

The effect of internal corporate governance mechanisms toward corporate social responsibility disclosures: evidence found in Indonesia listed mining industry

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Submission date: 18-Apr-2023 01:21PM (UTC+0700)

Submission ID: 2068110253

File name: APMBA_Josua_Jacky_-_Copy.docx (98.66K)

Word count: 9146

Character count: 53417

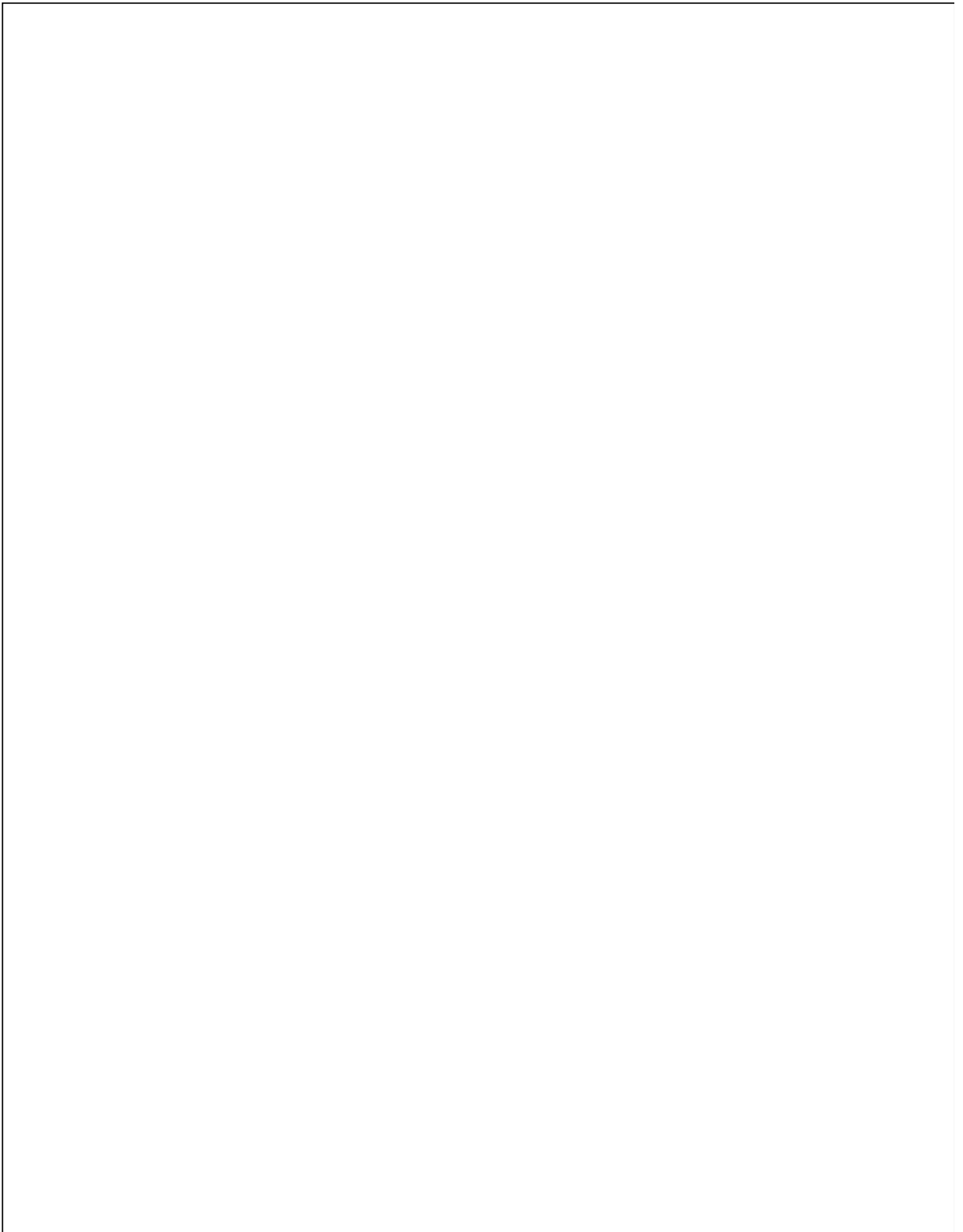
The effect of internal corporate governance mechanisms toward corporate social responsibility disclosures: evidence found in Indonesia listed mining industry

Abstract

This research attempts to scrutinize the impact of managerial ownership, board independence, and female director on board toward the Corporate Social Disclosure Index to observe how a company's internal corporate governance mechanism affects the intensity of CSR disclosure. CSR Disclosure is measured by a standardized approach of GRI G4 Framework as the reporting standard; on the other side, managerial ownership is used as a measurement of shares held by the members of the board, Independent Members on Board is to measure independence level of the board, and female board members for board diversity measurement. CSR Disclosure analysis was undergone on 34 listed mining companies in Indonesia during the observation years of 2016-2020. It is found that Managerial Ownership has a significant negative impact on a firm's sustainability disclosure. In contrast, the remaining variables consisting of Board Independence and Female Directors on Board have an insignificant effect on a firm's sustainability disclosure, with firm size, firm leverage, and firm profitability acting as the control variables. This study expands previous literature on the CSR disclosure level with only the sole impact of board characteristics. This study enhanced this by adding another variable of managerial ownership besides independent board members and female board members. Furthermore, the observation period has also extended from 2016 to 2020 to ensure that the board members and their owners constantly change. This is unarguably important to assess each independent variable's impact on the company's overall sustainability level.

