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GOOD CORPORATE GOVERNANCE, COMPANY SIZE, AND PROFITABILITY ON CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE: EVIDENCE FROM INDONESIAN BANKING

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ABSTRACT

This study aims to determine the influence of good corporate governance, company size, and profitability on CSR disclosures. The population of this study is banking companies listed on the Indonesia Stock Exchange in 2019-2021. The sampling technique used is a purposive sampling technique and the final sample is 17 banking companies. Data analysis techniques use classical assumption tests and multiple regression analysis. The results of the study found that, from the results of the t-test, it can be concluded that variable of good corporate governance and profitability has no effect on CSR disclosures while company size has a significant effect on CSR disclosures in banking companies. The results of the coefficient of determination (R2) test showed that the ability of independent variables (good corporate governance, company size, and profitability) in explaining dependent variables (CSR) was 10,8% while the remaining 89,2% was explained by other variables outside the model.

KEYWORDS: Good Corporate Governance, Company Size, Profitability, Corporate Social Responsibility

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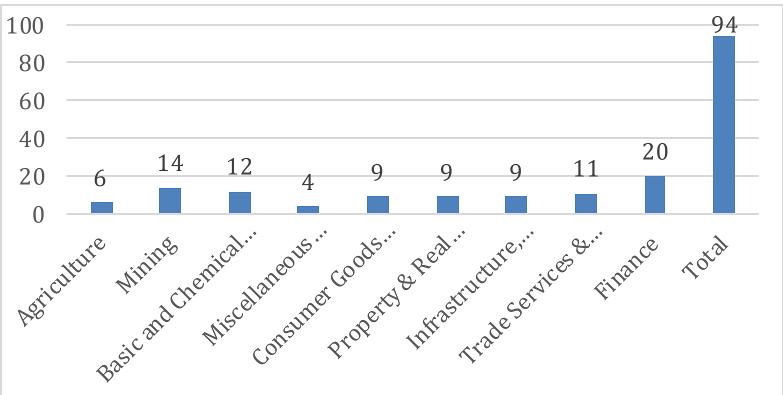
Introduction

Facing the impact of globalization, advances in information technology and market openness have caused a tight competition among business owners. The development of business activities also affects the environment, especially in the company's operational activities for profit. In making a profit, each company is required to follow market demands. In addition, the company is also required to be responsible for its social environment in society. As a result of these demands, Law number 40 of 2007 concerning Limited Liability Companies was issued which regulates social and environmental responsibility where all companies in the natural resources sector are obliged to carry out their social responsibility.

Social responsibility disclosure is often referred to as social disclosure, corporate social reporting, social accounting, or corporate social responsibility emphasizes the disclosure of company information regarding activities carried out related to social aspects of the impact of company operational activities. According to (Ismainingtyas et al., 2020) CSR can be interpreted as a company's moral responsibility to stakeholders, especially from the community or society around the work area and its operations. From a CSR point of view, the measure of a company's success is to prioritize moral and ethical principles, namely getting the best results without harming other community groups.

In the past five years there has been an increase in public awareness regarding the regulations and responsibilities of a company in the community. Therefore, many companies are starting to carry out disclosure of their social activities. Csr disclosures in Indonesia have been widely carried out by several companies because they are considered a form of concern for the interests of stakeholders. This can be shown from the analysis conducted by ESG Intelligence which explains the number of issuers who have made CSR disclosures to the public in 2019. The results of the analysis explained that of the 668 companies listed on the IDX, which had published a sustainability report, a total of 94 companies with 20 companies coming from the financial sector.

Figure 1. Number of Issuers By Sector That Issued Sustainability Report 2019



Source: ESG Intelligence, 2022.

The existence of CSR disclosure not only provides social and environmental benefits but will also have a positive impact on the company's image. A well-formed image will give impetus for the company to increase the existence of the company's brand. CSR disclosure is seen as a means of communication between the company and stakeholders to increase its attention to the company. CSR disclosure is one of the efforts made by the company to compensate stakeholders and improve the company's image. This is in line with the theory of legitimacy, namely companies are required to be able to manage their reputation and be responsive to the environment in which they operate, so as to maintain the sustainability of their business and can increase their profits due to increased good impressions in society.

