

Company Characteristics and Corporate Social Responsibility Disclosures: Evidence from Indonesia

IMAM GHOZALI¹, SUGENG WAHYUDI¹, HERSUGONDO¹,
IMANG DAPIT PAMUNGKAS²

¹Department of Management, Faculty of Economics and Business,
Universitas Diponegoro,
INDONESIA

²Department of Accounting, Faculty of Economics and Business,
Universitas Dian Nuswantoro,
INDONESIA

Abstract: - This study aimed to examine the impact of firm attributes on CSR disclosures made by Indonesian manufacturing companies, including profitability, leverage, firm size, age, managerial ownership, and industry type. Manufacturing businesses listed on the Indonesia Stock Exchange comprise the study's population. One hundred thirty-seven companies were included in the study's sample and were observed from 2019 to 2021. Purposive sampling was the technique employed in this study to choose the objects. With SPSS version 26.0, a multiple linear regression analysis was used to create the model. The results of the hypothesis testing show a significant relationship between the type of industry, the company's age, and the disclosures of its corporate social responsibility. However, a strong negative correlation exists between the variable firm size and corporate social responsibility disclosures. According to the study, profitability, leverage, or managerial ownership do not significantly influence disclosures of corporate social responsibility.

Key-Words: - Corporate Social Responsibility, Profitability, Managerial Ownership.

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1 Introduction

Regarding measurement techniques and disclosures used by internal and external stakeholders in achieving sustainable development goals, sustainability financial statements are one type of organizational performance responsibility. Several government regulations, including Law No. 23 of 1997 regarding the Environment, Law No. 40 Article 66 Paragraph 2, and Article 74 of 2007 regarding the duty of corporate social responsibility, support the disclosure of sustainability reports in Indonesia. Additionally, paragraph 9 of Statement of Financial Accounting Standards No. 1's guidance on responsibility for financial statements obliquely encourages the inclusion of value-added and additional environmental reports that disclose responsibility for social and environmental issues. Financial information is a management tool that explains the business's financial performance to creditors, investors, and the government. Mandatory and voluntary disclosures of financial statement information can be categorized. Every company that includes information that must be included in the

financial statements by the applicable standards must abide by the mandatory disclosure provision.

Many interested parties, internal and external, including unions, suppliers, consumers, competitors, non-governmental organizations, and government agencies, protested issues brought on by manufacturing companies, including internal parties like employees and shareholders and internal parties like suppliers and consumers. [1] the Enron case in America has caused companies to pay greater attention to corporate sustainability and social responsibility reporting. Issues related to reputation, risk management and competitive advantage encourage companies to disclose social information. The results of the literature study conducted by [2] show that the motivation of companies to do social disclosures is more influenced by the effort to communicate to stakeholders regarding management's performance in achieving benefits for the company in the long run.

Based on the above research, the researcher wants to find out how far the company goes by supplying social data and factors that affect its decision to disclose social data in the annual financial statements of companies in Indonesia; it is fulfilling its

responsibility to social interests. This study aims to examine information from corporate social responsibility disclosures. To determine the extent of the social responsibility disclosures made by Indonesian manufacturing companies and to identify and analyze the effects of various company traits, including profitability, leverage, firm size, age, managerial ownership, and industry type, on these disclosures.

2.2 Hypothesis Development

2.2.1 Corporate Social Responsibility

The European Community Commission (2001) defines CSR as "a concept where companies voluntarily incorporate social and environmental concerns into their business operations and interactions with stakeholders." Corporate responsibility must be based on the triple bottom line to address social and environmental issues. Since it is becoming increasingly necessary for all businesses in Indonesia to disclose transparent information about their social activities, the role of social responsibility accountants is crucial.

CSR procedures have drawn a lot of interest in Indonesia. Several factors influence this, including deforestation, increased pollution and waste, subpar product quality and safety, overuse of natural resources, mishandled investments, etc.