Keywords

Managerial Ownership, Board Independence, Female Directors on Board, Corporate Social Responsibility Disclosure



INTRODUCTION

In this vastly developing business world, it is inevitable that every firm was highly competitive and is determined to outperform those in the same industry. In order to achieve this, companies are continuously demanded not only to boost their economic performance, but also required to perform well socially and environmentally both in short term and long term. Enterprises are encouraged to engage in considerable corporate social responsibility (CSR) practices so as to enhance the trust of their customers, levitate the customer's satisfactory rate, and enable them to attract more loyal customers (Ahmed et al., 2020). Corporate social responsibility is defined as an organization's responsibility for the impacts of its whole activities toward its community and environment. The attractiveness of CSR emerged in several recent works of literature as firms proceed to contribute to societal well-being rather than just solely concentrating on profit maximization (Oh et al., 2017). The needs of this CSR implementation levitates and a variety of companies in different sectors have begun to initiate this principle. Mining companies are no exception due to their bane nature of non-renewable, relatively high physical and social risk, and massive environmental impact in comparison to other commodities.

In the recent years, the reason behind the low CSR disclosure in Indonesia has become an empirical question in many studies. From a variety of previous studies conducted in Indonesia, it has been concluded that CSR disclosures are tremendously correlated with the company's corporate governance implementation. The main role of corporate governance is to maintain the balance between the economic and social goals of every company (Claessens, 2006). Firms with strong

corporate governance mechanisms are apparently better at ensuring ethics and transparency as well as maximizing their shareholders' wealth (Ruangviset et al., 2014). The significance of corporate governance' presence leads to the establishment of various corporate governance code in most countries, not excluding Indonesia. Therefore, it can be inferred that an exceptional CSR implementation is in accordance with a strong standard of the company's governance mechanisms, hence incorporating these social responsibility issues into the corporate governance of a company is undoubtedly essential to ensure that the company is operating both ethically and responsibly (Welford 2007; Spitzack 2009).

Based on prior research underwent by Asian Corporate Governance Association in 2018, the general corporate governance rating of Indonesia was approximately assessed at 34% and Indonesia was ranked last in comparison to other countries within the same Asia region (Asian Corporate Governance Association, 2018). This is then reflected in the ineffectiveness of CSR disclosures in Indonesia. CSR applications have not been effectively implemented in Indonesia in comparison to other countries in the Asia regions (Cheung, 2010). It is mostly due to the common belief that CSR activities are considered to be having the least impact on the financial performance of the company (Devie, Tarigan, Liman & Jie, 2019). In the light of the above statement, implementing CSR activities are having a detrimental impact toward the financial of the company and the resourced accounted for the social activities can be allocated to a better investment decisions and are more capable in levitating the value of the firm (Bhandari & Javakhadze, 2017). This then further developed into lack of boards misunderstanding which perceived CSR as

an additional cost rather than future investment for the company, hence, it is not in line with the company's profit-maximizing objectives (Waagstein, 2010).

In regard to the outcomes of preceding studies which highlight the importance of internal corporate governance towards CSR reporting implementation, the low disclosure of CSR activities can be thoroughly explained by the low GCG implementation in Indonesia's companies (Fahad & Mubarak 2020; Turhan & Eralp 2017). The three main attributes of internal corporate governance to be discussed deeply in this study are managerial ownership, board independence, and board gender diversity. To begin with, managerial ownership is regarded as the company management's part of shares. The word 'management' being applied here, in particular, is referring to the board of directors within the management hierarchy. Observing backward on several initial studies, it was discovered that some amount of shares held by the management has a practical impact on the disclosure of CSR activities (Jo and Harjoto 2011; Ming Jia and Zhe Zhang 2012). On the other side, some distinct previous studies have discovered that there was no notable impact among the ownership of shares by the management and CSR reporting (Khan et al., 2013; Razak & Mustapha 2013). Second, board independence is predominantly about measuring the independence proficiency of the board of the company. This level of independence will be determined by dividing the number of the independent board members to the total members of the board. Previous studies initialized by Said (2013) discovered that there was a constructive impact between the independent board members toward the disclosure of CSR activities. In contrary, distinct early studies found that an increase in outside directors, in fact, lead to a decline in the corporate disclosure of the company

(Gul and Ling 2004). Last but not least is concerning the existence of male members on board. This presence of female board members will be determined by comparing the total amount of female board members to the total members of the board available. From the previous observation, it was suggested that the presence of women directors on board have an enhancing effect on the CSR reporting (Rao & Tilt 2016). However, on the other hand, different previous studies also managed to prove that there is actually no notable relationship (Giannarakis 2014; Khan 2010) and even an opposing relationship (Handajani, Subroto, Sutrisno, and Saraswati 2014) were identified between the female directors on BOD and the CSR disclosures.

LITERATURE REVIEW AND HYPOTHESIS

Stakeholder Theory

This underlying theory mainly emphasizes on the management of an organization and their business ethics which prioritize morals and values in every business activities that they are engaging in. This theory also implied that the long-run establishment and persistent improvement of each business entity are strongly related with the satisfaction of all stakeholders in the company (Laan Smith, 2005). The main principle of this theory is to achieve the objectives of a company by incorporating the opposite interest and demands of various stakeholders group, which include internal stakeholders such as employees and managers, connected stakeholders which include suppliers, customers, shareholders, auditors, and lastly the external stakeholders such as pressure groups and communities (Orazalin & Nurlan, 2019).

