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DO CORPORATE GOVERNANCE AND FINANCIAL CHARACTERISTICS MAY INCREASE CSR DISCLOSURES?

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Abstract

The purpose of this study was to analyze the effect of corporate governance and financial characteristics on the disclosure of Corporate Social Responsibility (CSR). The corporate governance variable uses the composition of the board and board committees, while the financial characteristics are proxied by the size of the company. The sampling technique used was purposive sampling. A total of 17 companies used in this study were selected with the provisions of being included in the SRIKEHATI Index ranking from 2016 to 2020 with a total data of 85 observations. The method of analysis uses multiple linear regression panel data. The results show that corporate governance as measured by the composition of the board has a positive and significant effect on CSR disclosure, while the board committee has no significant effect on CSR disclosure even though the resulting coefficient is positive. The financial characteristics that are proxied through the size of the company also do not have a significant effect on CSR disclosure. Meanwhile, of the many proxies of corporate governance and financial characteristics, only 2 corporate governance variables and 1 variable are used to measure financial characteristics. The contribution of this research is that good governance through the role of the composition of the board of commissioners can improve the quality of CSR disclosure, so companies need to improve the composition of the board of commissioners in the company.

Keywords: *Board Composition; Board Committees; CSR Disclosures; Firm Size; Social and Environmental Reporting.*

JEL Classification : G30 , G32, M14

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1. INTRODUCTION

Indonesia's economic growth of 5.01% in the first half of 2017 and 2020 increased to 5.02%. This reflects the improvement of the country's economic ability to increase state revenue, especially the income tax and value-added tax (www.bps.go.id). State revenue from the tax sector contributed as much as Rp1.498,9 trillion ~~on~~ the 2017 APBN and increased in 2020 to Rp 2233.2 trillion. But such economic growth leads to industrial growth which will also have a positive and negative impact on social and environmental aspects. Developed countries oriented to social and environmental concerns other than the economic aspect should only pay attention to this aspect more closely, whereas developing countries encourage industries without regard to social and environmental impacts due to ignorance of social and environmental factors (http://www.un-documents.net). Developed countries oriented to social and environmental concerns other than the economic aspect should only pay attention to this aspect more closely, whereas developing countries encourage industries without regard to social and environmental impacts due to ignorance of social and environmental factors. Environmental costs have increased significantly for most companies but with little opportunity for economic returns (Clarke et.al, 1994; Ekins & Zenghelis, 2021).

The impact of social imbalance and environmental ignorance has been evidenced by the social friction between laborers and employers in all sectors and continued with environmental pollution both land pollution, water and air proves that such economic growth has an impact on the negative impacts on the social and environmental sectors. If this is on going and sustainable, then the consequences of social imbalance and environmental damage will harm all parties in which the impact will also affect the industry climate so that economic growth will slow and decline. (Organization, 2018). In these circumstances who is responsible and how to deal with them is certainly part of the work of future generations, it is unethical if current deeds are bad in the future.

Social and environmental concerns can be mitigated with the social and environmental responsibility that must be applied nowadays and this is reflected by the Company Social Responsibility (CSR) thinking in which all parties are aware of the social and environmental concerns implemented so that social and environmental responsibilities can manifest for the future. This responsibility shall be borne by all parties, both businessmen and their supporters so that the CSR will be appropriate and not a waste of CSR funds for unclear targets. Companies need to balance financial and non-financial objectives to act in the interests of stakeholders. The company recognizes the impact of social and environmental pressures on the company's activities and operations. Therefore, reporting on CSR activities is increasingly important for businesses to demonstrate the ccompany commitment to environmental and social issues (Adams, 2004; Brammer & Pavelin, 2008, Abu Qa'dan & Suwaidan, 2019). This requires companies to present information covering economic, social and environmental activities (Deegan, 2004; Cormier et al., 2011); Abu Qa'dan & Suwaidan, 2019).

The ethical implementation of CSR by companies is one of the steps to minimize negative social and environmental impacts and this will have an impact on the company's strategy (Tešovičová & Krchová, 2022) The implementation is then reported in a report which of course affects the perception of stakeholders in assessing the company. In making this CSR report, several important aspects that can affect the perception of stakeholders, namely the quality of the report itself and also the performance of the leadership in making decisions, especially related to the implementation of corporate CSR.

This study examines how Board Composition, Board Committees and, Financial Characteristics influence CSR disclosure in the degree of quality of CSR reporting. The study focuses on the study of the influence of Board Composition, Board Committees and Financial Characteristics on CSR disclosure in potentially socially and environmentally responsible companies.In several studies show that there are several variables that significantly influence the disclosures such as: good corporate governance (Haniffa & Cooke, 2005; Ashfaq & Rui, 2019, Ananzeh *et al*., 2022) and financial characteristics that include firm size (Said, 2009; Rahman *et al*., 2011), also profitability (Tagesson *et al*., 2009).

Regarding the importance of explanation of corporate governance variables and financial characteristics considered the most vital is size and profitability (Giannarakis, 2014). Research conducted by Esa & Ghazali (2012) and Ananzeh et al., (2022) shows the existence of good corporate governance and size has positive impact to CSR disclosure. The larger board size through the wider flow of ideas and experiences can lead to better appreciation and implementation in social activities corporate and CSR disclosures in annual reports. Research by Giannarakis (2014), shows opposite result that corporate governance proxy through the composition of the board of directors has no effect on CSR disclosures, but firm size has positive effect on CSR disclosures. The results of research related firm size also supported by Ghazali (2007); Esa & Ghazali (2012) in their study showed a positive and significant relationship between the firm size and quality of CSR reporting. On the basis of the legitimacy theory, to legitimate their existence, large companies use their huge resources to disclose more social responsibilities. Here upon, the firm size is an important factor to determine CSRD.

Lu et al., (2015), used 100 companies implementing CSR in China showed the result that board committees had no significant effect on social reputation. While as firm size has a positive and impact on CSR disclosures. According to Lu et.al (2015), the reason there is no significant influence of board characteristics as a proxy for good governance is less visible to stakeholders involved in the assessment of corporate social reputation in China. The findings of Abu Qa & Suwaidan (2019) on companies listed on the Amman Stock Exchange (ASE) for the 2013-2015 period show that the size of the board of directors significantly and positively affects the level of CSR disclosure.

Referring to the results of previous studies, this study aims to analyze the effect of good governance and the financial characteristics of CSR reporting in the Indonesian context. Generally, research related to CSR disclosure which is influenced by company size uses the total asset or ln Asset proxy, (Asrori et al., 2019; Kustono & Nanggala, 2019; Zahir, 2021) but this study uses the revenue proxy. Company size through revenue proxies Lu et.al, (2015) is very important in CSR disclosure because this will show how much the company will allocate its profits to support CSR practices that have an impact on the quality of CSR disclosures that refer to GRI standards. The contribution of this study is to analyze how the influence of governance and financial characteristics affect CSR disclosure

2. LITERATURE REVIEW

Various theoretical perspectives have been put forward to explain why companies voluntarily disclose CSR and how owners and managers choose the type and extent of CSR disclosures. From various studies also shows many factors that influence the disclosures of CSR such as good corporate governance and financial characteristics.