2.2.2 The Effect of Profitability on Corporate Social Responsibility Disclosures

The relationship between profitability and CSR disclosure has been recognized to reflect the idea that social feedback requires the presence of a manager in the same way that management style is necessary to generate corporate profits [3]. The relationship between profitability and CSR disclosure has been recognized to reflect the idea that social feedback requires the presence of a manager in the same way that management style is necessary to generate corporate profits [3] states that profitability is a factor that makes management free and flexible to express social responsibility to shareholders.

H1: Profitability has a significant effect on corporate social responsibility disclosures

2.3 The Effect of Leverage on Corporate Social Responsibility Disclosures

Leverage is a comparison between funds obtained from outside the company and funds owned by the company. Companies with high financial leverage tend to disclose less CSR; besides that, large companies become highly publicized issuers, and greater disclosure will reduce the main costs as a form of corporate social responsibility [4]. [5] The

leverage ratio analyzes the expenses incurred in debt, the composition of capital, and the company's ability to pay interest and other fixed costs.

H2: Leverage has a significant effect on corporate social responsibility disclosures

2.4 The Effect of Firm Size on Corporate Social Responsibility Disclosures

Large businesses typically have a greater need for public information than small businesses. Due to demand from shareholders and financial market analysts, many shareholders also need more. [6] The annual report will disseminate information about community accountability, and companies that are more important to the community will have shareholders who can pay attention to the social programmes created by the company. Additionally, big businesses are highly commended as issuers whose disclosures go beyond lowering political costs as a form of CSR [7]. Successful research shows the relationship between these two variables is [8], [9].

H3: Firm size has a significant effect on corporate social responsibility disclosures

2.5 The Effect of Company Age on Corporate Social Responsibility Disclosures

Company age is believed to have a positive influence on CSR disclosure. Older companies will be integrated into the community's social system. Legitimacy theory says that if the social and business systems are in harmony, then there is no threat to the company's legitimacy. One way to gain legitimacy is to disclose CSR [10].

H4: Company age has a significant effect on corporate social responsibility disclosures

2.6 The Effect of Management Ownership of Corporate Social Responsibility Disclosures

[11] shows that the higher the level of executive ownership, the higher the incentive to disclose information about the company's activities. In this case, the company's activities are revealed, including the company's CSR program. Management ownership includes shareholders, who, in this case, can be considered owners of the company by management, who are actively involved in making the company's decisions. In the financial statements, this condition is manifested by the percentage of shares owned by the company held by the manager.

H5: Managerial ownership has a significant effect on corporate social responsibility disclosures.

2.7 The Effect of Industrial Type of Corporate Social Responsibility Disclosures

[12], [13] which states that profiling has a positive effect on the disclosure of social responsibility. Leading industries are those that have high consumer visibility, high political risk, or face intense competition. Leading companies attract public attention because their operations intersect with broader interests. Meanwhile, companies with low reputations do not attract public attention.

H6: Industrial type on corporate social responsibility disclosures

3 Method

3.1 Population and Sample

The population of this research are manufacturing companies listed on the Indonesia Stock Exchange. All manufacturing businesses listed on IDX for the observation period of 2019–2021 comprise the population for this study. The authors of this study employed various linear regression analysis techniques to analyze the quantitative data. Purposive sampling was used as the sampling method in this study. Table 1's activity variables:

Table 1. Operational Variable

No.	Variable	Proxy
1.	CSR Disclosures	$CSR_j = \frac{\sum x_i}{n}$
2.	Profitability	$ROA = \frac{Net\ Income}{Total\ assets} \times 100$
3.	Leverage	$Debt\ to\ Equity\ Ratio = \frac{Total\ Liability}{Total\ Equity}$
4.	Firm Size	$SIZE = LN(Total\ Assets)$
5.	Company Age	Company age is calculated from when the company is established until the company becomes a research sample.
6.	Managerial Ownership	Ownership Structure $\frac{The\ number\ of\ shares\ is\ managerial.}{The\ Number\ of\ Shares\ outstanding} \times 100$
7.	Industrial Type	Industrial type is measured using a dummy variable with a score of 1 if the company is included in the high-profile industry and a score of 0 if the company is included in the low-profile industry.

Source: Secondary data processed, 2022.