Corporate Social Responsibility Disclosure (CSRDi)

Corporate social responsibility disclosure (CSR) is voluntary activities in which companies are demanded to disclose any information regarding their societal responsibility disclosure both in quantity and quality. CSR disclosure is universally identified as non-compulsory actions undergone by a company to integrate both environmental and social matters into their business and toward every stakeholders to achieve sustainability (ACCA, 2015). This concept was originally established as an outcome of combination between the development in the business world and to fulfill the needs of society. This social responsibility behaviour is manifested as a complex procedure which consisted of an enormous amount of activities that is conducted by each stakeholders of the firm. McWilliams and Siegel (2001) and Waldman et al. (2006) have also regarded CSR as an advanced action that might leads to firm development and promote social welfare, although such actions are most likely to override a firm's short-term interests. This study implements GRI G4 standard as an indicator for CSR disclosure. Global reporting initiative is an independent organization which assists companies to take responsibility for the impacts that they made towards the nearby community by providing the general language to express those impacts (GRI, 2020). GRI is widely known for its extensive measurement and comprehensive guideline. There are approximately 91 indicators that need to be disclosed by the company according to the GRI G4 standard lists and this study is applying dummy variables to determine which standards have been fulfilled, and which have not.

16

Managerial Ownership

Management ownership is regarded as the fraction of shares possessed by the directors who are participating in the daily decision-

making process of the company. Referring to the research by Khan et al (2013), this ownership mechanisms provide managers with the authority to take control on the company activities and being involved in the direction strategies development of the company as they are a part of the firms' shareholders. As the stocks held by the managers are significant in value, they are being granted the authority to exercise value-maximizing decisions in the capital structure of the firms. Holding common stocks of the company has also enabled the managers to utilize their voting rights, in particular influencing the board of directors and general policy of the company (Mustapha, 2011). In addition, initial studies discovered that managers are driven to own the company shares so as to encourage more management monitoring (Fleming et al., 2005). This is due to the greater amount of shares that the managers had will accordingly develop their responsibility to improve the shares value. On the other hand, if managers own an insignificant part of the equity in their firms, they will be having a higher intention to deliberately manipulated the financial disclosures, as such disclosures will be affecting the manager's remuneration. Managerial ownership (MO) can be defined from the amount of shares contained by the management divided by the total shares outstanding which the company has.

Independent Members on Board

To guarantee a healthy monitoring process of the executive directors in the company, independent directors' presence are undeniably important. This is due to the nature of independent directors itself as they are not directly connected with the management, major shareholders, or any other affiliated representatives who are having important dealings with the company (Lazaro Rodriguez-Ariza et al., 2017). This

unarguably escalates the effectiveness of company performances as a result of the better monitoring process and more strategic decision-making. However, the independent board also has some disadvantages, as the existence of those independent directors might lead to a higher cost due to the communication breakdown between the stakeholders of the company (Chemweno, 2016). Moreover, board independence might also having some information asymmetry as the independent directors tend to have an access to lesser information than inside directors of the company. Not to mention the fact that they might also not conquering the doable skills and knowledge as an effective board member (CFI, 2020). In this study, board independence²⁹ can be quantified through comparing the number of non-executive board members to the whole members available on board.

Female Members on Board¹⁷

The association in regard to the presence of female directors on board has become the center of attention in the last decades. Take as an example, from the year 2015 to 2020, the number of women having a position as a vice president in America is improving slightly from 23% to 28% (McKinsey, 2020). There²² are some constructive relationships in the involvement of female directors on board, both in financial and non-financial performances. The existence of female directors will indirectly having an impact on the decision made by the company due to broader knowledge, wider perspectives, and more modern approaches towards problem-solving processes²⁴ (Hamed, 2015). In relation to this, Isa and Muhammad (2016) stated that the presence of female on board may attract extensive skills, experience, a different set of behavior rather than those which are solely directed by the male directors. In the light of the

above statement, there were also several¹⁷ prior research observing the impact of female directors on board toward the financial outcomes of the company. A research initiated by Catalyst revealed that the return on investment of several companies which are more gender-diverse was 66% better than those⁶⁸ which are not (Catalyst, 2016). Hence, the existence of women leaders on board will be²⁸ determined through the comparison between the number of women leaders on board to the whole members available on board.

Control Variables

Other aspects which impacted sustainability performance of a company is the firm's profitability, size, and leverage. Firm profitability is mostly measured using the net profit of the company. This is due to⁷ the fact that net profit is the amount gained by the company during the year and reflects the ability of a company in generating revenue. The profitability of a company have an undeniable impact on the sustainability disclosure. Some initial literature mentioned the constructive relationship of⁴⁰ profitability with the reporting of CSR (Haniffa and Cooke, 2005; Said et al., 2009). This is owing to the fact that most highly commercial firms are willing to disclose more information so as to highlight their contribution to the community (Ho and Taylo⁸ 2007).

Firm size is often measured by the total assets that the company own, total sales, and market capitalization. There were several previous studies concluded a supportive relationship of firm size with CSR disclosure (Ghazali, 2007; Husted and Allen, 2007; Said et al., 2009). It has been universally known that wider scale business entities employ more CSR activities than those of small-medium enterprises since they are more likely to have better capital which enables them to afford this massive

financing in CSR activities. Likewise, grand scale firms are more noticeable and this has encouraged them to behave in a more responsible matter (Vurro & Perrini, 2011). Additionally, hefty size companies are more likely to be oversight especially by communities and environmental agencies (Farooq, 2015). Firm leverage is defined as the financing decision that one company made in order to fund their operating processes. Companies with immense leverage are subjected to disclose as much information as it gives higher credibility towards the creditors that the companies are improbable to turn down any claims subjected to them (Ferguson et al., 2002; Naser et al., 2002). These previous studies clearly indicated that higher leverage lead to the higher risks of the firm itself, hence, it is very important to know whether the company is doing adequate social responsibility or not.

