The Influence of the Implementation of Good Corporate Governance, Corporate Performance and Company Size on Disclosure of Corporate Social Responsibility

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Abstract: This study looks at how Good Corporate Governance, Company Performance and Company Size affect the disclosure of Corporate Social Responsibility (CSR) and how it affects investor reactions. By using secondary data in the form of annual reports and sustainability reports. The total sampling used in this study were 14 companies. The software used is Eviews 12. This study found that the audit committee, return on assets and company size have an effect on CSR disclosure, while the board of independent commissioners has no effect. However, CSR disclosure has no impact on investor reactions.

Towords: Independent Board of Commissioners (IDK), Audit Committee (KA), Return on Assets (ROA), Company Size (SIZE), Corporate Social Responsibility (CSR), Investor Reaction (RI)

INTRODUCTION

Corporate Social Responsibility is a corporate social activity which in its implementation aims to provide benefits to the community and also the environment around the company which feels the negative impact of the company's operational activities. In accordance with the Law of the Republic of Indonesia Number 40 of 2007 regulates corporate social and environmental responsibility. The Financial Services Authority (OJK) Number 43/POJK.04/2020 regulates company obligations in information disclosure and corporate governance. This means that companies must report on their social and environmental progress, and must ensure that their financial practices are sustainable.

According to Syafnir (Head of the Economic Section of the Regional Secretariat of Pasaman), several palm oil companies do not report their CSR activities. Companies that do not report CSR funds are PT Inkut Agritama, PT Sari Buah Sawit, PT Perkebunan Nusantara VI, PT Agro Wiratama, and PT Bakri Pasaman Sejahtera (AntaraNews, 2019). Some

Indonesian companies are not as good as some Singaporean and Thai companies in terms of implementing Corporate Social Responsibility (CSR). This was conveyed by the Director of the CGIO National University of Singapore Business School. In this social responsibility program, companies use it as a way to carry out activities that are not related to their business (CNNIndonesia, 2016).

Good corporate governance means a company's system for managing risks to protect its investments and fulfill its business objectives. Company performance is a way to measure how well the company has followed financial guidelines (Effendi, 2009).

LITERATURE REVIEW

Good Corporate Governance means that the audit committee has a lot of power to influence how much information is released about Corporate Social Responsibility (CSR). Research conducted by (Wiyuda & Pramono, 2017) has found that when the audit committee is strong, it tends to make companies reluctant to properly disclose their CSR activities.

Previous research (Faza & Utami, 2021) shows that companies with good performance are more likely to disclose their corporate social responsibility (CSR). in a way that enhances their product and corporate image. However, research (Sekajipo, 2010) shows that company size has no effect on CSR disclosure.

Some companies make public commitments to do things like reduce pollution or improve worker safety. This is called corporate social responsibility (CSR). Investors react to CSR disclosure in different ways, depending on their risk tolerance. For example, some investors may be more inclined to give a company a higher share price if it discloses its CSR efforts, while others may choose to sell their shares.

This study looks at whether good corporate governance practices have an impact on corporate social responsibility (CSR) disclosures, and whether a company's return on assets (ROA) is related to the level of CSR disclosure. In addition, this study looks at the impact of company size on CSR disclosure. Some people think that the way investors react to corporate social responsibility disclosures can influence how people view the company.
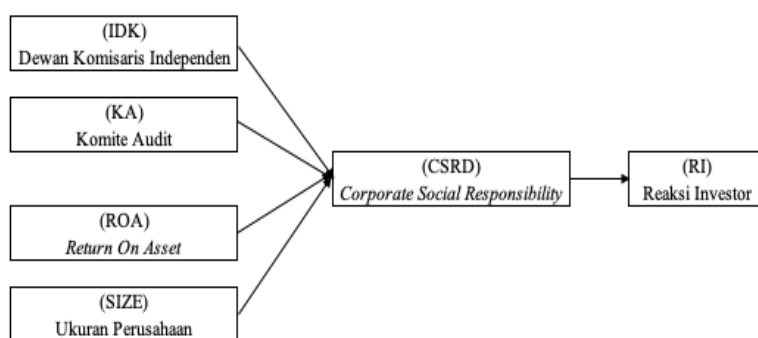

Figure 1. Conceptual Framework

RESEARCH METHODS

The research methodology is quantitative research, which is defined as research that can be measured using a numerical scale and hypothesis testing. The research design uses causal research. The purpose of this study is to find out whether the hypothesis about the effect of the variable is correct, to test the variables Independent Board of Commissioners (X1) Audit Committee (x2), ROA (x3) and Company Size (x4) Regarding Disclosure of Corporate Social Responsibility (Y) and its impact on Investor Reaction (Z) in BUMN Companies and their subsidiaries from 2016 to 2020. This research was conducted in Indonesia using secondary data in the form of financial reports, sustainability reports, and

other related documents. The research data was obtained from the IDX website (www.Indo.Divide. ar) And the official website of the company concerned. Following are the sample selection criteria:

1. State-Owned Enterprises andits subsidiaries are listed on the Indonesia Stock Exchange for the period 2016 - 2020
2. company thatpublished a full annual report for the 2016-2020 period
3. company thatpublished a complete Sustainability Report for the period 2016 – 2020

RESULTS AND DISCUSSION
Descriptive Statistics Test

Table 1. Descriptive Statistical Test Results

Date: 12/16/22
Time: 10:03
Samples: 2016 2020

	Y	X1	X2	X3	X4	Z
Means	0.281790	0.421571	4.428571	0.030031	32.24330	0.004609
Median	0.263700	0.400000	4,000000	0.022550	31.91995	0.001600
Maximum	0.637400	0.710000	8,000000	0.211900	34.95210	0.072900
Minimum	0.044000	0.200000	2,000000	-0.089900	29.88740	0.000400
std. Dev.	0.156565	0.121639	1.257689	0.044170	1.442552	0.010272
Skewness	0.318350	0.625656	0.690936	2.064627	0.605198	4.893552
kurtosis	2.263176	2.459762	2.926044	10.23818	2.158303	30.27288
Jarque-Bera	2.765864	5.418107	5.585526	202.5392	6.339406	2448825
probability	0.250842	0.066600	0.061252	0.000000	0.042016	0.000000
sum	19.72530	29.51000	310,0000	2.102200	2257031	0.322600
Sum Sq. Dev.	1.691378	1.020927	109.1429	0.134619	143.5859	0.007280
Observations	70	70	70	70	70	70

Source: Output Eviews 12

The table above explains that the sample consists of 14 companies for 5 years from 2016 to 2020 so that there are 70 units of observation which are explained by the variables Independent Board of Commissioners (X1) Audit Committee (X2), Return On Assets (X3), Company Size (X4), Corporate Social Responsibility (Y) and Investor Reaction (Z).

Panel Data Regression Model

Table 2. Concluding Results of the Panel Data Regression Model

No	Method	Testing	Model 1 results	Model 2 results
1	Chow test	CEMs vs FEMs	FEM	CEM
2	Hausman test	REM vs FEM	BRAKE	BRAKE
3	Lagrange Multiplier Test	CEM vs REM	BRAKE	CEM

Source: Processed data

Based on the results of the three tests that have been carried out, it is concluded that the panel data regression model that will be used in hypothesis testing and the panel data regression equation is model 1, namely the Random Effect Model (REM) and Model 2, namely the Common Effect Model (CEM).

Classic assumption test

In selecting the panel data regression model in model 1, the Random Effect Model (REM) was selected, which means that the classical assumption test is not required. For model 2 it is necessary to carry out the classical assumption test. Based on the test results the variable value is less than 0.8 so that this model is said to be free from multicollinearity symptoms. And the results of the heteroscedasticity test with the Prob value. The CSRD variable is $0.1799 > 0.05$ so that H0 is accepted, which means there is no heteroscedasticity.

Partial Test t

Table 4. Partial Resultst Model 1

Dependent Variable: Y
Method: Panel EGLS (Cross-section random effects)
Date: 12/16/22 Time: 20:41
Samples: 2016 2020
Period included: 5
Cross-sections included: 14
Total panel (balanced) observations: 70
Swamy and Arora estimator of component variances

Variables	coefficient	std. Error	t-Statistics	Prob.
C	2.201937	0.753526	2.922179	0.0048
X1	0.306896	0.167070	1.836929	0.0708
X2	0.033380	0.016042	2.080816	0.0414
X3	-0.971534	0.447364	-2.171686	0.0335
X4	-0.067244	0.024743	-2.717710	0.0084

at the probability value of each variable, it can be concluded that the prob. The Independent Board of Commissioners is $0.0708 > 0.05$, so Ha is rejected, which means that the Independent Board of Commissioners (IDK) variable in this study has no significant influence on Disclosure of Corporate Social Responsibility. Audit Committee Variables, Return On Assets and Company Size with prob values. below 0.05, which means that these three variables partially have a significant influence on Disclosure of Corporate Social Responsibility, which means that H2, H3 and H4 of this study are proven.

For model 2 Prob value. Corporate Social Responsibility, namely $0.3884 > 0.05$, then Ha is rejected, which means that the Corporate Social Responsibility (CSRD) variable in this study does not have a significant effect on investor reaction, which means that the H1 of this study is not proven.