The dependent variable is the variable that is influenced or insured by other variables. The dependent variable in this study is CSR disclosures. CSR is symbolized by (Y). According to [14], exposures of corporate social responsibility consist of 78 disclosure items covering seven themes comprised of (1) environment and (2). Energy (3). Labor Health and Safety (4). Others Labor (5). Products (6). Community involvement (7). General. Measurement

of CSR by using a dummy variable is a value of 1 if there are disclosures by the GRI indicator and a value of 0 if there are no disclosures or disclosures are not by the GRI indicator. Next, the scores for each item are summed to get the overall score for each company. CSRI's calculation formula is as follows [15]: CSRI: Corporate Social Responsibility Company j, NJ: number of items for company j, NJ = 78 items, Xij: 1 = if the item I is disclosed; 0 = if I is not disclosed, thus, $0 < CSRI_j < 1$.

Table 2. Number of Company Samples

Information	Total
Number of manufacturing companies listed on the Stock Exchange in 2019-2021	147
The company does not issue a complete annual financial report for 2019-2021	(6)
Companies that do not carry out CSR activities during 2019-2021	0
Complete data relating to the variables that will be used in the study is needed.	(4)
Total Sample	137

4. Result and Discussion

Table 3. Test (Partial)

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta		
(Constant)	.291	.039		7.391	.000
Profitability	.185	.300	.043	.618	.538
Leverage	-.331	.271	-.098	-1.222	.226
Firm Size	-.006	.002	-.295	-3.641	.001
Company Age	.005	.001	.631	8.816	.000
Managerial Ownership	-.428	.227	-.134	-1.883	.064
Type of Industry	.068	.012	.401	5.649	.000

Source: SPSS output data processed, 2022

4.1 Profitability on Corporate Social Responsibility Disclosures

The test results show that profitability does not affect CSR disclosures. The significance value indicates that it is 0.538, which means it is more significant than 0.05. So, the hypothesis formulated is not the study's results, so the hypothesis is rejected. This result is supported by research conducted by [16], who did not find a significant effect between profits and corporate social responsibility claims. This result is also based on the legitimacy theory; one of the arguments in the relationship between earnings and the degree of corporate social responsibility disclosure is that when the company has high profits, the company should not be a barrier to reporting. With company information. Company financial success.

4.2 Leverage on Corporate Social Responsibility Disclosures

The test results show that leverage does not affect CSR disclosures. The significance value shows that it is 0.226, which means it is more significant than 0.05. So, the hypothesis formulated does not match the study's results, so the hypothesis is rejected. The absence of leverage influence on the extent of disclosures of corporate social responsibility is in line with the research conducted by [17], [18] view that corporate social responsibility activities as a reduction in profits and institutional demands that are not strong enough make companies in developing countries tend to does not emphasize CSR. High-leverage companies are less free to use company resources for social activities because they risk violating debt contracts. The results of this study are consistent with the research of [18], who found no results that there is a relationship between the level of corporate leverage and the disclosures of social responsibility carried out by the company.

4.3 Firm Size on Corporate Social Responsibility Disclosures

The study results show that the company's benchmarks are sufficient for CSR disclosure. The value of the award is 0.001, which means more success with 0.05. So, the guessed assumptions are opinions that are added with research rewards so that the assumptions are accepted. This is because companies such as emission lines are the most highlighted by the public, so disclosures are more revealing lines of discovery of the contribution of procedures such as corporate social content. The results of this study support the research conducted by [19] that firm size variables affect CSR disclosures; this shows a significant relationship to corporate social responsibility disclosures. The results of [20] research state that the larger a company is, the wider the disclosures of social responsibility.

The results in this study support the research conducted by [21], who succeeded in proving the influence of firm size on corporate social responsibility disclosures. According to [22], Theoretically, the company's strategy will not stem from pressure, and more strategic companies apply more strategic implementation and excesses to most have departmental authorities who look closely at the social calendars that are carried out so that the disclosure of the company's social content will be more comprehensive.