Hypotheses Development

By providing a great financial performance, it was believed that firms can greatly enhance their sustainability performance. This financial performance can be measured by calculating the firm's return on equity. Based on the slack resources theory, only companies with last year's excellent ROE (Return on Equity) can have an excess fund to be able to invest on CSP. It is believed that firms who has any previous funds from last year is believed to allocate their remaining resource onto producing a good CSP, as companies who operates in an industry with high environmental impact are more pressured to provide their environmental responsibility through sustainability report (Giron, et al., 2020). Meanwhile, according to utilitarian theory, companies who achieve better ROE in their financial year, would also have a better social welfare maximization, since they would have the most efficient use of scarce

available resources, thus improving the company's CSP. From previous studies, the impact on providing sustainability performance report has been widely proved positive. By doing sustainability reporting, firms can improve their company value (Kuzey and Uyar 2017) and giving signals of a sustainability commitment to stakeholders, creating even more competitive advantage (Uwuigbe et al., 2018). Enhancing the positive connection on CSP, based on the stakeholder theory, relationship between CFP and CSP is also mainly positive, since stakeholders within this industry focuses on the company's sustainability. This theory explains the importance of satisfying the stakeholders demand, one of those can be achieved by providing a sustainability report. By disclosing a corporate sustainability report, it will reduce asymmetric information and provides transparency, thus forging a better relationship with the stakeholders (Nobanee and Ellili 2016). In conclusion, companies who has a higher ROE, will have an excess fund to invest on CSP, thus improving their sustainability. Hence, hypothesis can be derived to conclude the relationship between Managerial Ownership and CSR disclosure.

H1: There is a negative correlation between share ownership by the members of the board and CSR disclosure level.

73 Board independence is the involvement of several directors who have no material interest in the general decision taking by the company. This neutral attribute of independent directors ensures that they will not be having any material interest in the company, thus their actions are highly expectant to be along with the overall stakeholder's objective. According to the stakeholder theory, the structure of the board have an irreplaceable impact on the board's performance including better transparency, a fully functioning monitoring process and

improve the social disclosure of a company (Habbash, 2016; Dias et al., 2017) ; In accordance with this, another study conducted by Ienciu (2012) also managed to prove that independent members' presence on board resulted in a decline in the conflict of interest between the stakeholders of the company. Besides pursuing the success of the corporation, independent directors are also expected to certify that every activity in which the company engages is based on the interest of all stakeholders (de Andres & Vallelado, 2008). It has been affirmed that higher independence improves the quality of boards and this will provide more accurate strategic decisions (Ben-Amar et al., 2013). Moreover, independent board members are also having wider capabilities to attract key resources and enhance supportive association with stakeholders and levitate the good impression of the entity (Certo, Daily, & Dalton, 2001). Some prior evidence on how the independent director's composition on board affected the CSR reporting level is varied. On the one hand, Gul and Leung (2004) proved that there is a destructive correlation between the involvement of non-executive leaders and the level of social disclosure, meanwhile distinct studies reported that there is no notable relationship available between these two variables (Dias et al., 2017). In opposite to this, the existence of independent directors is obligatory in the assessment of management behavior, as it will lead to the incline in the voluntary act disclosure (Cheng et al., 2006; Huafang & Jianguo, 2007; Habbash, 2016). Another research also managed to prove that a more socially-oriented companies tend to have a huge proportion of non-executive members on board as they are able to convince managers in performing ethically and socially (Weber, 2004). Thus, the hypothesis about the relationship between Independent Members

on Board and CSR Disclosure can be derived as follow.

H2: There is a positive association between independent board members and CSR disclosure level.

Board gender diversity is one part of board's characteristics which have been widely observed in previous studies. The condition of a diversified board emphasizes its better perspective on the business surrounding (Miller and Triana, 2009; Triana et al., 2013) and might triggers the board's ability to pay more attention towards variety groups of stakeholder's needs (Harjoto et al., 2014). In relation to this, some distinct prior literature also implies that females directors are widely known for their stakeholders orientation nature, more sensitive towards community matters, and are paying more attention to socially behavioral practices in comparison to their male colleagues, hence, the balance in the gender proportion are constructively impacting the CSR reporting practices of a company (Frias-Aceituno et al., 2013; Ibrahim & Hanefah, 2016; Muttakin, et al., 2015). In addition to this, it was also reported that a firm which consists of a larger portion of women leaders is developing an even better proactive and comprehensive CSR strategy to form a more sustainable environment and decrease the information asymmetry (Gul et al., 2015; Shaukat, 2016). Hence, due to the thoughtful nature of female directors towards ethical issues and greater orientation for stakeholders, a gender diverse board will positively impact the CSR disclosure of the company.

In addition, several prior studies have examined the connection among the presence of woman leaders on board and the CSR disclosure scores. Finally, it was discovered that companies with a huge number of female directors are most likely to engage in social acts than those

companies which have lesser women on board (Williams, 2003). Moreover, a constructive influence of gender diversity in the composition of board towards CSR disclosure and firm reputation has also discovered (Setó-Pamies 2015; Bear et al. 2010). Further, many recent pieces of literature also induced that women's participation on board establishes the best social disclosure practices (Aryssi et al. 2016; Javaid Lone et al. 2016; Shaukat et al., 2016). Nonetheless, there are also few contradictive which revealed some destructive association between the presence of women leaders and CSR disclosure levels (Majeed 2015; Rahman & Ismail 2016). Therefore, the hypothesis about the relationship between Relationship between

Female Members on Board and CSR Disclosure can be derived as follow.

H3: There is a positive association between female members on board and CSR disclosure level

RESEARCH METHODOLOGY

A sample is a fraction of the chosen population which are going to be tested and has a specific criterion that is able to represent the overall data. The sample firms include listed mining entities in Indonesia Stock Exchange from 2016 to 2020. Out of 48 listed mining industries in Indonesia, there are 34 companies of the mining industry were selected. This study applies all secondary data provided by annual reports, sustainability reports, Bloomberg database, IDX, and other reliable sources.

