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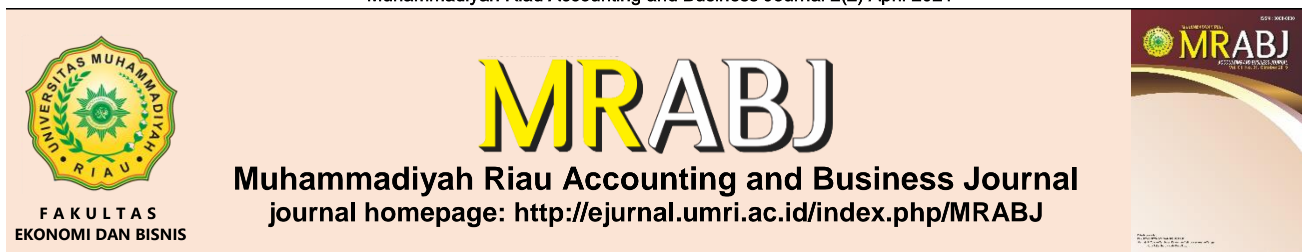

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THE EFFECT OF FIRM SIZE AND CORPORATE GOVERNANCE STRUCTURE ON CORPORATE SOCIAL RESPONSIBILITY DISCLOSURES

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ABSTRACT

The purpose of this study is to empirically prove the effect of firm size and corporate governance structure (such as board of commissioner size, institutional ownership and managerial ownership) on corporate social responsibility (CSR) disclosure. The samples in this study were the mining companies listed in the Indonesia Stock Exchange in 2017-2019 using the purposive sampling method. Based on the criteria, there were 58 samples of research data. The data analysis technique used in this study is multiple linear regression analysis. The results of this study indicated that company size, institutional ownership, and managerial ownership have no effect on CSR disclosure. Meanwhile, the size of the board of commissioners has a positive effect on CSR disclosure.

1. Introduction

Corporate social responsibility (CSR) is one aspect of the company's financial statements. CSR is a corporate social responsibility for the welfare of society and the environment (Pangestika and Widiastuti, 2017). The legal basis related to CSR is written in the Limited Liability Company Law (Undang-Undang Perseroan Terbatas) number 40 of 2007.

CSR disclosure is said to be one of the strategies to maintain good relations with stakeholders which can be done by providing information about the company's performance both in social and environmental aspects. With the disclosure of CSR, it is hoped that it can complement the information needs as a basis for decision-making by stakeholders (Sumaryono and Asyik, 2017).

The companies can develop in a sustainably manner is by balancing the achievement of economic performance with the social and the environment. This means that companies as part of the surrounding community must have high sensitivity and concern for economic, social and environmental issues by carrying out corporate social responsibility.

One of the types of companies referred to in the Company Law is a mining company. Mining companies are companies that operate with significant social and environmental impacts on natural resources. If the operational objective is only concerned with profit, then in carrying out its activities the impact arising from the operational activities of a mining company is damage to the environment around the company itself (Dias, et al. 2016).

In mining companies, the sustainability report is closely related to CSR, where the company's main operational activities are exploiting natural resources which are non-renewable resources in brief, so mining companies must always be more concerned about the social and environmental conditions around the company operating. In Indonesia, CSR practices have received considerable attention. The case in Indonesia is related to problems that arise because companies in carrying out their operations do not pay attention to the conditions and the surrounding environment, especially companies whose activities are related to natural resource management.

In 2019, mining sector shares corrected 12.83% and became one of the movements in the Jakarta Composite Index (IHSG). According to Suryanata (2020), the drop in the mining sector's stock index performance cannot be separated from the drop in coal prices throughout 2019. This was caused by excess supply of coal in the global market. The decline in share prices from a number of these phenomena was caused by pressures in the domestic and global economy. In addition, other factors can also be caused by the company's responsibility to stakeholders. This is because economic conditions are not sufficient to guarantee the value of the company to grow in a sustainably manner.