4.4 Company Age on Corporate Social Responsibility Disclosures

The test's findings indicate that the company's age impacts CSR disclosures. As indicated by the significance value, it is 0.000 or less than 0.05. Therefore, the theory is confirmed. This is because more established businesses better understand the data that should be included in the annual report. This study's findings align with earlier studies done by [23], which show that managerial ownership does not affect corporate social responsibility disclosure. This is in line with what [24] stated: the longer the company ages, the more information that can be obtained from the company to minimize uncertainty in the future. Based on the concept of Continuity Improvement by [25], it is explained that every organization will try to improve the company's operational field in a better direction.

4.5 Managerial Ownership on Corporate Social Responsibility Disclosures.

The study's findings indicate that management ownership has no bearing on CSR usage. It is more significant than 0.05, as indicated by the significance value 0.064. As a result, the hypothesis, which was developed using the research output, is rejected. This is due to Indonesia's still very low managerial ownership levels in businesses. Additionally, managerial ownership has no impact on the rise in CSR because management is more concerned with making money for themselves and the business owners than with promoting social responsibility. A company can only have managerial ownership, affecting corporate social responsibility. This result is like previous research, which shows that managerial ownership affects corporate social responsibility research [26].

4.6 Industrial Types of Corporate Social Responsibility Disclosures

The test results show that the type of industry influences CSR disclosures. The significance value indicates that it is 0.000, which means less than 0.05. So, the hypothesis is accepted. This shows that the type of industry has a positive and significant effect on CSR because the type of industry here indicates the differences in the group of companies related to the characteristics possessed by the company related to the business field, business risk, employees owned and the company environment [27]. According to [28], the industrial type variables grouped in high-profile and low-profile industries give significant results; this is due to the high-profile type of company carrying out its activities to modify the Environment and cause a negative social impact on

the community. This result is from the research conducted [28], which examined the influence of company characteristics on social disclosures. The results of the study show that the industrial-type variables have a significant impact on the disclosures of social responsibility.

5. Conclusion

The regression analysis findings indicate that disclosures of corporate social responsibility are unaffected by profitability, leverage, or managerial ownership. Thus, the formulated hypotheses 1, 2, and 5 are not consistent with the findings of the study. The test results demonstrate that the firm's size influences corporate social responsibility disclosures. As a result, the study's findings support the hypothesis, which is why hypothesis 3 is accepted. The study's findings indicate that the corporate age impacts how corporate social responsibility information is disclosed. So, the hypothesis that has been formulated is based on the study's results, so hypothesis 4 is accepted. The test results show that the type of industry influences corporate social responsibility disclosures. So, the hypothesis that has been formulated is based on the study's results, so hypothesis 6 is accepted. The importance of CSR must be found in the company's awareness of the widening gap between prosperity and poverty, both at the global and national levels. Good CSR combines the interests of shareholders and stakeholders. Therefore, CSR should be more focused on the results to be achieved.

5.1 Limitations

This study has limitations that can also be a direction for future research, including There is an element of subjectivity in determining the CSR disclosures index. This is because there is no standard provision that can be used as a reference so that the determination of the index for indicators in the same category can be different for each researcher. This study has a relatively small sample and only identifies six factors that influence CSR disclosures in the company's annual report because of the limitations of research time.

5.2 Recommendation

The recommendations for additional research are based on the study's limitations and include: It is anticipated that future research will be able to use ever-more precise measuring tools, such as those found on the Global Reporting Initiative, that have been modified to the conditions of CSR implementation in Indonesia. These tools will be

used to measure the sustainability report company in Indonesia. The research period can be extended to increase the sample size and add independent variables to CSR disclosures. Considering that factors unrelated to this study account for 32% of the value of the dependent variable.

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Contribution of individual authors to the creation of a scientific article (ghostwriting policy)

Ghozali, Imam finds research ideas.

Wahyudi, Sugeng focuses on phenomena and research GAP.

Hersugondo analyses data and collecting data.

Pamungkas, Imang Dapit Corresponding Author, Submit an article, and Revision article, method, translating and proofreading the article, Mendeley references

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Conflict of Interest

The author declares that there are no political, social, cultural, religious and economic interests related to this research.

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