

## THE EFFECT OF CHARACTERISTICS GOOD CORPORATE GOVERNANCE ON AREA OF CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE

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**Abstract:** *The purpose of this study was to determine the effect of the characteristics of good corporate governance on the disclosure of corporate social responsibility (CSR). The population is manufacturing companies listed on the Indonesia Stock Exchange 2020 and a sample of 87 (eighty seven) companies using purposive sampling technique in sampling. The technique of collecting data for this research is from the Indonesia Stock Exchange website, namely [www.idx.co.id](http://www.idx.co.id), company websites and various sources that are relevant to the research topic. Hypothesis testing using multiple linear regression, t test (partial test), F test (simultaneous test), and the coefficient of determination test. The results showed that partially the board of commissioners variable, auditor variable, and public share ownership variable had no effect on the extent of corporate social responsibility (CSR) disclosure, while the audit committee variable affected the extent of corporate social responsibility (CSR) disclosure. The test results based on the simultaneous test show that the variable of the board of commissioners, the variable of the audit committee, the variable of the auditor, and the variable of the public stock have no effect on the extent of corporate social responsibility (CSR) disclosure.*

**Keywords:** CSR, characteristics, good corporate governance, manufacturing companies, BEI

### 1. Introduction

Every company in running its business of course there are some negative impacts caused to the environment, especially the company's environment and its surroundings. In tackling and improving the environment requires a real attitude of responsibility. With this attitude, it will not make significant losses or reduce profits for the company, it will actually lead to profits for the company itself, both in the short term and in the long term (Baxi & Ray, 2012); (Advantage, 2020). Social responsibility is an action taken by companies as a form of their responsibility towards social and environmental (Matten & Moon, 2004); (Lindgreen & Swaen, 2010). The form of action from this form of CSR can be in the form of several actions, such as carrying out activities to improve the environment in the form of cleaning ditches around the company's environment, providing educational scholarships to poor or orphaned children (preferably around the company's environment), providing funds for the maintenance of various public facilities. , as well as the provision of aid funds or donations to be given to the village as well as various social facilities and benefits the community. CSR is a strategy of various companies that accommodates the needs and interests of relevant stakeholders (Bénabou & Tirole, 2010). CSR has emerged since the era of awareness that long-term company sustainability is more important than profitability (Rachman, N.

M., Efendi, A., & Wicaksana, E., 2011). The practice and disclosure of CSR in Indonesia began to develop along with the increasing attention of the global community towards the development of trans-national or multinational companies operating in Indonesia (Visser, Matten, Pohl & Tolhurst, 2010); (Wulandari, K. T., & Wirajaya, 2014); (McWilliams, 2015).

The implementation or application of CSR in Indonesia is also motivated by support from the government, namely the issuance of regulations on the obligation to practice and disclose CSR through the Limited Liability Company Law Number 40 of 2007, articles 66 and 77. In article 66 paragraph (2) section c it is stated that in addition to submitting financial reports, companies are also required to report on the implementation of social and environmental responsibilities. Meanwhile, Article 74 explains the obligation to carry out social and environmental responsibilities for companies whose business activities are related to natural resources. In addition, the obligation to implement CSR is also regulated in the Investment Law no. 25 of 2007 article 15 part b, article 17, and article 34 which regulates that every investment is required to participate in corporate social responsibility. By practicing and disclosing CSR, the company will get its own benefits. As Kotlor and Lee (2005) argue that companies will be encouraged to practice and disclose CSR, because they get several benefits such as strengthening brand positioning, increasing market share and sales, improving image, reducing operational costs, and making it attractive in the eyes of investors. /prospective investors and financial analysts.