Legitimacy theory is a theory that underlies the disclosure of CSR in a company and has a close relationship with the theory of stakeholders. Stakeholder theory states that a company is an entity that in its operations is not only for its own interests but also obliged to provide benefits for its stakeholders such as shareholders, governments, suppliers, creditors, the public, and other parties outside the company. The existence of a company is greatly influenced by the support provided by stakeholders so that companies must pay attention to the interests of their stakeholders (Rokhlinasari, 2020).

In its implementation the form of social responsibility of banking companies refers to how banking companies manage their finances. According to Mulyanita (2009), the reason financial companies disclose social reporting is because of a paradigm shift in accountability , namely from management to shareholders to management to all stakeholders (Maknuun, 2020). One example of a banking company that carries out CSR is Bank Mandiri which provides assistance to communities affected by the corona outbreak in the form of 120 food packages and basic necessities with a total value of Rp 6 billion. This activity is not just handing over assistance but in its implementation Bank Mandiri also helps drive the microeconomics by involving small stalls and food agents to prepare the assistance. The news, which was written on kompas.com on June 22, 2020, wrote that the aid was distributed to orphanages and nursing homes as well as to communities whose economies were affected by Covid-19.

There are several factors that influence CSR disclosure such as the implementation of good corporate governance in a company, media exposure, number of shareholders, company size, leverage, profitability, and the number of supervisory boards. Good corporate governance, company size, and profitability were the choices in this study.

Good corporate governance is the first factor alleged to have had an effect on CSR disclosure. GCG aims to supervise the performance of a company and regulate and control the company for the improvement of its performance. The principle of GCG that is in line with CSR disclosure activities is the principle of transparency. According to (Susanto & Joshua, 2019) (Susanto & Joshua, 2019) the implementation of GCG and the relaxation of social responsibility are two things that cannot be separated. This has led to quite a lot of research on GCG and CSR disclosure. In this study, GCG was measured by the number of members of the Board of

Commissioners. The duties of the board of commissioners is to supervise and provide advice to the board of directors so that the company implements GCG. The implementation of good GCG in a company will facilitate control of company management in the disclosure of responsibilities social the company. A good control of the company's performance will also produce a good image in society. The results of the research (Hidayati & Suranta, 2018), (Yusran et al., 2018) and (Sihombing et al., 2020) GCG affect CSR disclosure. The better the implementation of GCG in the company, the higher the pressure on company management to express their social responsibility. On the other hand, if the implementation of GCG is not good, the pressure given to company management to disclose corporate social responsibility will also be low. Based on this explanation, H1 is Good Corporate Governance affects Corporate Social Responsibility Disclosure.

The size of the company is the second factor alleged to have had an effect on CSR disclosures. The size of the company is a scale of determining the size of a company which can be seen through the size of total assets, the number of sales and the market value of shares (Putra & Hermawan, 2021). Investors will put more interest in large entities rather than small ones. In accordance with the theory of stakeholders where a large company will have more share ownership, then with a large number of shareholders, greater financial information is needed. A large company usually means having large assets, large sales, many types of products, sophisticated information systems, and a complete ownership structure, so it requires greater disclosure of information. Research (Purwanto, 2019), (Suyatno & Sondakh, 2019) and (Abidin & Lestari, 2020) company size affects CSR disclosure. The larger the company will encourage potential investors to invest shares in the company, if the stock is higher, csr disclosure will also increase. Based on this explanation, H2 it's Company Size affects corporate social responsibility disclosure.

Profitability is the third factor alleged to have had an effect on CSR disclosure. Profitability is the company's ability to profit by proxy return on assets (ROA). ROA describes the ability of company management in using assets for profit (Aji & Hermawan, 2021). ROA is a ratio that describes the ability of a company to make profit from every rupiah of assets used. It is not uncommon for companies to cause negative impacts on the environment and society while maximizing profit. So the company must provide reciprocity to the community as a form of accountability. Companies that have a high level of profitability can allocate their funds for corporate social activities, so the level of disclosure of corporate social responsibility will also be high. By incurring costs for social responsibility, the company will get a good image in society and it will reflect a greater loyalty to consumers. Research (Wulandari & Zulhaimi, 2019) and (Ismainingtyas et al., 2020) profitability affects CSR disclosure. The higher the level of profitability, the higher the social disclosure. Based on this explanation, H3 it's Profitability affects Corporate Social Responsibility Disclosure.