Legitimacy Theory

Legitimacy theory is the basis for companies in meeting the interests of external parties, because this theory focuses on the company's relationship with the community and the surrounding environment. Legitimacy is the general perception or assumption that an entity's desired, appropriate, or appropriate action is related to a socially constructed system of norms, values, beliefs and definitions. Legitimacy as an operational resource that in essence, guarantees the organization concerned' license to operate (Browning et al., 2022). Recognition (legitimacy) from the community is very important for the existence of a company, because when the company does not gain legitimacy from the community, the sustainability of the business can be threatened (Naek & Tjun, 2020). Companies with appropriate environmental performance and corporate social responsibility can support the creation of legitimacy from the community (Limanto & Handoko, 2022).

Stakeholder Theory

Stakeholder pressure plays an important role in encouraging or hindering the adoption of sustainable management practices. Stakeholders are defined as individuals or groups who can influence, or be influenced by, an organization. In stakeholder theory explains the congruence between the values of the company and its managers, as well as stakeholder expectations and social issues that will determine the company ability to sell the company's products (Freeman, 2004, Haleem et al., 2022). The stakeholder approach focuses on managing the business environment, its relationships, and promoting common interests, which ultimately have an impact on long-term viability (Haleem et.al, 2022). Stakeholders consist of internal and external stakeholders. Internal stakeholders are the CEO, BOD, commissioners, managers, and employees who lead to a proactive environmental strategy while external stakeholders consist of competitors, government, community, non-governmental organizations (NGOs), and customers who pressure companies to adopt sustainable management practices (Zhu *et al*., 2005; Haleem *et.al,* 2022). Stakeholder influence is different and uses different mechanisms to influence the adoption of sustainable management practices. Internal stakeholder pressure is considered as one of the most important determinants affecting the implementation of sustainable management practices because it is related to policies/regulations and the implementation of corporate sustainability practices that have social and environmental impacts.

Social Responsibility

ISO 26000: *Guidance on Social Responsibility*, defines social and environmental responsibility as a responsibility to build a better quality of life; which is implemented in a transparently and ethically manner, as an organizational contribution to sustainable development and enhancement of community welfare; taking into account the interests of the stakeholders, as well as complying with prevailing international regulations and norms. In carrying out its role, the organization should work on standards of code of conduct by the principles of social responsibility.

GRI G4 Principles for Determining Report Content

Making sustainability reports is the principle designed to be used to manage report content. The following are 4 (four) principles for determining report content (https://www.globalreporting.org).

1. Stakeholder Engagement. The organization must identify its stakeholders, and explain how the organization has succeeded and helped these stakeholders.
2. Sustainability. The sustainability report must present performance in a broader context of sustainability. The question underlying the reporting is to provide information about the future, development, development, and economic, environmental and social trends at the local, regional or global levels.
3. Materiality. Materiality is the threshold at which Aspects become important enough to be revealed. The report must cover aspects that: reflect the significant economic, environmental and social impacts of the organization; or substantially affect stakeholder assessments and decisions
4. Completeness. The report must consist of Material Aspects and Boundaries, sufficient to reflect significant environmental, environmental and social aspects, and also to enable stakeholders in the reporting period.

Principles for Determining Quality

In addition to the principles for determining report content, GRI also explained some principles to determine the quality of the sustainability report. The following are 6 (six) principles for determining the quality of the sustainability report.

1. Balance. Reports and contents of positive and negative aspects of organizational performance to enable those responsible for overall organizational performance.
2. Comparability. Organizations must choose, collect, and report information consistently. The information used must be complemented in a way that allows stakeholders for the organization, from time to time, and which can have an influence relative to other organizations.
3. Accuracy. Adequate information must be sufficiently accurate and detailed for stakeholders to be able to assess organizational performance.
4. Timeliness. Organizations can make reports with an accurate schedule. Information available to stakeholders to make the right decisions.
5. Clarity. The organization must make information available in a way that can be utilized and accessible to stakeholders who use the report.
6. Care. The organization must collect, record, compile, analyze, and disclose information and processes used to produce reports that can be adjusted, and that will determine the quality and materiality of information.

Good Corporate Governance (GCG)

The Indonesian Institute for Corporate Governance (IICG) defines GCG as a process and structure applied in running a company, with the main objective of increasing shareholder value in the long term while taking into account the interests of other bettors. In addition to fulfilling the interests of shareholders, GCG is intended to ensure sustainability (Safitri & Astuti, 2022).

Hypothesis Development

Composition of the Board

The importance of independent directors in supervising and monitoring managers for shareholders is because these Directors enjoy independence in management and have no personal interests (Ananzeh *et.al,* 2022). The composition of the board of commissioners represents the amount of proportion to the board of commissioners of the company as well as the membership of an independent board of commissioners or those coming from outside the company (Hossain & Reaz, 2007). Independent board member certainly has a role to play in management strategy including CSR activity policy in a company. The composition of the council can be defined as the proportion of outside directors with the overall number of councils, making the distinction between executive and non-executive members (Hossain and Reaz, 2007). Chen & Jaggi (2000), explains that in non-executive directors have a significant role in providing disclosures to investors so can have a better understanding to the company's management.

On the one hand, the role of non-executive directors is crucial in the formation of CSR policies as they review and refine strategic initiatives (Park & Shin, 2015; Stiles, 2001). Tricker (1984) found that non-executive directors serve as checks and balance mechanisms to ensure the interests of both owners and other stakeholders. Khan (2010) suggests that non-executive directors have a significant impact on explaining the level of

CSR disclosures in commercial banks. Chen and Jaggi (2000) mention that non-executive directors' play an important role on disclosures requirements obliged to give investors the opportunity to have a good insight about company information. On the other hand, Haniffa & Cooke (2005) explain that non-executive directors encourage companies to report initiatives to legitimate goals; however, there is a negative relationship between the proportions of non-executive directors with CSR disclosures levels. Hossain and Reaz (2007) in their study found no significant relationship between the proportion of non-executive directors and CSR disclosures in the Indian banking sector. According to Said *et al*., (2009) explains that the importance of independent directors in CSR; however, no significant effect was found on CSR disclosures. But Rouf & Hossan (2021) research on the banking sector in Bangladesh shows that the proportion of independent directors has a positive and significant effect on CSR disclosure, as the proportion of independent directors on the board increases, the effectiveness of the board in monitoring and controlling management also increases. ~~From~~ previous research indicates that the results obtained are conflicting about the role of the board of directors on CSR disclosures. So the hypotheses in this study are as follows:

Hypothesis 1 : There is a positive and significant influence board composition on CSR disclosures.