The practice and disclosure of CSR is a logical consequence of the implementation of the concept of Good Corporate Governance (GCG), whose principle, among others, states that companies need to pay attention to the interests of their stakeholders, in accordance with existing regulations and establish active cooperation with stakeholders for the long-term survival of the company. In addition, the governance mechanism and structure in the company can be used as a supporting infrastructure for the practice and disclosure of CSR in Indonesia. The existence of governance mechanisms and structures can reduce information asymmetry. To support this, the implementation of GCG must be supported by company organs that must carry out their functions in accordance with the provisions and carry out their duties, functions and responsibilities solely for the benefit of the company (Rahmawati, 2012). The company's organs consist of the General Meeting of Shareholders (GMS), the Board of Directors, and the Board of Commissioners, as well as other company organs that assist in the realization of good governance such as the company secretary, audit committee, and other committees that assist in the implementation of GCG (Wicaksono, 2009). . Many factors affect CSR disclosure. In research conducted by Rahajeng (2010) there are 5 factors that can indicate the effect of CSR disclosure in Indonesia. These factors are public share ownership, size, profile, liquidity and profitability.

## **Hypothesis**

The development of hypotheses for each variable is as follows:

H1 = Board of commissioners has an effect on CSR disclosure.

H2 = The Audit Committee has an effect on the extent of CSR disclosure.

H3 = Auditor has an effect on the extent of CSR disclosure.

H4 = Public Shares have an effect on the extent of CSR disclosure.

H5 = Board of commissioners, audit committee, auditors, public shares have an effect on area CSR disclosure.

## 2. Research Methodology

The population in this study are all companies that are included in the manufacturing industry listed on the IDX for the 2020 period with a research sample of 87 companies. The sampling technique was carried out by purposive sampling with the aim of obtaining a representative sample in accordance with predetermined criteria. The criteria used to determine the sample are as follows:

1. Manufacturing industry companies listed on the IDX during the 2020 period.
2. The Company publishes annual financial statements with the period ending December 31, 2020.
3. Manufacturing companies whose annual reports are presented in Indonesian.
4. The manufacturing company provides information on the implementation of CSR, information on the Board of Commissioners, information on the Audit Committee, and annual financial reports.

The data collection techniques were obtained from the Indonesia Stock Exchange website, namely [www.idx.co.id](http://www.idx.co.id), related company websites and references related to this research as well as the company's official website and various other sources. Hypothesis testing using multiple linear regression test, t test, F test, and test the coefficient of determination (test statistic R<sup>2</sup>).

## 3. Research Results

### 3.1. Multiple Linear Regression Analysis

In this study using multiple linear regression test aims to determine the effect of Commissioners, Audit Committee, Auditors and Public Shares on CSR. Multiple linear regression analysis can be expressed with the following model:  $Y = + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4$

Table 1.  
Multiple Linear Regression Test Results  
Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0,080	0,036		2,238	0,028
commissioner	0,045	0,044	0,128	1,021	0,310
Audit Committee	0,077	0,046	0,206	1,671	0,099
Auditor	-0,005	0,016	-0,034	-0,314	0,755
Public Share	0,000	0,000	-0,032	-0,296	0,768

a. Dependent Variable: Delay

Source: Processed secondary data, 2021

Based on the results of the multiple linear regression analysis above, the regression equations that can be arranged are as follows:

$$Y = + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4$$

$$Y = 0.080 + (0.045X_1) + (0.077X_2) + (-0.005X_3) + (0.000X_4)$$

Information:

Y = Area of CSR Disclosure

X<sub>1</sub> = Commissioner

X<sub>2</sub> = Audit Committee

X<sub>3</sub> = Auditor

X<sub>4</sub> = Public Share

α = Regression constant

The statistical interpretation of the regression equation above is as follows:

- The constant value (a) of 0.080 means that the value of Y (CSR) is 0.080 if the variables of the Commissioner, Audit Committee, Auditor and Public Shares are considered to be zero or constant.
- X<sub>1</sub> = 0.045 means that if the Commissioner variable increases by 1%, then CSR will decrease by 0.045 with a note that other variables are constant.
- X<sub>2</sub> = 0.077 means that if the Audit Committee variable increases by 1% then CSR will decrease by 0.077 with a note that other variables are constant.
- X<sub>3</sub> = -0.005 means that if the Auditor variable increases by 1%, then CSR will decrease by 0.005 with a note that the other variables are constant.
- X<sub>4</sub> = 0.000 means that if the Public Shares variable increases by 1%, then CSR will not increase or decrease with a note that other variables are constant.

