownership of the board, the composition of the board and foreign ownership. The summary measurement of CG attributes is shown in Table 2.

Table 2: Summary of the Operational Measurement of Corporate Governance Attributes

No	Variables	Acronym	Definition	Operational Measurement
1.	Political Connection of the Board	PCOB	A company connected to a politician or one of its board members shares the same educational background with a politician	A dummy variable coded; 1 if the board has a political connection to the government and 0 otherwise
2.	Women's Proportion on the Board	WPOB	Women's proportion is defined as the percentage of women on the company's board of directors (Dutta & Bose, 2007)	Percentage of woman on the board to total board members
3.	Multi-ethnicity of the Board	MEOB	Ethnicity of the board members, whether they are Chinese or Others	A dummy variable coded; 1 if Chinese ethnicity and 0 otherwise
4.	Family Ownership of the Board	FAOWN	Family ownership is defined as a dummy variable as a proxy for family ownership (Maury, 2006; Basu, Hwang, Mitsudome, and Weintrop, 2007; and Achmad, Rusmin, Neilson, and Tower (2008)	1 for Family members on the board and 0 otherwise
5.	The Composition of the Board	TCOB	Board composition is related to the number of outside directors sitting on the board of a firm and is regarded as a proxy of board independence (Kim, 2007).	The proportion of board independence to total board members
6.	Foreign Ownership	FOROWN	Foreign ownership is determined from the percentage of shares owned by foreign investors (whether an individual, or institution) over the total number of outstanding shares, (Amran and Susela Devi, 2008).	The percentage of the company's shares owned by foreigners

Generally, the governance structure of the Indonesian PLC has a two-tier board: board of commissioners (BoC) and board of directors (BoD). The board of directors is the board that is responsible for the management of the company, running business operations on a day-to-day basis. On the other hand, BoC is responsible for supervising the board of directors in performing their duties and responsibilities to the company (Makarim & Taira, 2012). Both BoC and BoD directly and jointly serve their companies at the same time. Therefore, this study develops a regression model that encompasses BoC and BoD to determine the influence of CG on CSR quality. The regression model is illustrated in Model 1. Multiple regression is used to analyse the model.

Model 1:

$$\begin{aligned} CSR DQ_n = & \beta_0 + \beta_1 PCOBC_n + \beta_2 WPOBC_n + \beta_3 MEOBC_n + \beta_4 FAOWNC_n \\ & + \beta_5 TCOBC_n + \beta_6 PCOBD_n + \beta_7 WPOBD_n + \beta_8 MEOBD_n \\ & + \beta_9 FAOWND_n + \beta_{10} TCOBD_n + \beta_{11} FOROWN_n + \beta_{12} PRFTBLITY_n \\ & + \beta_{13} COMSIZE_n + \beta_{14} CSCSEC_n \varepsilon_n \end{aligned}$$

Where **CSR DQ** denotes the corporate social responsibility disclosure quality, **PCOBC** is political connections of the board of commissioners, **WPOBC** is women's proportion on the board of commissioners, **MEOBC** is multi-ethnicity of the board of commissioners, **FAOWNC** is family ownership of the board of commissioners, **TCOBC** is the composition of the board of commissioners, **PCOBD** is political connections of the board of directors, **WPOBD** is women's proportion on the board of directors, **MEOBD** is multi-ethnicity of the board of directors, **FAOWND** is family ownership of the board of directors, **TCOBD** is the composition of the board of directors, **FOROWN** is the percentage of the companies where shares are owned by foreigners, **PRFTBLITY** refers to the profitability of the company measured by return of equity (ROE), **COMSIZE** refers to the size of the company that is measured by the total assets of the company, **CSCSEC** refers to the company sector that is measured by the group of companies operating in the same segment of the company or share a similar business type and $\beta_0, \beta_1, \dots, \beta_{13}$ are constant term and regression coefficients and ε refers to error term.

Research Finding

Table 3 shows a summary of descriptive results. The mean of CSR D quality is 44.70%, which is considered a moderate percentage of CSR D quality. The minimum value is 0% and the maximum value is 96% which shows a huge deviation, i.e. about 31.27. The percentage of CSR D quality recorded in the study is almost similar to the percentage of CSR D quality found in Taiwan (43.5%) by Chiu and Wang (2015). However, the percentage of CSR D quality obtained in this research is lower than the percentage found in Singapore (48.8%) and Malaysia (47.7%) (Suastha, 2016) and in Kuwait (48%) (Al-Ajmi, Al-Mutairi, & Al-

Duwaila, 2015). On the other hand, the percentage of CSR quality in this research is higher than the percentage of CSR quality in Saudi Arabian non-financial public listed companies (33.4%) by (Alotaibi & Hussainey, 2016).