Board Committees

The Board of Commissioners has a committee that aims to assist in carrying out its duties and functions. The Committee is responsible and works in direct supervision by the Board of Commissioners. The board aims to establish a number of commissioner committees to maximize efficiency and effectiveness so as to enhance performance appraisal by diverse stakeholders (CSRC, 2002). In China, CSRC had set rules to assist listed companies to develop board committees, which will improve their board characteristics to maximize the efficiency and effectiveness of the council. Information in the presence of committees considered legitimate to stakeholders tends to increase the company's social reputation (Lu et al., 2015). Ananzeh *et al*., (2022) determined that an enlarged board size could lead to an increase in the number of directors with an accounting or finance background, which could have a positive influence on CSR disclosure. Kathy Rao *et al*., (2012) stated that an assessment related to the content and extent of CSR disclosure requires effective communication and coordination among board members. In addition to these results, several empirical studies found a non-significant relationship between board size and voluntary disclosure (Rouf & Hossan, 2020, Amran *et al*., 2014). Therefore, with more directors, the collective experience and expertise of the board will increase and therefore, the need for disclosure of information will be higher (Rouf & Hossan, 2020). So the hypotheses in this study are as follows:

Hypotheses 2 : There is a positive and significant influence board committee on CSR disclosures.

Firm Size

Company size can be measured by the number of employees, number of shareholders, total assets, and total sales (Santoso & Feliana, 2014). Sales Growth is the change in sales from year to year or from time to time. Sales growth is measured by comparing last year's sales minus current year's sales with current year's sales. The firm size viewed from total revenue has a very strong indicator in its impact on the company's reputation. Companies with large revenue scale will surely be the main focus in the monitoring of stakeholders including the general public (Lu *et.al*, 2015). Giannarakis (2014) explains that firm size is positively correlated with CSR disclosures levels, indicating that larger companies provide more information on CSR disclosures. This may be due to the fact that larger companies are more visible than smaller ones, allowing large corporations to spend more on financial resources for social initiatives, such as disclosures of CSR, absorbing additional disclosure costs, facing more pressure to publicize social activities as a form of initiative from stakeholder groups interests and, ultimately, incorporate CSR disclosures s into the drawing procedure of construction procedures (Giannarakis, 2014). According to Ashfaq & Rui (2019), larger companies have sufficient resources to participate in socially responsible activities and in their research they found that the size of the company and the type of industry had a positive and significant effect on the practice of corporate social and environmental disclosure. In addition, larger companies have more visibility and more pressure from stakeholder groups. So the hypotheses in this study are follows:

Hypotheses 3 : There is a positive and significant influence firm size on CSR disclosures.

3. METHODOLOGY

The study population is an open company in Indonesia listed in Indonesia Stock Exchange. The sample selection technique used purposive sampling with the following criteria: go-public company that entered into the index SRI KEHATI, with the number of study is 17 samples. Companies that become the object of research are companies that entered into SRI KEHATI rank within 4 years between the years 2016-2019.

This study used the dependent variable, namely CSR disclosure, the independent variable, namely good corporate governance which used the Board Composition and Board committees and the firm size variable as a control variable.

CSR disclosures (CSR). The CSR variable is measured by the Sustainability Report Disclosures Index (SRDI). Based on the Global Initiative Reporting (GRI) G4 guidelines disclosure of sustainability report covers 3 dimensions: economic, environmental, and social. Total 91 items of sustainability report assessment based on GRI G4 guidelines. Measurements based on the percentage of disclosures in the sustainability report refer to GRI guidelines (Frost et al., 2005; Lu *et.al*, 2015). The Board Composition (BCOMP) with the indicator has at least 30% of independent board members by measurement using the percentage of the total members of the independent board of commissioners (Giannarakis, 2014). Board Committees (COMM) are measured using the total number of committees under the board of commissioners ((Lu *et.al*, 2015). While the control variable is company size (Size) based on last year's income (Lu *et.al*, 2015).

Table 1
Variable and Measurement

Variable	Description	Measurement
CSRDI	Based on the Global Initiative Reporting (GRI) G4 guidelines disclosure of sustainability report covers 3 dimensions: economic, environmental, and social	CSRDIj is the Corporate Social Responsibility Disclosure Index of companies j. Nj is the number of items that must be disclosed according to GRI standards (91 items). Xij will be worth 1 if item i is disclosed or 0 if item i is not disclosed. CSRDIj must be greater than 0 or equal/less than 1 (0 < CSRDIj < 1) (Lu et.al, 2015; Santoso & Feliana, 2014). Formula: $CSRDI_j = \frac{\sum_{i=1}^{j} X_{ij}}{n_j}$
Board Composition (BCOMP)	Proportion of outside directors to the total number of boards (Hossain and Reaz, 2007, Giannarakis, 2014).	Percentage of Independent BoC member (Lu et.al, 2015)
Board committees (COMM)	Committees under the Board of Commissioners	Board committees, as measured by the total number of committees ((Lu et.al, 2015)
Size	Company size based on last year's income	Total Revenue (Lu et.al, 2015)

Source : Processed Data (2022)

Analysis Techniques

To examine the influence of the composition of the board of commissioners, committees that are under the board of commissioners and firm size, the analytical method used is multiple linear analysis of panel data with the linear model is as follows:

$$CSR_{it} = \beta 0 + \beta 1BCOMP_{it} + \beta 2COMM_{it} + \beta 3Size_{it} + \varepsilon_{it}$$

Note: i = individual; t = time, ε = error term

The error rate tolerated in this study was 0.05. Data processing in this research used E-views 9 and the initial stage is the selection of the accepted model then used for Fixed Effect Model (FEM) or Random Effect Model (REM). The results of the selection of the selected model is the Fixed Effect Model (FEM) so that for the analysis of the goodness of fit model test, the simultaneous test and partial test used the Fixed Effect Model (FEM).

4. RESULTS AND DISCUSSION

The table 2. below shows that the average percentage of reporting from 17 companies included in the SRIKEHATI index is 39.26% with the lowest CSR score of 9% and the highest score of 98%. For the composition independent board of commissioners (BCOMP), the average company has a composition of 45.61% with the lowest composition value of 30% and the highest composition of 80%. The average boards of committees are 2 persons with the highest score of 6 people and there are still companies that do not have boards of committees. As for the size of the company generally have an average income of Rp43,86 trillion with the lowest income of Rp4 trillion and the highest income of Rp20,2 trillion.