Table 1. Summary of the sample observed

Sampling Criteria	Observations
Companies within the mining industry and are publicly listed in Indonesian Stock Exchange (IDX) from 2016 to 2020	48 companies
Companies within the listed mining sector, but are not regularly listed in Indonesian Stock Exchange (IDX) from 2016 to 2020	(6)
Companies within the listed mining sector, but are not publishing annual report regularly during the period of 2016 to 2020	(7)
Companies that did not publish sufficient environmental disclosure in their annual report during the year 2016 to 2020	(1)
Number of companies which fulfill the criteria	34 x 5 170 firm-

Total sample used (34 x 5)	years
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Henceforth, as seen in Table 1 provided above, the total sample observed that meets the criteria in this research is 34 companies for 5 years, which amounted to 170 firm-year. Corporate social responsibility disclosure index is the dependent variable of this research and is evaluated by implementing GRI G4 standard as the sole indicator. Global reporting initiative is an independent organization which assists companies to take responsibility for the impacts that they made towards the nearby community by providing the general language to express those impacts (GRI, 2020). GRI is widely known for its extensive measurement and comprehensive guideline. There are approximately 91 indicators that need to be disclosed by the company according to the GRI G4 standard lists and this study is applying dummy variables to determine which standards have been fulfilled, and which have not. There are two stages of measurement to be done.

Firstly, by using dummy variable in the measurement, giving a score of 1 for any list of items which the company have complied and a score of 0 for those items that are not performed. Secondly, divide the total number of items that the company have complied with to the total number of items available in the GRI G4 standard's lists. This is measured by the following calculation:

$$CSRDi = \frac{\sum X_{ij}}{n_j} \times 100\%$$

where:

CSRDi : Corporate Social Responsibility Disclosure index

n_j : Total 91 items to be disclosed by a company

X_{ij} : Dummy variable: 1 if item is properly disclosed; 0 if item is not disclosed

Independent variable - Managerial ownership. Management ownership is regarded as the fraction of shares possessed by the directors who are participating in the daily decision-making process of the company. Referring to the research by Khan et al (2013), this ownership mechanisms provide managers with the authority to take control on the company activities and being involved in the direction strategies development of the company as they are a part of the firms' shareholders. Therefore, managerial ownership (MO) can be derived from the amount of shares contained by the management divided by the total shares outstanding which the company has. It can be calculated as:

Managerial Ownership: Amount of shares held by board members/ Total shares outstanding

Independent variable - Independent members on board.

Independent members existence on board are unarguably important to guarantee a healthy monitoring process of the executive directors in the company. This is due to the nature of independent directors itself as they

are not directly connected with the management, major shareholders, or any other affiliated representatives who are having important dealings with the company (Lazaro Rodriguez-Ariza et al., 2017). This unarguably escalates the effectiveness of company performances as a result of the better monitoring process and more strategic decision-making. In this study, board independence can be quantified through comparing the number of non-executive board members to the whole members available on board. Therefore this study has formulated the following equation:

Board Independence: Number of independent board members/ Total number of members available on board

Independent variable - Female members on board.

The presence of female board members have undeniably brought diversity in the board and their way of operation. There are some constructive relationships in the involvement of female directors on board, both in financial and non-financial performances. The existence of female directors will indirectly having an impact on the decision made by the company due to broader knowledge, wider perspectives, and more modern approaches towards problem-solving processes (Adams, 2015). In relation to this, Isa and Muhammad (2016) stated that the presence of female on board may attract extensive skills, experience, a different set of behavior rather than those which are solely directed by the male directors. This will improve the disclosure of sustainability act of every company and hence, this research will calculate gender diversity by the following formula:

Female Board Members: Number of female board members/ Total number of members available on board

Control variables

This particular study is undertaken by controlling several variables that may be impacted by dependent variables, including firm leverage, which measured the ability of a firm to repay its debt, firm size which is represented by the total assets owned by the company, and last but not least, firm profitability which is measured by the net return gained by the company. These variables are chosen as they are proven to have significant impact toward CSRDi. Table II below reveals every variables used accompanied by their definition, as well as the data source used in this study.

Table 2 Variable definitions and data source

<i>Variable(s)</i>	<i>Definitions</i>	<i>Data Source</i>
Corporate Social Responsibility Disclosure (CSRDi)	Sustainability performance of a company measured using GRI G4 standard	Annual Report and Reliable Websites
Managerial Ownership (MO)	amount of shares owned by the board members representing the shares ownership diversity of the company	Annual Report and Bloomberg
Board Independence (IND)	The amount of non-executive board members as a fraction of the entire board members to represent the board structural diversity of the company	Annual Report
Female Members on Board (FEM)	The fraction of women board members in contrast to the entire number of board members to reflect the board demographic diversity of the company	Annual Report
Firm Profitability (ROA)	The amount of annual profit compared to the total sales earned	Annual Report / Financial Statement and Bloomberg
Firm Size (SIZE)	Natural log of total assets	Annual Report / Financial Statement and Bloomberg

Firm Leverage (LEV)	The amount of debt which the company has to finance assets	Annual Report / Financial Statement and Bloomberg
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This research aims to observe whether the three internal governance factors including managerial ownership, board independence, and female board members have positive, negative, or insignificant impact on CSR disclosure index of Indonesia's listed mining firms. Further analysis is also undertaken to decide whether the control variables of profitability, size, and leverage affect the CSR disclosure index. Henceforth, the following model is established:

$$CSRDi = \alpha + \beta_1 MO + \beta_2 IND + \beta_3 FEM + \beta_4 PROFIT + \beta_5 SIZE + \beta_6 LEV$$

So as to obtain a valid regression model, this study employs heteroscedasticity and multicollinearity test so that the outcome can be considered as BLUE (Best Linear Unbiased Estimator). Heteroscedasticity are circumstances where the variances of errors are different within distinct elements of a vector. Therefore, it is significant to test the variability, whether it exists and equal within the range of a second variable or not. On the other side, Multicollinearity test can be elucidated as a test to analyse the linear relationship among independent variables towards the multiple regression model with a stunning level of accuracy. multicollinearity test can be conducted by using Variance Inflation Factor. The minimum value for VIF is 1. Values larger than 10 may indicate a collinearity problem.