The Influence of the Board of Independent Commissioners on Disclosure of Corporate Social Responsibility

Based on the results of the t variable test of the Independent Board of Commissioners (IDK) it was obtained with a probability value of 0.0708 ($0.0708 > 0.05$) H01 was accepted and H11 was rejected. The results of the data processing analysis show that the Independent Board of Commissioners (IDK) has no effect on the disclosure of corporate social responsibility.

This shows that the independent board of commissioners has not been able to carry out its function as a balancer of power and within the company for decision making. The lack of competence possessed by the independent board of commissioners is something that can

influence the rejection of this hypothesis, the election of an independent board of commissioners in a state-owned company has not been able to produce good resources.

The proportion of independent board members in BUMN companies is 42% more than the average of 30%, but this is said to be not always good because the competence of independent board members is more important, not just the number.

The Influence of the Audit Committee on Disclosure of Corporate Social Responsibility

Based on the results of the Audit Committee (KA) variable t test, it was obtained with a significance value of 0.0414 (0.0414 <0.05) H02 was rejected and H12 was accepted. The results of the data processing analysis show that the Audit Committee (KA) has a significant positive effect on the disclosure of corporate social responsibility.

The audit committee is a group of people who oversee the financial statements of a company, said to be important because it can help ensure that the company is doing its best to comply with government regulations and remain in good financial condition. In addition, the audit committee can help improve corporate social responsibility programs and ensure that all corporate social activities are disclosed openly. This helps the company's social activities run smoothly and can help maintain its legitimacy.

Effect of Return On Assets on Disclosure of Corporate Social Responsibility

Based on the results of the t variable Return On Assets (ROA) test, it was obtained with a significance value of 0.0335 (0.0335 <0.005) H03 was rejected and H13 was accepted. The results of the data processing analysis show that Return On Assets (ROA) has a negative effect on the disclosure of corporate social responsibility.

Large companies with high levels of ROA will try to maintain their legitimacy in society and try to maintain a good image of the company, therefore companies will use this CSR program as a form of responsibility for society and the environment so as to create a positive impression.

Studies find that high-profit companies don't always have to do social and environmental work, because they may think it's a waste of cash. However, companies with lower profits may have to do more social and environmental work, because they need to conserve resources.

The Effect of Company Size on Disclosure of Corporate Social Responsibility

Based on the results of the t variable firm size (SIZE) test, it was obtained with a significance value of 0.0084 (0.0084 <0.05) H04 was rejected and H14 was accepted. The results of the data processing analysis show that company size (SIZE) has a significant negative effect on the disclosure of corporate social responsibility.

This shows that companies with many customers and a lot of publicity tend to consider the costs and benefits of socially responsible disclosure. The bigger the company, the more it has to spend on social responsibility activities, and in this case the benefits of disclosure will be seen. Large companies have more management involved, which means they are less likely to be able to make a good contribution to socially responsible activities. This can lead to a waste of money as management only focuses on its own interests.

Effect of Corporate Social Responsibility Disclosure on Investor Reaction

Based on the results of the t test variable Corporate Social Responsibility (CSRD) obtained with a significance value of 0.3884 (0.3884 <0.05) H05 is accepted and H15 is rejected. The results of the data processing analysis show that Corporate Social Responsibility (CSRD) has no effect on investor reactions.

This study found that corporate social responsibility (CSR) activities in annual reports have no effect on stock prices. This is because most companies in Indonesia do not disclose their CSR efforts properly, which means that investors cannot use this information to make decisions.

On the other hand, stock players in Indonesia tend to prioritize profit taking so that the main purpose of their role in the capital market is not as an investor but as a trader. This is why sustainable information such as CSR disclosure has not been able to become a focus point for stock players in making decisions to purchase shares.

CONCLUSIONS

Three factors that influence the disclosure of corporate social responsibility are return on assets, company size, and the audit committee. However, these factors have a relatively weak influence on disclosure when compared to other factors.

This research has the implication that, although Good Corporate Governance is weak, Return On Assets and Company Size jointly affect Disclosure of Corporate Social Responsibility, therefore observers of Corporate Social Responsibility issues are welcome to consider the influence of these variables on the extent of CSR disclosure in BUMN companies. .

The partially insignificant effect of Good Corporate Governance and Investor Reaction is most likely due to the insufficient number of samples of 66 companies, where the use of E-views in the analysis tool requires a large sample, therefore it is suggested that the next researcher re-examine with loose sample criteria so that more samples or saturated samples to obtain better results.

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