CSR disclosure in the company is the lowest at 9%, the highest is 98%. This study shows that CSR disclosure is very different in understanding because (1) there are companies whose CSR practices have not been carried out comprehensively and there are also those that do it comprehensively, (2) There are still companies that have not fully disclosed sustainability practices and there are also those that are comprehensive in their understanding of CSR. CSR disclosure so that this is related to the level of understanding related to CSR disclosure in accordance with standards. The impact of board of directors characteristics and firm size on the quality of CSR reporting in the Indonesian context. The empirical results provide meaningful insight into the characteristics of the board of directors and firm size for companies in Indonesia, which can be understood within the scope of the legitimacy and stakeholder framework. This finding shows that companies registered in ,Indonesia that report CSR show good reporting quality close to 100% while there are still companies that have low reporting quality, namely 30%.

Table 2
Descriptive Statistics

Variable	CSR	BCOMP	COMM	SIZE
Mean	39.4567	45.60921	2.536439	43856345
Maximum	98.0000	80.00000	6.000000	2.02E+08
Minimum	9.0000	30.00000	0.000000	4005400.
Std. Dev.	21.4452	13.5772	1.184352	45875538

Source: Secondary Data, SPSS (2022)

The results of the goodness of fit model test in Table 3. show that the variation of the board composition, Board committees and company size variables in explaining the CSR disclosure variable is 42, 8549% the rest is explained by another variable not included in the model, ceteris paribus. And for the simultaneous test using the F test, the results show that together the board composition, board committees and company size variables have a significant effect on CSR disclosure with a significance value of 0.000 which is smaller than 0.05.

Table 3. shows that the composition of the independent board of commissioners has a positive and significant effect on CSR disclosure. If the composition of independent commissioners is higher, the CSR disclosure will also be higher. This is in accordance with Hypothesis1 proposed in this study. However, the board committee has no significant effect on CSR disclosure even though the resulting coefficient is positive at 0.034275. The results of this study reject the hypotheses proposed in this study. For the firm size variable as a control variable which is proxied through corporate profits, it shows an insignificant effect and the resulting coefficient is contrary to the hypothesis 3 proposed in the study.

Table 3
Fixed Effect Model Hypothesis Testing

Independent Variable	Hypotheses Prediction	Coefficient	Sig0t One tailed test	Conclusion
Board Composition	+	0,024532	0,0000	Accepted H1 (at α = 0,05)
Board committee	+	0,034275	0,1638	Rejected H2
Firm Size	+	-4,64E-09	0,2671	Rejected H3
F test			0,0000	
Adj R2			0,4286	

Note: Dependent variabel is CSR Disclosure

Source: Processed Data, SPSS (2022)

Discussion of Results

The Effect of Good Corporate Governance used the Board of Commissioners Dimension on CSR disclosure

Referring to the results of panel data regression, the quality of CSR reporting in this study is only the composition of the independent board of commissioners that has a positive and significant effect. The higher the independent board of commissioners, the higher the quality of CSR disclosure. This means that CSR disclosure will be open at the policy level of the Board of Commissioners and Directors because of the motivation for open CSR disclosure, because the motivation for open CSR disclosure will encourage companies to disclose CSR and implement it. The composition of the company's executives, produces company policies that provide feedback on CSR disclosure, which will provide insight into social responsibility and have a positive impact on the company's reputation and presence in the future. This study supports the research of Rouf & Hossan (2020) that the proportion of independent directors has found a significant relationship with CSR disclosure in annual reports by the banking sector registered in Bangladesh.

The Effect of Good Corporate Governance used the Board of Committees Dimension on CSR Disclosure

The results of the study related to the number of board committees showed a positive but not statistically significant effect on CSR disclosure. This means that the number of people who occupy positions on the board committee does not have a significant impact on comprehensive CSR disclosure. Individuals on board committee positions should influence the policies taken, but because the more the number of board commitees, there will be more decision makers so that it will prolong decision making. With a long decision-making period, it has an effect on ineffective CSR reporting. This is confirmed by Kathy Rao *et al.*, (2012) that the assessment related to the content and extent of CSR disclosure requires effective communication and coordination among board members. So that the next company is expected to be able to design effective communication and coordination among board members so that it is hoped that with more directors, the collective experience and expertise of the board will increase so that the need for information disclosure will be higher. So the results of this study also support the results of research by Amran *et al.,* (2014) and Rouf & Hossan (2020) that board size has been found to have no significant relationship with the CSR disclosure but contrary to the results of research Ananzeh *et.al* (2022).

The Effect of Financial Characteristics used the Size on CSR Disclosure

The results of research related to financial characteristics have a negative and insignificant effect on CSR disclosure because CSR is a form of cost so that if a company allocates funds related to CSR reporting, one of the benchmarks is company income. However, because there is no proper understanding of CSR reporting, the allocation of funds to support CSR reporting is not optimal. This can be seen from the CSR reporting of several companies whose percentage is still low, thus reflecting that the size of the company's income does not fully guarantee the realization of corporate social responsibility in the future. This study contradicts the results of research by Ashfaq & Rui (2019) and Giannarakis (2014) that firm size has a positive and significant effect on CSR disclosure.

5. CONCLUSIONS, IMPLICATIONS, AND SUGGESTION

Conclusion

The results of research conducted on 17 companies included in the Sri Kehati Index for the period 2016 to 2020 showed that the composition of the board had a positive effect, while board committees and company size had no significant effect on CSR disclosure.

Implications

1. The results show that the composition of the board of directors has a positive effect on CSR Disclosure. It is hoped that more and more board compositions can encourage the improvement of the quality of CSR reporting. One of them is through intervention related to policies in improving the quality of CSR, namely conducting/involving company resources in training and certification related to CSR reporting/Sustainability Reports, for example Certified Sustainability Reporting Specialist (CSRS) and Certified Sustainability Reporting Guarantee Reporting (CSRA). This is because many companies have implemented CSR practices but have not disclosed it in the Sustainability Report (SR).
2. The size of the company through the total revenue proxy does not show any effect on CSR disclosure. The view related to implementing CSR as a few companies as a cost will reduce profits so that there needs to be a moral agreement between entrepreneurs in order to accept the fact that CSR is a moral movement that needs to be open to owners. If CSR is accepted as a social and religious moral awareness, then CSR is no longer seen as a burden on entrepreneurs but as an investment in the future that will improve the company's performance in the future. The benefits of CSR for most companies in the future are increasing sales and expanding markets, brand positioning, company reputation, reducing operational costs and increasing investor attractiveness (Kurnia & Raharja, 2021)

Limitations and Suggestion

This study only uses a sample of 17 companies that are included in the SRI KEHATI index for the period 2016 to 2020. Due to the limited number of samples, therefore the results of this study cannot be generalized to the conditions of companies in Indonesia and must be interpreted with caution. Referring to the limitations of this study, further research is recommended to:

1. This study can extend the year of observation, especially for companies that are included in the SRI KEHATI index. In addition, you can also try to use a sample of companies listed on the Indonesia Stock Exchange
2. Adding GCG variables including CEO/chairman duality, Board ownership and industry as control variables (Lu, 2015)

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DO CORPORATE GOVERNANCE AND FINANCIAL CHARACTERISTICS MAY INCREASE CSR DISCLOSURES?