Method

This type of research is causal associative (Bahri, 2018). The population in this study was 44 banking companies listed on the IDX for the 2019-2021 period. Sample selection using purposive sampling technique with the provision that banking sector companies listed on the IDX during the 2019-2021 period, publish annual reports consistently, obtain profits, and present complete information needed as research samples. The final sample number was 17 enterprises. Types of quantitative data in the form of annual reports and banking financial statements on the IDX. Secondary data sources and technique data collection documentation from IDX publications and official websites of each bank. Research variables and their measurements:

1. Corporate social responsibility (CSR) disclosures are calculated using the Global Reporting standard version 4 (GRI 4) with a total disclosure standard of 91 indicators. The measurement technique by scoring is to give a value of 1 for each item disclosed in the annual report and 0 for the item that is not disclosed. Furthermore, the score of each disclosed item is divided by a total of 91 disclosure indicators as per GRI standard 4.
2. Good Corporate Governance (GCG) is proxied by the number of commissioners. The number of boards of commissioners is measured by calculating the total number of boards of commissioners in the company.
3. Company Size is proxied by Ln Total Assets, which is the total number of assets that the company owns in one period.
4. Profitability is proxied by return on assets (ROA), which is by comparing the balance of net profit after tax on the total assets of the company as a whole.

Result

Data normality is a data distribution test by looking at the level of spread below the normal curve or not through the Kolmogorov-smirnov one-sample approach with a statistical test value of 0.094 and a significance of 0.200 > 0.05, then it can be concluded that the residual data is normally distributed (Bahri, 2018).

Table 1. Normality Test

		Unstandardized Residual
N		51
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.03812752
Most Extreme Differences	Absolute	.094
	Positive	.094
	Negative	-.060
Test Statistic		.094
Asymp. Sig. (2-tailed)		.200[c,d]

Source: Processed data, 2022.

Multicollinearity testing using the calculation of the Variance Inflation Factor (VIF) value that the GCG variable measured using the Number of Board of Commissioners is 1,031, the Company Size variable is 1.023, and the Profitability variable is 1.012. The three variables have a VIF value of less than 10 so it can be concluded that there is no multicollinearity between independent variables (Bahri, 2018).

Autocorrelation testing using run test. The results of the run test show that the test value of -0.00769 and the significance value of 0.202 > 0.05, it can be concluded that there is no autocorrelation.

Sperman's rho correlation was used for the heteroskedasticity assay using a significant value of 0.05 with a double-sided assay. The result of the corelation between the variables GCG, Company Size, and Profitability with Unstandardized Residual value has a Significance of Sig.(2-tailed) more than 0.05 and the signification rate of 0.886 > 0.05 so it can be concluded that no heteroskedasticity occurred.

Testing the coefficient of determination of the adjusted value R^2 0.108 or 10.8%. This value shows the ability of independent variables (GCG, company size, and profitability) in explaining dependent variables (CSR) of 10.8% while the remaining 89.2% is influenced by other variables that are not included in this study.

Table 2. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.402[a]	.162	.108	.03933

Source: Processed data, 2022.

The magnitude of the determinants of independent and dependent variables is calculated through a multiple regression equation with the result: Corporate social responsibility = 0.473 + (-0.003) good corporate governance + (-0.003) company size + 0.617 profitability.

Table 3. Multiple Linear Regression Analysis Test

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.473	.035		13.482	.000
	GCG	-.003	.003	-.139	-1.025	.311
	SIZE	-.003	.001	-.276	-2.041	.047
	ROA	.617	.326	.255	1.895	.064

a. Dependent Variable: CSR

Source: Processed data, 2022.

GCG has a coefficient value of -0.003 and a t-count value of -1.025 with a significance value of 0.311 greater than a = 5% (0.311 > 0.05). This shows that the variable good corporate governance has no effect on corporate social responsibility disclosure, so the hypothesis

proposed, namely *Good Corporate Governance* affects *Corporate Social Responsibility Disclosure,* is rejected. The size of the company has a coefficient value of -0.003 and a t-count value of -2.041 with a significance value of 0.047 less than a = 5% (0.047 < 0.05). This shows that the variable size of the company affects corporate social responsibility disclosure, so the hypothesis proposed, namely *Company Size* affects *Corporate Social Responsibility Disclosure,* is accepted. Profitability has a coefficient value of 0.617 and a t-count value of 1.895 with a significance value of 0.064 greater than a = 5% (0.064 > 0.05). This shows that the profitability variable has no effect on corporate social responsibility disclosure, so the hypothesis proposed, namely Profitability affects *Corporate Social Responsibility Disclosure,* is rejected.