RESEARCH RESULT AND ANALYSIS

Table 3 explains the descriptive statistics of each variable used in this study. The table consists of the mean, median, standard deviation, minimum, and maximum value. It reports the values for the regression model where it uses contemporaneous values of

PROPER for environmental risk management, stock return, ROE, and CSRI for corporate sustainability performance with 144 41 firm-year investigations. Regarding the independent variables used in this study which are female members on board, board independence, and managerial ownership have their own statistical value. Female members on board as one of the independent variable indicates 1 an average value of 0.065235, a median of 0.00, and standard deviation of 0.085713. The minimum value of 0 can be found from DEWA, GEMS, KKG, MYOH, PTBA, APEX, ELSA, ESSA, ANTM, BRMS, CITA, MDKA, PSAB, and TINS. Meanwhile the maximum value of 0.33333 can be obtained from DSSA in 2018. Independent members on board 1 as an average value of 0.25952, a median of 0.25, and standard deviation of 0.088130. The minimum value of 0 can be found from DKFT in 2016, on the other hand, the maximum value of 0.55556 can be obtained from DOID in 2017 and 2018. Managerial ownership of the board has 1 an average value of 0.063602, a median of 0.000933, and standard deviation of 0.17855. The minimum value of 0 can be found from BUMI, DEWA, GEMS, MYOH, SMMT, TOBA, ELSA, MITI, RUIS, BRMS, CITA, INCO, and SMRU. In contrast to this, the maximum value of 0.9561 20 can be obtained from PSAB in 2018. Corporate social responsibility disclosure index as the dependent variable of this study has 1 average value of 0.29593, a median of 0.27473, and standard deviation of 0.12251. The minimum value of 0.065934 was in favor of MITI in 2020, on the other side, the maximum value of 0.82418 was achieved by TINS in 2016. Nonetheless, there are a total of 6 aspects within the GRI G4 standard that all of the companies would need to comply. These would include economy, environment, social, human rights,

communities and responsibilities. The maximum value are 0.8889, 0.8235, 0.8750, 0.8333, 0.9091, 0.7778 for each of the sector respectively. This maximum amount should be one, however the result in this study indicated that even the maximum amount is still below one and all companies have failed to fully comply with the GRI G4 standard' lists. On the other side, the minimum value for these aspects are 0.1111, 0.02941, 0.1250, 0, 0, 0 accordingly. This minimum value of even 0 in several aspects reveal that companies still not putting adequate attention towards human resources, communities, and company responsibility aspect. Moreover, the highest mean average can be derived from economy sector with 0.5196 meanwhile the lowest can be retrieved from human rights aspect with 0.1412. 5 Furthermore, the descriptive statistics for the control variables including the firm size, firm profitability, and 14 m leverage will be thoroughly discussed. First of all, firm size as the natural logarithm of total assets owned by the company has an average value of 22.611, a median of 22.752, and a standard deviation of 1.4249. The maximum value of 25.351 can be derived from ADRO in 2018, in contrast, the minimum value of 17.134 can be extracted from MITI in 2020. Secondly, firm leverage as the consequential control variable has 8 average value of 0.287677, a median of 0.282156, and standard deviation of 0.22125. The maximum value of 1.7116 46 extracted from BUMI in 2016, in comparison to this, the minimum value of 0.000029 can be derived from INCO in 2020. Lastly, firm profitability as the third control variable has 8 an average value of 0.03444, a median of 0.02925, and standard deviation of 0.16016. The maximum value of 0.4348 can be obtained from BYAN in 2018, however, the minimum value of -1.5383 can be gained from MITI in 2019.

13
Table 3. Descriptive Statistics

Indicators	Mean	Median	Std. Deviation	Minimum	Maximum
BOARD_FEM	0.065235	0.00000	0.00000	0.33333	0.085713
BOARD_IND	0.25952	0.25000	0.00000	0.55556	0.088130
BOARD_MO	0.063602	0.00093343	0.00000	0.95610	0.17855
CSRDi	0.29593	0.27473	0.065934	0.82418	0.12251
CSR_ECONOMY	0.5196	0.5556	0.1111	0.8889	0.1248
CSR_ENVIRONMENT	0.2675	0.2059	0.02941	0.8235	0.1707
CSR_SOCIAL	0.4257	0.4375	0.1250	0.8750	0.1449
CSR_HR	0.1412	0.08333	0.0000	0.8333	0.1332
CSR_COMMUNITIES	0.2706	0.2727	0.0000	0.9091	0.1652
CSR_RESPONSIBILITY	0.1863	0.1111	0.0000	0.7778	0.1488
FIRM_SIZE	22.611	22.752	17.134	25.351	1.4249
FIRM_ROA	0.034440	0.029250	-1.5383	0.43480	0.16016