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Abstract

The purpose of this study was to analyze the effect of corporate governance and financial characteristics on the disclosure of Corporate Social Responsibility (CSR). The corporate governance variable uses the composition of the board and board committees, while the financial characteristics are proxied by the size of the company. The sampling technique used was purposive sampling. A total of 17 companies used in this study were selected with the provisions of being included in the SRIKEHATI Index ranking from 2016 to 2020 with a total data of 85 observations. The method of analysis uses multiple linear regression panel data. The results show that corporate governance as measured by the composition of the board has a positive and significant effect on CSR disclosure, while the board committee has no significant effect on CSR disclosure even though the resulting coefficient is positive. The financial characteristics that are proxied through the size of the company also do not have a significant effect on CSR disclosure. Meanwhile, of the many proxies of corporate governance and financial characteristics, only 2 corporate governance variables and 1 variable are used to measure financial characteristics. The contribution of this research is that good governance through the role of the composition of the board of commissioners can improve the quality of CSR disclosure, so companies need to improve the composition of the board of commissioners in the company.

Keywords: *Board Composition; Board Committees; CSR Disclosures; Firm Size; Social and Environmental Reporting.*

JEL Classification : G30 , G32, M14

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1. INTRODUCTION

Indonesia's economic growth of 5.01% in the first half of 2017 and 2020 increased to 5.02%. This reflects the improvement of the country's economic ability to increase state revenue, especially the income tax and value-added tax (www.bps.go.id). State revenue from the tax sector contributed as much as Rp1.498,9 trillion ~~on~~ the 2017 APBN and increased in 2020 to Rp 2233.2 trillion. But such economic growth leads to industrial growth which will also have a positive and negative impact on social and environmental aspects. Developed countries oriented to social and environmental concerns other than the economic aspect should only pay attention to this aspect more closely, whereas developing countries encourage industries without regard to social and environmental impacts due to ignorance of social and environmental factors (http://www.un-documents.net). Developed countries oriented to social and environmental concerns other than the economic aspect should only pay attention to this aspect more closely, whereas developing countries encourage industries without regard to social and environmental impacts due to ignorance of social and environmental factors. Environmental costs have increased significantly for most companies but with little opportunity for economic returns (Clarke et.al, 1994; Ekins & Zenghelis, 2021).

The impact of social imbalance and environmental ignorance has been evidenced by the social friction between laborers and employers in all sectors and continued with environmental pollution both land pollution, water and air proves that such economic growth has an impact on the negative impacts on the social and environmental sectors. If this is on going and sustainable, then the consequences of social imbalance and environmental damage will harm all parties in which the impact will also affect the industry climate so that economic growth will slow and decline. (Organization, 2018). In these circumstances who is responsible and how to deal with them is certainly part of the work of future generations, it is unethical if current deeds are bad in the future.

Social and environmental concerns can be mitigated with the social and environmental responsibility that must be applied nowadays and this is reflected by the Company Social Responsibility (CSR) thinking in which all parties are aware of the social and environmental concerns implemented so that social and environmental responsibilities can manifest for the future. This responsibility shall be borne by all parties, both businessmen and their supporters so that the CSR will be appropriate and not a waste of CSR funds for unclear targets. Companies need to balance financial and non-financial objectives to act in the interests of stakeholders. The company recognizes the impact of social and environmental pressures on the company's activities and operations. Therefore, reporting on CSR activities is increasingly important for businesses to demonstrate the ccompany commitment to environmental and social issues (Adams, 2004; Brammer & Pavelin, 2008, Abu Qa'dan & Suwaidan, 2019). This requires companies to present information covering economic, social and environmental activities (Deegan, 2004; Cormier et al., 2011); Abu Qa'dan & Suwaidan, 2019).

The ethical implementation of CSR by companies is one of the steps to minimize negative social and environmental impacts and this will have an impact on the company's strategy (Tešovičová & Krchová, 2022) The implementation is then reported in a report which of course affects the perception of stakeholders in assessing the company. In making this CSR report, several important aspects that can affect the perception of stakeholders, namely the quality of the report itself and also the performance of the leadership in making decisions, especially related to the implementation of corporate CSR.

This study examines how Board Composition, Board Committees and, Financial Characteristics influence CSR disclosure in the degree of quality of CSR reporting. The study focuses on the study of the influence of Board Composition, Board Committees and Financial Characteristics on CSR disclosure in potentially socially and environmentally responsible companies.In several studies show that there are several variables that significantly influence the disclosures such as: good corporate governance (Haniffa & Cooke, 2005; Ashfaq & Rui, 2019, Ananzeh *et al.*, 2022) and financial characteristics that include firm size (Said, 2009; Rahman *et al*., 2011), also profitability (Tagesson *et al.*, 2009).

Regarding the importance of explanation of corporate governance variables and financial characteristics considered the most vital is size and profitability (Giannarakis, 2014). Research conducted by Esa & Ghazali (2012) and Ananzeh et al., (2022) shows the existence of good corporate governance and size has positive impact to CSR disclosure. The larger board size through the wider flow of ideas and experiences can lead to better appreciation and implementation in social activities corporate and CSR disclosures in annual reports. Research by Giannarakis (2014), shows opposite result that corporate governance proxy through the composition of the board of directors has no effect on CSR disclosures, but firm size has positive effect on CSR disclosures. The results of research related firm size also supported by Ghazali (2007); Esa & Ghazali (2012) in their study showed a positive and significant relationship between the firm size and quality of CSR reporting. On the basis of the legitimacy theory, to legitimate their existence, large companies use their huge resources to disclose more social responsibilities. Here upon, the firm size is an important factor to determine CSRD.

Lu et al., (2015), used 100 companies implementing CSR in China showed the result that board committees had no significant effect on social reputation. While as firm size has a positive and impact on CSR disclosures. According to Lu et.al (2015), the reason there is no significant influence of board characteristics as a proxy for good governance is less visible to stakeholders involved in the assessment of corporate social reputation in China. The findings of Abu Qa & Suwaidan (2019) on companies listed on the Amman Stock Exchange (ASE) for the 2013-2015 period show that the size of the board of directors significantly and positively affects the level of CSR disclosure.

Referring to the results of previous studies, this study aims to analyze the effect of good governance and the financial characteristics of CSR reporting in the Indonesian context. Generally, research related to CSR disclosure which is influenced by company size uses the total asset or ln Asset proxy, (Asrori et al., 2019; Kustono & Nanggala, 2019; Zahir, 2021) but this study uses the revenue proxy. Company size through revenue proxies Lu et.al, (2015) is very important in CSR disclosure because this will show how much the company will allocate its profits to support CSR practices that have an impact on the quality of CSR disclosures that refer to GRI standards. The contribution of this study is to analyze how the influence of governance and financial characteristics affect CSR disclosure

2. LITERATURE REVIEW

Various theoretical perspectives have been put forward to explain why companies voluntarily disclose CSR and how owners and managers choose the type and extent of CSR disclosures. From various studies also shows many factors that influence the disclosures of CSR such as good corporate governance and financial characteristics.