Discussion

The Effect of Good Corporate Governance on Corporate Social Responsibility Disclosure

The test results showed that the variable good corporate governance did not affect corporate social responsibility disclosure. The condition of good corporate governance has no effect on corporate social responsibility disclosure, because the board of commissioners argues that if the company does not disclose its social responsibility, it will not harm the company. The board of commissioners also makes policies regarding the use of profits that are prioritized for the company's operational activities rather than social activities. The Board of Commissioners is more concerned with its supervision of the board of directors in overcoming company problems so as not to put too much pressure on management to make CSR disclosures. The lack of effectiveness of the performance of the board of commissioners causes any number of members of the board of commissioners will not affect the performance of management in company operations including the implementation and disclosure of corporate social responsibility. Therefore, it is necessary to implement good corporate governance that is better for company management in order to carry out its social responsibility. The results of this study support the research (Fahmi, 2019), (Ismainingtyas et al., 2020) and (Khoiriyah & Wirawan, 2021) variable good corporate governance has no effect on the disclosure of corporate social responsibility and is not in line with research (Hidayati & Suranta, 2018), (Yusran et al., 2018) and (Sihombing et al., 2020) which states that good corporate governance affect corporate social responsibility disclosure.

Effect of Company Size on Corporate Social Responsibility Disclosure

The test results show that the company size variable affects corporate social responsibility disclosure. The condition of the size of the company that affects corporate social responsibility disclosure supports the theory of stakeholders who state that large companies will have a larger number of shareholders, then with a large share ownership will require greater financial information. The size of the company affects the disclosure of corporate social responsibility because every large company has a great responsibility to the public and its stakeholders regarding company information, so that the disclosure of financial information and social activities of the company will increase. Large companies usually have more activities and

complexes, so CSR disclosures are carried out by companies to avoid various risks in the future. In addition, large companies show that these issuers are most highlighted by the public, so a wider disclosure of financial information is needed. The larger the company, the higher the initiative in carrying out and expressing its social responsibility. The results of this study support research (Susanto & Joshua, 2019), (Purwanto, 2019) and (Abidin & Lestari, 2020) company size variables affect corporate social responsibility disclosure and are not in line with research (Erwanti & Haryanto, 2017) and (Pare et al., 2017) which state that the size of the company is not affect corporate social responsibility disclosure.

The Effect of Profitability on Corporate Social Responsibility Disclosure

The test results showed that the profitability variable had no effect on corporate social responsibility disclosure. Profitability conditions do not affect corporate social responsibility disclosure, because the profit generated by the company is prioritized for its operational activities and the use for its social activities is smaller. This shows that companies with a high level of profitability do not necessarily allocate their funds to their social and environmental activities, so the level of CSR disclosure carried out is still low. The existence of Law No. 40 of 2007 which regulates social and environmental responsibility, explains that public companies are obliged to carry out their social responsibility, so that the level of profitability does not affect the disclosure of corporate social responsibility in a company. The results of this study support the research conducted (Pare et al., 2017), (Susanto & Joshua, 2019), and (Sya'diyah & Dwiridotjahjono, 2021) profitability variable has no effect on corporate social responsibility disclosure and is not in line with the research (Wulandari & Zulhaimi, 2019) and (Ismainingtyas et al., 2020) which states profitability affects corporate social responsibility disclosure.

Conclusion

Based on the results of the research and discussions that have been described, it can be concluded that good corporate governance and profitability have no effect on corporate social responsibility disclosure while the size of the company has a significant effect on corporate social responsibility in banking companies listed on the IDX for the 2019-2021 period. The limitations and suggestions in this study are as follows:

1. The population is only limited to banking sub-sector companies listed on the IDX so the findings cannot be generalized. For researchers can subsequently use sector companies.
2. The research period taken is only 3 years, namely from 2019 to 2021, so that subsequent researchers are expected to increase the period or period to increase the validity of the test results.
3. The independent variable is limited because it is only based on 3 variables, namely good corporate governance which is proxied by the number of members of the board of commissioners, company size, and profitability. This allows other faktors who actually have a greater influence on corporate social responsibility disclosurse to be overlooked. It is

hoped that researchers will then add other variables such as institutional ownership, managerial ownership, and media exposure.

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