### 3.2. Partial Test (t Test)

The t-test is used to test whether the variables of the Commissioner, Audit Committee, Auditor, and Public Shares partially have an influence on CSR or not. The criteria used are rejecting H<sub>0</sub> and accepting H<sub>a</sub> if t<sub>count</sub> > t<sub>table</sub>, and accepting H<sub>0</sub> and rejecting H<sub>a</sub> if t arithmetic < t<sub>table</sub> or by comparing the significance value with the value = 5%.

#### a. Commissioner Test Results on CSR

Based on the calculation of the Commissioner variable the resulting value is 1.021. The t<sub>table</sub> value is 1.663 (df (n-k-1) 87-4-1 = 82, = 0.05), so t<sub>count</sub> < t<sub>table</sub> (1.021 < 1.663). Based on the test of the significance value of 0.310 > 0.05, it can be concluded that the Commissioner variable partially has no effect on the extent of disclosure (CSR).

#### b. Audit Committee Test Results on CSR

Based on the calculation of the variables of the Audit Committee, the resulting value is 1.671. The t<sub>table</sub> value is 1.663 (df (n-k-1) 87-4-1 = 82, = 0.05), so t<sub>count</sub> > t<sub>table</sub> (1.671 > 1.663). Based on the test of the significance value of 0.099 > 0.05, it can be concluded that the Audit Committee variable partially affects the extent of disclosure (CSR).

c. Auditor Test Results on CSR

Based on the calculation of the Auditor variable, the resulting value is -0.314. The value of  $t_{table}$  is 1.663 (df (n-k-1)  $87-4-1 = 82$ ,  $= 0.05$ ), so  $t_{count} < t_{table}$  ( $-0.314 < 1.663$ ). Based on the test of the significance value of  $0.755 > 0.05$ , it can be concluded that the Auditor variable partially has no effect on the extent of disclosure (CSR).

d. Results of Testing Public Shares on CSR

Based on the calculation of the Public Shares variable, the resulting value is -0.296. The  $t_{table}$  value is 1.663 (df (n-k-1)  $87-4-1 = 82$ ,  $= 0.05$ ), so  $t_{count} < t_{table}$  ( $-0.296 < 1.663$ ). Based on the test of the significance value of  $0.768 > 0.05$ , it can be concluded that the Public Shares variable partially has no effect on the extent of disclosure (CSR).

### 3.3. Simultaneous Test (F Test)

This F test is used to test whether the variables of the Commissioner, Audit Committee, Auditor, and Public Shares have a simultaneous effect on CSR. The method of testing in this F test is by using a table called the ANOVA (Analysis of Variance) table by looking at the significance value ( $Sig < 0.05$  or 5%).

Decision making basis:

- If the value of  $sig < 0.05$ , or  $F_{count} > F_{table}$ , then there is an effect of variable X simultaneously on variable Y.
- If the value of  $sig > 0.05$  or  $F_{count} < F_{table}$ , then there is no effect of variable X simultaneously on variable Y.

Table 2.  
F Test Results  
ANOVA<sup>a</sup>

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.041	4	0.010	1.884	0.121 <sup>b</sup>
	Residual	0.451	82	0.005		
	Total	0.492	86			

a. Dependent Variable: CSR

b. Predictors: (Constant), Public Shares, Audit Committee, Auditor, Commissioner

Source: Processed secondary data, 2021

Based on the table above, the calculated F value is 1.884 with a significant value of 0.121. So the conclusion is a significance value of  $0.121 > 0.05$ , then  $H_0$  is accepted and  $H_a$  is rejected, with a value of  $F_{count} < F_{table}$  ( $1.884 < 2.71$ ) with a value of  $F_{table}$  df: , (k-1), (nk) or 0.05 , (4-1), (87-4) = 2.71. So it can be concluded that the Commissioner, Audit Committee, Auditor, and Public Shares simultaneously have no effect on the extent of disclosure (CSR).

### 3.4. Coefficient of Determination Test

The Coefficient of Determination Test is used to measure how far the model's ability to explain the variation of the dependent variable is. The value of  $R^2$  which is close to 1 means that the independent variables provide almost all the information needed to predict the variation of the dependent variable.