Legitimacy Theory

Legitimacy theory is the basis for companies in meeting the interests of external parties, because this theory focuses on the company's relationship with the community and the surrounding environment. Legitimacy is the general perception or assumption that an entity's desired, appropriate, or appropriate action is related to a socially constructed system of norms, values, beliefs and definitions. Legitimacy as an operational resource that in essence, guarantees the organization concerned' license to operate (Browning et al., 2022). Recognition (legitimacy) from the community is very important for the existence of a company, because when the company does not gain legitimacy from the community, the sustainability of the business can be threatened (Naek & Tjun, 2020). Companies with appropriate environmental performance and corporate social responsibility can support the creation of legitimacy from the community (Limanto & Handoko, 2022).

Stakeholder Theory

Stakeholder pressure plays an important role in encouraging or hindering the adoption of sustainable management practices. Stakeholders are defined as individuals or groups who can influence, or be influenced by, an organization. In stakeholder theory explains the congruence between the values of the company and its managers, as well as stakeholder expectations and social issues that will determine the company ability to sell the company's products (Freeman, 2004, Haleem et al., 2022). The stakeholder approach focuses on managing the business environment, its relationships, and promoting common interests, which ultimately have an impact on long-term viability (Haleem et.al, 2022). Stakeholders consist of internal and external stakeholders. Internal stakeholders are the CEO, BOD, commissioners, managers, and employees who lead to a proactive environmental strategy while external stakeholders consist of competitors, government, community, non-governmental organizations (NGOs), and customers who pressure companies to adopt sustainable management practices (Zhu *et al*., 2005; Haleem *et.al*, 2022). Stakeholder influence is different and uses different mechanisms to influence the adoption of sustainable management practices. Internal stakeholder pressure is considered as one of the most important determinants affecting the implementation of sustainable management practices because it is related to policies/regulations and the implementation of corporate sustainability practices that have social and environmental impacts.

Social Responsibility

ISO 26000: *Guidance on Social Responsibility*, defines social and environmental responsibility as a responsibility to build a better quality of life; which is implemented in a transparently and ethically manner, as an organizational contribution to sustainable development and enhancement of community welfare; taking into account the interests of the stakeholders, as well as complying with prevailing international regulations and norms. In carrying out its role, the organization should work on standards of code of conduct by the principles of social responsibility.

GRI G4 Principles for Determining Report Content

Making sustainability reports is the principle designed to be used to manage report content. The following are 4 (four) principles for determining report content (https://www.globalreporting.org).

1. Stakeholder Engagement. The organization must identify its stakeholders, and explain how the organization has succeeded and helped these stakeholders.
2. Sustainability. The sustainability report must present performance in a broader context of sustainability. The question underlying the reporting is to provide information about the future, development, development, and economic, environmental and social trends at the local, regional or global levels.
3. Materiality. Materiality is the threshold at which Aspects become important enough to be revealed. The report must cover aspects that: reflect the significant economic, environmental and social impacts of the organization; or substantially affect stakeholder assessments and decisions
4. Completeness. The report must consist of Material Aspects and Boundaries, sufficient to reflect significant environmental, environmental and social aspects, and also to enable stakeholders in the reporting period.

Principles for Determining Quality

In addition to the principles for determining report content, GRI also explained some principles to determine the quality of the sustainability report. The following are 6 (six) principles for determining the quality of the sustainability report.

1. Balance. Reports and contents of positive and negative aspects of organizational performance to enable those responsible for overall organizational performance.
2. Comparability. Organizations must choose, collect, and report information consistently. The information used must be complemented in a way that allows stakeholders for the organization, from time to time, and which can have an influence relative to other organizations.
3. Accuracy. Adequate information must be sufficiently accurate and detailed for stakeholders to be able to assess organizational performance.
4. Timeliness. Organizations can make reports with an accurate schedule. Information available to stakeholders to make the right decisions.
5. Clarity. The organization must make information available in a way that can be utilized and accessible to stakeholders who use the report.
6. Care. The organization must collect, record, compile, analyze, and disclose information and processes used to produce reports that can be adjusted, and that will determine the quality and materiality of information.

Good Corporate Governance (GCG)

The Indonesian Institute for Corporate Governance (IICG) defines GCG as a process and structure applied in running a company, with the main objective of increasing shareholder value in the long term while taking into account the interests of other bettors. In addition to fulfilling the interests of shareholders, GCG is intended to ensure sustainability (Safitri & Astuti, 2022).

Hypothesis Development

Composition of the Board

The importance of independent directors in supervising and monitoring managers for shareholders is because these Directors enjoy independence in management and have no personal interests (Ananzeh *et.al*, 2022). The composition of the board of commissioners represents the amount of proportion to the board of commissioners of the company as well as the membership of an independent board of commissioners or those coming from outside the company (Hossain & Reaz, 2007). Independent board member certainly has a role to play in management strategy including CSR activity policy in a company. The composition of the council can be defined as the proportion of outside directors with the overall number of councils, making the distinction between executive and non-executive members (Hossain and Reaz, 2007). Chen & Jaggi (2000), explains that in non-executive directors have a significant role in providing disclosures to investors so can have a better understanding to the company's management.

On the one hand, the role of non-executive directors is crucial in the formation of CSR policies as they review and refine strategic initiatives (Park & Shin, 2015; Stiles, 2001). Tricker (1984) found that non-executive directors serve as checks and balance mechanisms to ensure the interests of both owners and other stakeholders. Khan (2010) suggests that non-executive directors have a significant impact on explaining the level of

CSR disclosures in commercial banks. Chen and Jaggi (2000) mention that non-executive directors' play an important role on disclosures requirements obliged to give investors the opportunity to have a good insight about company information. On the other hand, Haniffa & Cooke (2005) explain that non-executive directors encourage companies to report initiatives to legitimate goals; however, there is a negative relationship between the proportions of non-executive directors with CSR disclosures levels. Hossain and Reaz (2007) in their study found no significant relationship between the proportion of non-executive directors and CSR disclosures in the Indian banking sector. According to Said *et al.*, (2009) explains that the importance of independent directors in CSR; however, no significant effect was found on CSR disclosures. But Rouf & Hossan (2021) research on the banking sector in Bangladesh shows that the proportion of independent directors has a positive and significant effect on CSR disclosure, as the proportion of independent directors on the board increases, the effectiveness of the board in monitoring and controlling management also increases. ~~From~~ previous research indicates that the results obtained are conflicting about the role of the board of directors on CSR disclosures. So the hypotheses in this study are as follows:

Hypothesis 1 : There is a positive and significant influence board composition on CSR disclosures.