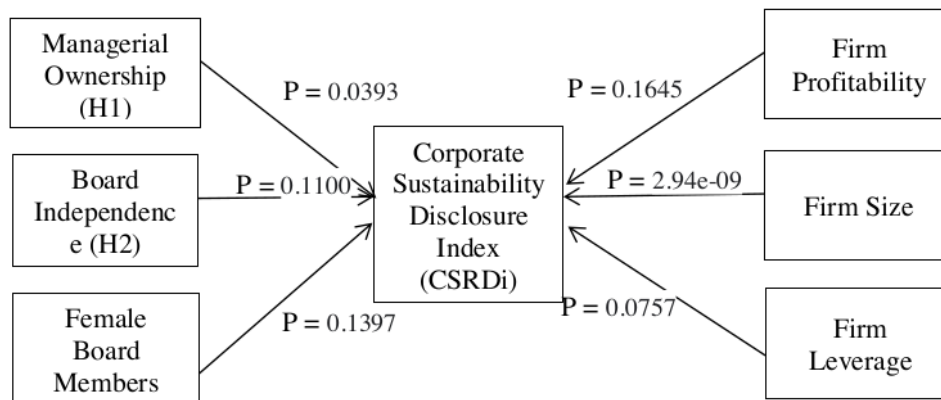


Figure 1. Structural model results

Indicators	Coefficient	Std. error	t-ratio	P-value
const	-0.810818	0.200031	-4.053	<0.0001
BOARD_IND	-0.122079	0.0763964	-1.598	0.1100
BOARD_FEM	-0.158033	0.106990	-1.477	0.1397
BOARD_MO	-0.106622	0.0517263	-2.061	0.0393
FIRM_SIZE	0.0519709	0.00875653	5.935	<0.0001
FIRM_LEV	-0.0621398	0.0349837	-1.776	
FIRM_ROA	-0.0509828	0.0366730	-1.390	0.0757
Mean		39	0.122506	0.1645
Dependent Variable	0.295928	S.D. Dependent Variable	0.0921	
Sum Squared Residual	1.393140	S.E. of Regression	-320.281	
Log-likelihood	167.1407	Akaike criterion	4	
Schwarz criterion	-298.3308	Hannan-Quinn	-311.374	
rho	0.179874	Durbin-Watson	1	
			1.140580	

31

Table 4 Random Effect Model results

Regression of the model is constructed by applying the GRET software and is applying one of the three proposed regression model: Pooled OLS, fixed effect, and random effect. Post checking the heteroscedasticity and multicollinearity problem, it appeared that there are no heteroscedasticity nor multicollinearity problem exist. This means that the random effect model can be employed in this study.

(H1) In accordance with the regression outcome using random effect model, managerial ownership have a negative impact toward the CSR disclosure index which is measured using the GRI G4 standard. The outcome reveals that the p-value of this relationship is 0.0393. The meaning behind this result is that the more ownership that the board members retain, then the social disclosure of the corresponding firm will also be lower. Consequently, hypothesis 1 of this paper is accepted as it also reveals a negative impact. The result of this test implies that the more shares that the board members of a company own will lead to a worsening CSR disclosure that the company made in their annual report.

The negative relationship outcome with the corporate social responsibility disclosure is supported by previous literature of Nurleni nurleni, Agus Bandang, and Darmawati (2018), as well as the latest literature by Dian Novitasaria, Yustrida Bernawati (2020). The result of this research indicated proved that the more shares that the board members own in the company under their management will lead to a bane behavior of maximizing their individual profit. This will further lead to low elaboration of the whole stakeholders interests and endangered some of their interests, including the surrounding environment and society as a whole. This is mainly due to the authority of the board members as the policy-makers of the sustainability disclosure tend to reduce the environmental act that the company engage in to lower the cost that the company incurred. This will levitate the overall profitability level of the

company and may also improve the earning from the investment that they had on the company.

Henceforth, a significantly high managerial ownership may also result in a phenomenon identified as entrenchment effect. This effect implies that whenever there is a too high ownership by the board, they are able to use excessive power in the decision making of the company. This would put them in a beneficial position to govern the whole company, hence other stakeholders nor any external parties do not have the adequate power to set the boundaries of the board members action. This then will also impact the sustainability disclosure of the company as the board members may have their own interest and it is in conflict with the other stakeholders' interests.

Last but not least, the negative outcome is also strengthened by the fact that there is a different approach and perception of the board members toward the sustainability disclosure. This is mainly because in most developed country, sustainability performance is a part of strategic decision to improve the financial performance therefore they are willing to spend more resources in these activities. On the other side, a developing country like Indonesia, is not yet able to adequately incorporate social disclosure as a company strategy, hence, lead to a negative relationship in this study.

(H2) According to the regression model outcome of random effect model, independent board members have no significant relationship toward the CSR disclosure index of a company. The result shown a p-value of 0.11 which is higher than the significance value of 0.1. This indicates that there is no notable relationship between the existence of independent board members and CSR disclosure activities of the company. Accordingly, hypothesis 2 of this paper is rejected as original hypothesis implies that there is a positive significant impact between the independent board members and CSR disclosure level. In other words, any additional or reduction in the

proportion of independent board members will not have any significant impact to the CSR disclosure index of the company.

Originally, the presence of more independent board members will lead to a greater compliance with good corporate governance requirements. In other words, their independent nature will bring a positive impact on the CSR disclosure level. However, in this study there is an insignificant impact between the two variables. There are several factors on why this occurs. First, the independent board members do not have diversified educational background. This is reflected in the similar backgrounds of the independent board members being analyzed. This is mainly because if the independent board members are not adequately knowledgeable regarding the sustainability policy they might not be able to apply appropriate practices required. Therefore, as being said previously, having independent board members with diversified educational backgrounds are indeed beneficial for social disclosure since they are having more capabilities to face the complexities of CSR.