Based on RTI Business, several coal issuers recorded lower price movements in 2019. PT Bukit Asam Tbk (PTBA) shares price decreased by 38.14% in 2019. Then, the share price of PT Indika Energy Tbk (INDY) fell 24.61%. PT Indo Tambangraya Megah Tbk (ITMG) shares decreased 43.33% throughout 2019. In terms of performance, coal issuers were also said to be poor until the third quarter of 2019. For example, PTBA, which had to give up its net profit, decreased by 21.08%. to Rp 3.10 trillion, as well as PT Bumi Resources Tbk (BUMI) whose net profit decreased 63% to US $ 76 million. Meanwhile, INDY actually experienced a net loss of US $ 8.60 million in the third quarter of 2019.

The decline in share prices from a number of these phenomena was caused by pressures in the domestic and global economy. In addition, other factors can also be caused by the company's responsibility to stakeholders. This is because the economic conditions are not sufficient to guarantee the value of the company to grow in a sustainable manner. So that a company can develop in a sustainable manner is by balancing the achievement of economic performance with its social and environmental aspects. This means that companies as part of the surrounding community must have high sensitivity and concern for economic, social and environmental problems by carrying out corporate social responsibility.

2. Literature Review and Hypothesis Development

2.1 Legitimacy Theory

Dowling and Pfeffer (1975) explain that company legitimacy theory tries to create harmony between the social values that exist in the company's activities with the norms that exist in the social environment where the company is part of the social environment. Legitimacy theory focuses on the interactions between companies and communities. This theory becomes the basis for companies to pay attention to what the community wants and is in line with the current social norms in the company's business activities. In legitimacy theory, companies must also carry out and disclose CSR activities as much as possible so that company activities can be accepted by the community, this disclosure is used to legitimize company activities in the eyes of the community, because CSR disclosure will show the level of compliance of a company (Rosiana et. al, 2013).

2.2 Stakeholder Theory

Stakeholders according to Freeman (1984) are individuals or groups who can influence or be influenced by the organization as an impact that occurs from the company's activities. This theory also states that companies will choose voluntarily in disclosing their environmental, social, and intellectual performance information to be able to meet actual and recognized expectations by stakeholders. Disclosure of social responsibility is one of management's commitments to improve its performance, especially in social performance. Thus, management will get a positive

assessment from stakeholders (Wardani and Januarti, 2013).

2.3 Hypothesis Development

Firm Size and CSR disclosure

Firm size can be interpreted as a scale that identifies the size or size of the company, which is expressed in the total net sales of a company (Rindawati and Asyik, 2015). Based on the theory of legitimacy, a large company will have more activities, so that it will have a greater social and environmental impact than a small company. With more activities, shareholders will pay more attention to the social programs run by the company so that CSR disclosures will be even wider.

H1: Firm size has a positive effect on CSR disclosure

Board of commissioners Sizes and CSR disclosure

The size of the board of commissioners is a form of supervision to provide guidance and direction to company managers or management, because the board of commissioners is the highest executive owner or has power over management to exert influence so that management can reveal the extent of CSR (Fauzyyah and Rachmawati, 2018). In making decisions in accordance with the theory of legitimacy, the board of commissioners must be able to consider existing rules and norms. The board of commissioners has great power in a company, including in CSR disclosure. The larger the size of the board of commissioners in a company, the company will tend to report on a wider range of social responsibilities.

H2: The size of the board of commissioners has a positive effect on CSR disclosure.

Institutional Ownership and CSR disclosure

Institutional ownership is the number of shares owned by a financial institution such as an insurance company, bank, investment or other institutions (Rustiarini, 2010). Based on the theory of legitimacy, this institutional ownership is one of the largest fund owners, so it is necessary to monitor company performance. Performance monitoring can be done by disclosing CSR.

H3: Institutional ownership has a positive effect on CSR disclosure

Managerial Ownership and CSR disclosure

Melati (2014) states that managerial share ownership is the percentage of shares owned by executives and directors. The greater the manager's ownership in maximizing firm value. Then the company manager will disclose social information in order to improve the company image. Based on the theory of legitimacy, a company concern that reports its social responsibility to stakeholders can be viewed as a corporate social contribution. This is also related to the ownership of shares owned by managers in the company, which can affect the extent of CSR disclosure. The greater the share ownership by the manager, the more the manager will increase the value of the company, which will have an impact on widespread CSR disclosure.