Board Committees

The Board of Commissioners has a committee that aims to assist in carrying out its duties and functions. The Committee is responsible and works in direct supervision by the Board of Commissioners. The board aims to establish a number of commissioner committees to maximize efficiency and effectiveness so as to enhance performance appraisal by diverse stakeholders (CSRC, 2002). In China, CSRC had set rules to assist listed companies to develop board committees, which will improve their board characteristics to maximize the efficiency and effectiveness of the council. Information in the presence of committees considered legitimate to stakeholders tends to increase the company's social reputation (Lu et al., 2015). Ananzeh *et al*., (2022) determined that an enlarged board size could lead to an increase in the number of directors with an accounting or finance background, which could have a positive influence on CSR disclosure. Kathy Rao *et al.*, (2012) stated that an assessment related to the content and extent of CSR disclosure requires effective communication and coordination among board members. In addition to these results, several empirical studies found a non-significant relationship between board size and voluntary disclosure (Rouf & Hossan, 2020, Amran *et al.*, 2014). Therefore, with more directors, the collective experience and expertise of the board will increase and therefore, the need for disclosure of information will be higher (Rouf & Hossan, 2020). So the hypotheses in this study are as follows:

Hypotheses 2 : There is a positive and significant influence board committee on CSR disclosures.

Firm Size

Company size can be measured by the number of employees, number of shareholders, total assets, and total sales (Santoso & Feliana, 2014). Sales Growth is the change in sales from year to year or from time to time. Sales growth is measured by comparing last year's sales minus current year's sales with current year's sales. The firm size viewed from total revenue has a very strong indicator in its impact on the company's reputation. Companies with large revenue scale will surely be the main focus in the monitoring of stakeholders including the general public (Lu *et.al*, 2015). Giannarakis (2014) explains that firm size is positively correlated with CSR disclosures levels, indicating that larger companies provide more information on CSR disclosures. This may be due to the fact that larger companies are more visible than smaller ones, allowing large corporations to spend more on financial resources for social initiatives, such as disclosures of CSR, absorbing additional disclosure costs, facing more pressure to publicize social activities as a form of initiative from stakeholder groups interests and, ultimately, incorporate CSR disclosures s into the drawing procedure of construction procedures (Giannarakis, 2014). According to Ashfaq & Rui (2019), larger companies have sufficient resources to participate in socially responsible activities and in their research they found that the size of the company and the type of industry had a positive and significant effect on the practice of corporate social and environmental disclosure. In addition, larger companies have more visibility and more pressure from stakeholder groups. So the hypotheses in this study are follows:

Hypotheses 3 : There is a positive and significant influence firm size on CSR disclosures.

3. METHODOLOGY

The study population is an open company in Indonesia listed in Indonesia Stock Exchange. The sample selection technique used purposive sampling with the following criteria: go-public company that entered into the index SRI KEHATI, with the number of study is 17 samples. Companies that become the object of research are companies that entered into SRI KEHATI rank within 4 years between the years 2016-2019.

This study used the dependent variable, namely CSR disclosure, the independent variable, namely good corporate governance which used the Board Composition and Board committees and the firm size variable as a control variable.

CSR disclosures (CSR). The CSR variable is measured by the Sustainability Report Disclosures Index (SRDI). Based on the Global Initiative Reporting (GRI) G4 guidelines disclosure of sustainability report covers 3 dimensions: economic, environmental, and social. Total 91 items of sustainability report assessment based on GRI G4 guidelines. Measurements based on the percentage of disclosures in the sustainability report refer to GRI guidelines (Frost et al., 2005; Lu *et.al*, 2015). The Board Composition (BCOMP) with the indicator has at least 30% of independent board members by measurement using the percentage of the total members of the independent board of commissioners (Giannarakis, 2014). Board Committees (COMM) are measured using the total number of committees under the board of commissioners ((Lu *et.al*, 2015). While the control variable is company size (Size) based on last year's income (Lu *et.al*, 2015).

Table 1
Variable and Measurement

Variable	Description	Measurement
CSRDI	Based on the Global Initiative Reporting (GRI) G4 guidelines disclosure of sustainability report covers 3 dimensions: economic, environmental, and social	CSRDIj is the Corporate Social Responsibility Disclosure Index of companies j. Nj is the number of items that must be disclosed according to GRI standards (91 items). Xij will be worth 1 if item i is disclosed or 0 if item i is not disclosed. CSRDIj must be greater than 0 or equal/less than 1 (0 < CSRDIj < 1) (Lu et.al, 2015; Santoso & Feliana, 2014). Formula: $CSRDI_j = \frac{\sum_{i=1}^{j} X_{ij}}{n_j}$
Board Composition (BCOMP)	Proportion of outside directors to the total number of boards (Hossain and Reaz, 2007, Giannarakis, 2014).	Percentage of Independent BoC member (Lu et.al, 2015)
Board committees (COMM)	Committees under the Board of Commissioners	Board committees, as measured by the total number of committees ((Lu et.al, 2015)
Size	Company size based on last year's income	Total Revenue (Lu et.al, 2015)

Source : Processed Data (2022)

Analysis Techniques

To examine the influence of the composition of the board of commissioners, committees that are under the board of commissioners and firm size, the analytical method used is multiple linear analysis of panel data with the linear model is as follows:

$$CSR_{it} = \beta 0 + \beta 1 BCOMP_{it} + \beta 2 COMM_{it} + \beta 3 Size_{it} + \varepsilon_{it}$$

Note: i = individual; t = time, ε = error term

The error rate tolerated in this study was 0.05. Data processing in this research used E-views 9 and the initial stage is the selection of the accepted model then used for Fixed Effect Model (FEM) or Random Effect Model (REM). The results of the selection of the selected model is the Fixed Effect Model (FEM) so that for the analysis of the goodness of fit model test, the simultaneous test and partial test used the Fixed Effect Model (FEM).

4. RESULTS AND DISCUSSION

The table 2. below shows that the average percentage of reporting from 17 companies included in the SRIKEHATI index is 39.26% with the lowest CSR score of 9% and the highest score of 98%. For the composition independent board of commissioners (BCOMP), the average company has a composition of 45.61% with the lowest composition value of 30% and the highest composition of 80%. The average boards of committees are 2 persons with the highest score of 6 people and there are still companies that do not have boards of committees. As for the size of the company generally have an average income of Rp43,86 trillion with the lowest income of Rp4 trillion and the highest income of Rp20,2 trillion.