Compared with a previous Indonesian study by Rusmanto and Williams (2015), it is found that the percentage of CSR quality in the current study is higher, as Rusmanto and Williams (2015) found only 9%. It can be said that the PLC in IDX has significantly improved the practice of reporting CSR quality. The significant improvement in CSR quality reflects the transparency and sustainability of the PLC in carrying out their operations. The company's ability to survive in the economic competition is a reflection of the sustainability of the company itself due to the sustainability of the company giving beneficial information to investors in their investment decision making process, either internal or external investments (Cho et al., 2012). The results of the study show that some PLC in Indonesia are transparent, sustained and well-established in their operations. Therefore, the information is beneficial to stakeholders and investors, as well as shareholders in business expansion and investment decision processes.

Table 3: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
CSRQ	353	.000	96.000	44.70255	31.270892	.067	.130	-1.416	.259
Environment INDEX	353	.00	91.67	36.1420	31.60497	.350	.130	-1.192	.259
Social INDEX	353	.00	100.00	52.4514	33.75794	.025	.130	-1.543	.259
Valid N (listwise)	353								

Findings of the multiple regression on the role of CG on CSR quality in Indonesian PLC are presented in Table 4. The results of the multiple regression analysis of the relationship between CSR and CG attributes reports the F-value of 33.606 and significant at 1%. The adjusted R-Squared values of model is 56.5% (0.565). These values imply that the model can explain 56.5% variation in the extent of CSR quality. Overall, the values imply a good overall fit of the models.

According to Table 4, there is one CG attribute, foreign ownership (FOROWN) which is positively associated with CSR quality. The coefficient of FOROWN shows 0.341 and significant at 1%. Based on the agency theory (AT), the result is similar to the previous studies, which suggests multinational companies and/or its main foreign ownership could gain legitimacy through additional disclosure, which may provide high existence in the long

term. (Barkemeyer, 2007; Suchman, 1995; Susanto, 1992) and Angling (2010) argued that companies with foreign ownership should provide additional disclosures due to great demand from customers, suppliers and the public itself. Therefore, multinational companies with mainly foreign ownership gain legitimacy derived from their stakeholders, which are typically based on the home market (the marketplace operated) that can provide high existence in the long term (Barkemeyer, 2007; Suchman, 1995).

Table 4: Multiple Regression Analysis

Variable	CSRD Quality GRI Index			
	B	Std. Error	t	sig
PCOBC	.412	2.983	.138	.890
WPOBC	-.004	.064	-.055	.956
MEOBC	1.598	2.585	.618	.537
FAOWNC	-1.813	3.073	-.590	.556
TCOBC	-.056	.098	-.573	.567
PCOBD	4.471	3.097	1.444	.150
WPOBD	-.098	.063	-1.562	.119
MEOBD	-1.944	2.507	-.775	.439
FAOWND	-2.707	3.103	-.873	.383
TCOBD	.001	.081	.007	.995
FOROWN	40.816***	2.578	15.834	.000
PROFIT	.328	1.496	.219	.827
COMSIZE	9.867***	1.482	6.656	.000
CSCSEC	8.176***	2.545	3.213	.001
F = 33.606***				
R² = .582				
Adjusted R² = .565				
N = 353				

*** is 1% significance level, ** is 5% significance level and * is 10% significance level

Furthermore, in terms of firm characteristics on CSRD quality, Table 4 shows the value of the company size (COMSIZE) 9.867 similar to the Watts and Zimmerman (1986) argument that the large firms are more exposed to community scrutiny than smaller ones. At the same time, larger companies can get innovative funds at lesser cost through disclosing more information (Botosan, 1997). In addition, company sectors (CSCSEC) 8.176 have a positive relationship on CSRD quality and significance at 1% in line with Abu-Baker and Naser (2000), Hackston and Milne (1996), Patten (1991), Ratanajongkol et al. (2006). Roberts (1992), mentioned that high and low-profile sector classification was chosen because high profile sector was found previously to be related with the high level of CSR disclosure.

Conclusion

The results of the study show that only foreign ownership (FOROWN) of all CG have a significant relationship to CSR quality. While the control variable, company size and company sector have a significant relationship to CSR quality among the PLC in IDX in 2017. This result supports the theory of legitimacy, stakeholder and agency used in this study due to FOROWN having a significant relationship to CSR quality in Indonesia. In summary, the significant relationship between FOROWN and CSR quality indicates that the incentive to use CSR to support the stakeholder's interest should be larger in firms with a high FOROWN. Previous research shows that the magnitude of external shareholders, such as foreign investors, can serve as the active monitor (Chung, Firth, & Kim, 2002; Ferreira & Matos, 2008; Jiraporn & Gleason, 2007; Jung & Kwon, 2002; Yeo, Tan, Ho, & Chen, 2002). Foreign investors have a strong incentive to prevent the manager or owner of a controller who pursue their profits at the expense of other shareholders. Thus, the result of the study is useful to the Indonesian government to develop a strategy to increase CSR from PLC in Indonesia in the future.

Finally, this present study recommends increasing the period of study in future research. The purpose is to extend the scope of study by making comparisons with larger data by year to see the trend of results by sector of the companies, as this would capture different findings and develop foreign ownership as a moderating or mediating effect due to not having any categories with two tiers of the board in Indonesia PLC's management structure.

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