H4: Managerial ownership has a positive effect on CSR disclosure.

Based on the description, the framework of this research is as follows figure 1:

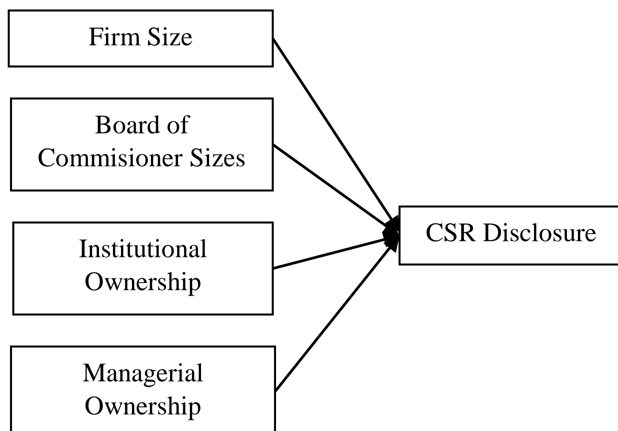

Figure 1. Research Framework

3. Research Methods

This research is a quantitative research. The data used in this research is secondary data and collected using the documentation method. The population contained in this study is mining companies listed on the Indonesia Stock Exchange (BEI) website, namely www.idx.co.id. While the sample was selected using the purposive sampling technique which is a sampling technique with certain criteria. The criteria include:

1. Mining companies listed on the Indonesia Stock Exchange for the 2017-2019 periods.
2. Mining companies that have variable data on company size, board size, institutional ownership and managerial ownership.
3. Mining companies that issue financial reports and annual reports for the periods 2017-2019.

3.1 The Variables Measurement

The measurement uses the CSR Index, where the ratio is the comparison between the sum of all CSR items based on GRI contained in the company's annual report divided by the total items (Sayekti and Wondabio, 2007). Company size can be measured by the natural logarithm of the company's total assets (Nugraha and Andayani, 2013). The size of the board of commissioners can be measured by the number of commissioners (Utami and Rahmawati, 2010). Institutional ownership is measured by the number of shares owned by the institution divided by the number of shares outstanding in the company (Wiranata and Nugrahanti, 2013). Managerial ownership is measured by comparing the number of shares owned by the manager with the number of shares outstanding (Marsono, 2014).

3.2 Data Analysis Technique

The data analysis uses in this study is multiple regression analysis with statistical product and service solutions (SPSS) software. We use the normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test before the data be analyzed with multiple regression.

4. Result and Discussion

4.1 Results

Table 1. The Result Normality Test

	Unstandardized Residual
N	58
Test Statistic	0,067
Asymp. Sig. (2-tailed)	0,200

Source: Data Processed, 2020.

Based on the table 1, it is known that the results of normality testing using the Kolmogorov Smirnov one-sample test have an Asymp significance value. Sig (2-tailed) of 0.200 where this value is greater than the significance value of 0.05. So in accordance with the basis of decision making in the Kolmogorov-Smirnov normality test, it can be concluded that the data is normally distributed. Thus the assumptions or requirements for normality in the regression model are met.

Table 2. The Result Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	**VIF**
1	(Constant)		
	Firm Size	0,627	1,595
	Board of Commisioner Sizes	0,603	1,658
	Institutional Ownership	0,592	1,689
	Managerial Ownership	0,573	1,745

Source: Data Processed, 2020.

Based on the table 2 on the variable company size, board size, institutional ownership and managerial ownership, the tolerance value is> 0.10 and the VIF value <10.00, so it can be concluded that the independent variables in this study are not significantly related to each other or free of multicollinearity symptoms.

Table 3. The Result Autocorellation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,498	0,248	0,191	75,952	2,214

Source: Data Processed, 2020.

Based on the table 3, the Durbin-Watson (dW) value is 2,214, the dU value is 1.7259 and the 4-dU value is 2.2741. This shows the result if the upper limit value of dU is smaller than the value of dW and is less than the value of 4 - dU or 1.7259 <2,214 <2.2741. So as the basis for decision making in the Durbin-Watson test, it can be concluded that there are no autocorrelation symptoms in this study, thus multiple linear regression analysis can be continued.