Table 3.  
Results of the Coefficient of Determination  
**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted Square	Std. Error of the Estimate
1	0.294 <sup>a</sup>	0.086	0.141	0.07354

a. Dependent Variable: CSR

b. Predictors: (Constant), Public Shares, Audit Committee, Auditor, Commissioner

Source: Processed secondary data, 2021

The results of the calculation for  $R^2$  obtained the coefficient of determination adjusted -  $R^2$  of 0.141. This means that 14.1% of the variations in CSR variables can be explained by the variables of the Commissioner, Audit Committee, Auditors and Public Stocks, while the remaining 85.9% is explained by other factors outside the model studied.

### Discussion of Research Results

a. The influence of the Board of Commissioners on the extent of CSR disclosure

Based on the calculation of the SPSS test of the Board of Commissioners variable, the resulting value is  $-0.314 < 1.663$ , it can be concluded that the Board of Commissioners variable partially does not affect the extent of CSR disclosure.

b. The influence of the Audit Committee on the extent of CSR disclosure

Based on the calculation of the SPSS test of the Audit Committee variable, the resulting value is  $1.671 < 1.663$ , it can be concluded that the Audit Committee variable partially affects the extent of CSR disclosure.

c. Auditor's influence on the extent of CSR disclosure

Based on the calculation of the SPSS test of the Auditor variable, the resulting value is  $-0.314 < 1.663$ , it can be concluded that the Auditor variable partially has no effect on the extent of CSR disclosure.

d. Effect of Public Shares on the extent of CSR disclosure

Based on the calculation of the SPSS test of the Public Shares variable, the resulting value is  $-0.296 < 1.663$ , it can be concluded that the Public Shares variable has no effect on the extent of CSR disclosure.

e. Influence of the Board of Commissioners, Audit Committee, Auditor, and Public Shares on the extent of CSR disclosure



Based on the results of the research conducted, the  $F_{count}$  value is 1.884 with a significant value of 0.121. So the conclusion is a significance value of  $0.121 > 0.05$ , then  $H_0$  is accepted and  $H_a$  is rejected, with a value of  $F_{count} < F_{table}$  ( $1.884 < 2.71$ ) with a value of  $F_{table}$  df: , (k-1), (nk) or 0.05 , (4-1), (87-4) = 2.71. So it can be concluded that the Commissioner, Audit Committee, Auditor, and Public Shares simultaneously have no effect on the extent of disclosure (CSR).

- f. The magnitude of the influence of the Board of Commissioners, Audit Committee, Auditors, Public Shares simultaneously on CSR

In this study, the calculation results for  $R^2$  obtained the coefficient of determination adjusted -  $R^2$  of 0.141. This means that 14.1% of the variations in CSR variables can be explained by the variables of the Commissioner, Audit Committee, Auditors and Public Stocks, while the remaining 85.9% is explained by other factors outside the model studied.

#### 4. Conclusion

Based on the results of the research and discussion of the research above, this research can be concluded as follows:

- The variable of the Board of Commissioners has no effect on the extent of CSR disclosure. This is evidenced by the value of  $t_{count} < t_{table}$  ( $1.021 < 1.663$ ) so it partially has no effect on the extent of CSR disclosure.
- The Audit Committee variable has an effect on the extent of CSR disclosure. This is evidenced by the value of  $t_{count} > t_{table}$  ( $1,671 > 1,663$ ) so it partially affects the extent of CSR disclosure.
- Auditor variable has no effect on the extent of CSR disclosure. This is evidenced by the value of  $t_{count} < t_{table}$  ( $-0.314 < 1.663$ ) so it partially has no effect on the extent of CSR disclosure.
- The Public Shares variable has no effect on the extent of CSR disclosure. This is evidenced by the value of  $t_{count} < t_{table}$  value ( $-0.296 < 1.663$ ) so that it does not affect the extent of CSR disclosure.
- Testing together produces a significance value of  $0.121 > 0.05$ , then  $H_0$  is accepted and  $H_a$  is rejected, with a value of  $F_{count} < F_{table}$  ( $1.884 < 2.71$ ) with a value of  $F_{table}$  df: , (k-1), ( nk) or 0.05, (4-1), (87-4) = 2.71. So it can be concluded that the Commissioners, Audit Committee, Auditors, and Public Shares Simultaneous does not affect the extent of disclosure (CSR).

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