In addition to this, as being stated prior in this study, the minimum independent board members proposition in the company to be considered as effective is one-third of the total board members. This is not reflected in this study as the average number of the independent board members being examined is approximately 25% or one-fourth of the total board members. This leads to inability in exercising their role properly and thus, depletes the CSR disclosure of the corresponding company.

(H3) In preference to the regression model result of random effect model being shown earlier in this study, it can be deduced that the presence of female directors and commissioners in the proposition the board have insignificant influence toward the overall CSR disclosure index of a company. The outcome discloses a p-value of 0.14 which is higher than the significance value of 0.05. This emphasizes that there is no

remarkable relationship between the female board members and CSR disclosure activities of the company. Henceforth, hypothesis 3 of this particular research is also rejected as original hypothesis surmised that there is a positive significant impact between the female board members and CSR disclosure level.

The existence of female board members are deemed to be more lucrative in generating favourable social disclosure policy due to their sensitive nature and allocation of more attention toward environmental investment of the company under their supervision. Nonetheless, the findings of this study implies that there is an insignificant impact between the two variables and these are supported by the previous literature by Giannarakis and Grigoris (2014), as well as Khan (2010). The result emphasizes that even though the presence of woman board members bring more values for the company, they may not necessarily levitate the sustainability disclosure level.

There are several reasons for this insignificant impact toward the CSR disclosure level. First of all, this might be due to the fact that both woman and man directors have similar educational backgrounds and they are having identical way of approaching the societal expectations and disputes. Moreover, most of the samples in this study have very low female board members proposition, mostly being none or one female board members only. This has also impacted the social disclosure practices of the company as if the number of the female board members are too minor in comparison to their male colleagues, their presence became irrelevant in the decision making process of the policy in the company, including the social disclosure policy that the company will engage in.

CONCLUSIONS AND SUGGESTIONS

The legitimate purpose of this research is to observe the impact of female board members, independent board members, and share ownership of the board members as part of internal

governance mechanism toward the corporate social responsibility disclosure of a company.

The result of this study indicates that managerial ownership have a negative significant relationship with the CSR disclosure index. The outcome is in line with the previous journal and research (Nurleni and Bandang, 2018; R. Alfaz and H. Widiastuti, 2020). Therefore, among the three hypotheses expressed in this research, one of them are proven to be significant and H1 is accepted. This result explains that even though after the government law have been established, board with more share ownership is not likely to engage in more sustainability practices as these are not considered to add more value to their wealth (Soyon Paek, et al., 2013). This may indicate weak governance control performed by the government and further improvement should be made. Nonetheless, the remaining hypothesis which are "H2: There is a positive association within the existence of independent board members and CSR disclosure level" and "H3 There is a positive association between female board members and CSR disclosure level" are rejected due to the output of their hypothesis testing which showed an insignificant influence.

There are several suggestions that can be emphasized toward companies and its shareholders, government, and future researchers. After being mentioned in the previous chapter emphasizing the importance of board composition towards CSR disclosure of a company, every companies are highly recommended to apply good internal governance mechanism so as to have a sustainable operating company. Moreover, companies are also encouraged to apply adequate international standards, such as Global Reporting Initiative index in their sustainability disclosure procedures because some of the company being examined in this study have failed to apply the appropriate standard for social activities disclosure in their annual report. The company and their shareholders

should also raise their awareness about the importance of CSR disclosure for the future investment of the company and is able to boost the financial performance as well. This is due to the fact that most of the company included in this study scored lower than 50% in regard to their compliance with the GRI G4 standards. Last but not least, companies are also highly recommended to enhance their internal corporate governance mechanisms by having additional independent board members and female board members in their board proposition. This is due to the undeniable fact that their presence are significant in ensuring the application of appropriate CSR disclosure in the company.

Furthermore, In this current situation, both government authorities, as well as environmental ministry should implement stricter obligations and regulations regarding this environmental and social activities disclosure of every company. Furthermore, government may also enhance the company understanding regarding this sustainability disclosure by disseminating every information regarding the required sustainability disclosure that the company have to disclose. In enhancement to this, government may also start to impose penalties and fines for any violations and lists of items that they did not comply with so as to levitate their awareness regarding the disclosure and prevent them from operating unethically.

Lastly, for future academicians and researchers, It is proposed that future researchers are able to input other listed companies / industries as mining industry is only accounting for less than 10% of the whole population. In addition, further researchers may also include other variable of internal governance mechanism, or any other variable that is significantly proven to impact CSR disclosure of a company. Last but not least, future academicians may also omit several information which have negative value as it may impact the result of the research. For instance, future researchers may exclude firm ROA and

firm leverage as due to coronavirus pandemic in 2020, these variables figure are negative.

There are several limitations that the author discovered during the research. The author sincerely hoped that these study can be a benchmark and provide useful suggestion for upcoming research. Firstly, this research only use the sample from mining industry of public listed companies in Indonesia, therefore the outcomes of this study can't be applied to represent the reality of the overall listed companies in Indonesia. Second, the CSR disclosure index is measured using GRI G4 which is an internationally recognized standard for assessing the level of social disclosure. However, there are also several other standards that could be applied and the low score may indicate the implementation of other standards. Third, the data of CSR disclosure index is the dependent variable is derived only from the annual report of the company. This may not reflect the true conditions of the company as some of them have disclosed the information regarding this in the sustainability report or they may have fulfilled their CSR responsibility but failed to properly disclosed it in the corresponding report. Lastly, this study only applies 3 factors of internal corporate governance which are managerial ownership, independent board members, and female board members. With the increasing complexity and needs in the future, further studies may include distinct factors of internal governance mechanisms, any external forces, and even the financial performance of each company.

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