Table 4. The Result Heteroscedasticity Test

Model		t	Sig.
1	(Constant)	-1,440	0,156
	Firm Size	1,657	0,104
	Board of Commisioner Sizes	0,011	0,991
	Institutional Ownership	-0,028	0,978
	Managerial Ownership	-0,122	0,903

Source: Data Processed, 2020.

Based on the results of the table 4, it is known that the variables of company size, board size, institutional ownership and managerial ownership have a significance value greater than 0.05, thus it can be concluded that the data of this study do not occur heteroscedasticity symptoms.

4.2 Discussion

Firm size has no effect on CSRD

Based on the table 5 shows that the company size variable has a sig value of 0.321> 0.05, the t value is smaller than the t table or 1.002 <1.67356 and the regression coefficient is positive in the direction of 0.009, meaning that company size has no effect on CSR disclosure so that H1 rejected. This is in line with the research of Pradana and Suzan, (2016), Khairunnisa, (2019), and Pratiwi, (2020), which show that company size has no effect on CSR disclosure.

Table 5. The Result Multiple Regression

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	T	Sig.
(Constant)	-161,186	241,423	-0,668	0,507
Firm Size	0,009	0,009	1,002	0,321
Board of Commisioner Sizes	21,821	10,517	2,075	0,043
Institutional Ownership	-0,030	0,048	-0,625	0,535
Managerial Ownership	0,000	0,000	-1,404	0,166

Source: Data Processed, 2020.

Board of commisioner sizes has positive effect on CSRD

The variable size of the board of commissioners has a sig value of 0.043 <0.05, the t value is greater than the t table or 2.075> 1.67356 and the regression coefficient with a positive direction is 21.821, meaning that the size of the board of commissioners has an effect on CSR disclosure, this is consistent with hypothesis which states that the size of the board of commissioners has a positive effect on CSR disclosure, so that H2 is accepted. This is in line with the research of Paramitha and Hermanto, (2016), Dewi and Muslih, (2018), and Fauzyyah and Rachmawati, (2018), which show that board size has a positive effect on CSR disclosure.

Institutional ownership has no effect on CSRD

The institutional ownership variable has a sig value of 0.535> 0.05, the t value is smaller than the t table value or -0.625 <1.67356 and the regression coefficient is negative -0.030, meaning that institutional ownership has no effect on CSR disclosure. refuse. This is in line with the research of Hanny and Nurfrianto, (2016), Yunina and Eftiana, (2017), and Andayani and Yusra, (2019), which show that institutional ownership has no effect on CSR disclosure.

Managerial ownership has effect on CSRD

The managerial ownership variable has a sig value of 0.166> 0.05, the t value is smaller than the t table or -1.404 <1.67356 and the regression coefficient is 0.000, meaning that managerial ownership has no effect on CSR disclosure so that H4 is rejected. This is in line with Sari and Rani (2015), Nurfadilah and Sagara, (2015), and Elvina, et al, (2016), which show that managerial ownership has no effect on CSR disclosure.

5. Conclusion

Based on the results of tests that have been carried out on mining companies listed on the IDX in 2017-2019, Company size has no effect on CSR disclosure in mining companies listed on the IDX in 2017-2019. The size of the board of commissioners has a positive effect on CSR disclosure in mining companies listed on the IDX in 2017-2019. Institutional ownership has no effect on CSR disclosure in mining companies listed on the IDX in 2017-2019. Managerial ownership has no effect on CSR disclosure in mining companies listed on the IDX in 2017-2019.

This study have limitations. First, adjusted R square value in this study is relatively low, namely 0.191. This shows that the independent variables in this study can only explain the dependent variable by 19.1% while the remaining 80.9% can be explained by other variables. So this causes the only variable that can be confirmed in this study is the size of the board of commissioners, while other variables such as firm size, institutional ownership and managerial ownership cannot be confirmed in

this study. So that, future study suggests to adding other broader variables that can affect CSR disclosure, such as earnings management variables, industry type, and others.

Second, in the sampling technique, there was a reduction in data due to incomplete variable data in the annual report, such as institutional ownership and managerial ownership. Further researchers are expected to examine other sectors that have a more complete research data component than the mining sector.

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