CSR disclosure in the company is the lowest at 9%, the highest is 98%. This study shows that CSR disclosure is very different in understanding because (1) there are companies whose CSR practices have not been carried out comprehensively and there are also those that do it comprehensively, (2) There are still companies that have not fully disclosed sustainability practices and there are also those that are comprehensive in their understanding of CSR. CSR disclosure so that this is related to the level of understanding related to CSR disclosure in accordance with standards. The impact of board of directors characteristics and firm size on the quality of CSR reporting in the Indonesian context. The empirical results provide meaningful insight into the characteristics of the board of directors and firm size for companies in Indonesia, which can be understood within the scope of the legitimacy and stakeholder framework. This finding shows that companies registered in ,Indonesia that report CSR show good reporting quality close to 100% while there are still companies that have low reporting quality, namely 30%.

Table 2
Descriptive Statistics

Variable	CSR	BCOMP	COMM	SIZE
Mean	39.4567	45.60921	2.536439	43856345
Maximum	98.0000	80.00000	6.000000	2.02E+08
Minimum	9.0000	30.00000	0.000000	4005400.
Std. Dev.	21.4452	13.5772	1.184352	45875538

Source: Secondary Data, SPSS (2022)

The results of the goodness of fit model test in Table 3. show that the variation of the board composition, Board committees and company size variables in explaining the CSR disclosure variable is 42, 8549% the rest is explained by another variable not included in the model, ceteris paribus. And for the simultaneous test using the F test, the results show that together the board composition, board committees and company size variables have a significant effect on CSR disclosure with a significance value of 0.000 which is smaller than 0.05.

Table 3. shows that the composition of the independent board of commissioners has a positive and significant effect on CSR disclosure. If the composition of independent commissioners is higher, the CSR disclosure will also be higher. This is in accordance with Hypothesis1 proposed in this study. However, the board committee has no significant effect on CSR disclosure even though the resulting coefficient is positive at 0.034275. The results of this study reject the hypotheses proposed in this study. For the firm size variable as a control variable which is proxied through corporate profits, it shows an insignificant effect and the resulting coefficient is contrary to the hypothesis 3 proposed in the study.

Table 3
Fixed Effect Model Hypothesis Testing

Independent Variable	Hypotheses Prediction	Coefficient	Sig0t One tailed test	Conclusion
Board Composition	+	0,024532	0,0000	Accepted H1 (at α = 0,05)
Board committee	+	0,034275	0,1638	Rejected H2
Firm Size	+	-4,64E-09	0,2671	Rejected H3
F test			0,0000	
Adj R2			0,4286	

Note: Dependent variabel is CSR Disclosure

Source: Processed Data, SPSS (2022)

Discussion of Results

The Effect of Good Corporate Governance used the Board of Commissioners Dimension on CSR disclosure

Referring to the results of panel data regression, the quality of CSR reporting in this study is only the composition of the independent board of commissioners that has a positive and significant effect. The higher the independent board of commissioners, the higher the quality of CSR disclosure. This means that CSR disclosure will be open at the policy level of the Board of Commissioners and Directors because of the motivation for open CSR disclosure, because the motivation for open CSR disclosure will encourage companies to disclose CSR and implement it. The composition of the company's executives, produces company policies that provide feedback on CSR disclosure, which will provide insight into social responsibility and have a positive impact on the company's reputation and presence in the future. This study supports the research of Rouf & Hossan (2020) that the proportion of independent directors has found a significant relationship with CSR disclosure in annual reports by the banking sector registered in Bangladesh.

The Effect of Good Corporate Governance used the Board of Committees Dimension on CSR Disclosure

The results of the study related to the number of board committees showed a positive but not statistically significant effect on CSR disclosure. This means that the number of people who occupy positions on the board committee does not have a significant impact on comprehensive CSR disclosure. Individuals on board committee positions should influence the policies taken, but because the more the number of board commitees, there will be more decision makers so that it will prolong decision making. With a long decision-making period, it has an effect on ineffective CSR reporting. This is confirmed by Kathy Rao *et al*., (2012) that the assessment related to the content and extent of CSR disclosure requires effective communication and coordination among board members. So that the next company is expected to be able to design effective communication and coordination among board members so that it is hoped that with more directors, the collective experience and expertise of the board will increase so that the need for information disclosure will be higher. So the results of this study also support the results of research by Amran *et al*., (2014) and Rouf & Hossan (2020) that board size has been found to have no significant relationship with the CSR disclosure but contrary to the results of research Ananzeh *et.al* (2022).

The Effect of Financial Characteristics used the Size on CSR Disclosure

The results of research related to financial characteristics have a negative and insignificant effect on CSR disclosure because CSR is a form of cost so that if a company allocates funds related to CSR reporting, one of the benchmarks is company income. However, because there is no proper understanding of CSR reporting, the allocation of funds to support CSR reporting is not optimal. This can be seen from the CSR reporting of several companies whose percentage is still low, thus reflecting that the size of the company's income does not fully guarantee the realization of corporate social responsibility in the future. This study contradicts the results of research by Ashfaq & Rui (2019) and Giannarakis (2014) that firm size has a positive and significant effect on CSR disclosure.

5. CONCLUSIONS, IMPLICATIONS, AND SUGGESTION

Conclusion

The results of research conducted on 17 companies included in the Sri Kehati Index for the period 2016 to 2020 showed that the composition of the board had a positive effect, while board committees and company size had no significant effect on CSR disclosure.

Implications

1. The results show that the composition of the board of directors has a positive effect on CSR Disclosure. It is hoped that more and more board compositions can encourage the improvement of the quality of CSR reporting. One of them is through intervention related to policies in improving the quality of CSR, namely conducting/involving company resources in training and certification related to CSR reporting/Sustainability Reports, for example Certified Sustainability Reporting Specialist (CSRS) and Certified Sustainability Reporting Guarantee Reporting (CSRA). This is because many companies have implemented CSR practices but have not disclosed it in the Sustainability Report (SR).
2. The size of the company through the total revenue proxy does not show any effect on CSR disclosure. The view related to implementing CSR as a few companies as a cost will reduce profits so that there needs to be a moral agreement between entrepreneurs in order to accept the fact that CSR is a moral movement that needs to be open to owners. If CSR is accepted as a social and religious moral awareness, then CSR is no longer seen as a burden on entrepreneurs but as an investment in the future that will improve the company's performance in the future. The benefits of CSR for most companies in the future are increasing sales and expanding markets, brand positioning, company reputation, reducing operational costs and increasing investor attractiveness (Kurnia & Raharja, 2021)

Limitations and Suggestion

This study only uses a sample of 17 companies that are included in the SRI KEHATI index for the period 2016 to 2020. Due to the limited number of samples, therefore the results of this study cannot be generalized to the conditions of companies in Indonesia and must be interpreted with caution. Referring to the limitations of this study, further research is recommended to:

1. This study can extend the year of observation, especially for companies that are included in the SRI KEHATI index. In addition, you can also try to use a sample of companies listed on the Indonesia Stock Exchange
2. Adding GCG variables including CEO/chairman duality, Board ownership and industry as control variables (Lu, 2015)

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