



The Effect of Good Corporate Governance, Profitability and Media Disclosure on Corporate Social Responsibility

Gita Andini Saputri^{a*}, Suyatmin Waskito Adi^{a 2*}

^{a,b} Faculty of Economic, University of Muhammadiyah Surakarta, Indonesia.

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ABSTRACT

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Keywords: Good Corporate Governance; Profitability; Media Disclosure; Corporate Social Responsibility.

This study aims to determine the effect of disclosure of Good Corporate Governance (GCG), profitability, and media disclosure on Corporate Social Responsibility. The population and sample in this study are property and real estate companies listed on the Indonesia Stock Exchange in 2017-2019. The sampling technique in this study used purposive sampling technique. The number of samples in this study were 75 property and estate companies listed on the IDX in 2017-2019. The data analysis technique used in this study is multiple linear regression. The results of this study indicate that managerial ownership has no effect on CSR. Institutional ownership has an effect on CSR. Independent commissioners have no effect on CSR. The size of the board of commissioners has no effect on CSR. Profitability has no effect on CSR. Media disclosure has no effect on CSR.

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* Corresponding author

E-mail address: gitaandini225@gmail.com

INTRODUCTION

For a company, the term Corporate Social Responsibility (CSR) is familiar. This is done to shape the company's image so that it is more advanced and developed. CSR is expected to have a positive impact on the environment around the company and is expected to maintain the sustainability of a company in order to survive in the long term. Corporate Social Responsibility is a concept in organizations that have various responsibilities to various stakeholders such as employees, shareholders, consumers, communities, and the surrounding environment (Respati and Hadiprajitno, 2015). The concept of CSR arises because of the damage caused by the company's operational activities, so that there are demands and expectations from the community regarding the company's role in the surrounding environment. In this study, there are several factors that influence CSR, including gcg, profitability, and media disclosure.

The company's goal is Corporate Social Responsibility (CSR) which is expected to have a positive impact on the environment around the company and is expected to maintain the sustainability of a company in order to survive in the long term by paying attention to the environment or social responsibility, which is better known as Corporate Social Responsibility (CSR). There are several factors that can affect CSR in a company, including Good Corporate Governance (GCG), profitability, and media disclosure.

The research was conducted on property and real estate companies. This study is intended to analyze the effect of Good Corporate Governance, profitability, and media disclosure on Corporate Social Responsibility in property and real estate companies listed on the Indonesia Stock Exchange (IDX).

LITERATURE REVIEW

Stakeholder Theory

Stakeholder theory says that the company is not an entity that only operates for its own sake but must be able to provide benefits to its stakeholders. Stakeholders are groups or individuals who can influence or be influenced by the process of achieving the goals of an organization.

Thus, the existence of a company is strongly influenced by the support provided by the company's stakeholders (Ghozali and Chariri, 2007).

Corporate Social Responsibility

Corporate Social Responsibility is the responsibility of every company to the environment, especially the possibility of worsening environmental damage so that in the future our children and grandchildren will not bear more burdens than our generation (Leksono & Butar, 2018). The implementation of Corporate Social Responsibility (CSR) can be disclosed by the company in the company's annual report which contains a report on corporate social responsibility for a period of one year (Leksono & Butar, 2018).

Managerial ownership

Managerial ownership is share ownership by company management as measured by the percentage of the number of shares owned by management (Sujoko and Soebiantoro, 2007). Managerial ownership can also increase a greater sense of management responsibility in carrying out the mandate to manage the company. By increasing managerial ownership, it is expected that managers will be motivated to improve their performance so that in this case it will have a good impact on the company and fulfill the wishes of the shareholders.

Institutional Ownership

Anggono and Handoko (2009) state that institutional investors emphasize the long-term benefits of the company so that they often put pressure on management to make decisions not only based on short-term profits but also how to pay attention in social fields. Large institutional ownership can improve management performance oversight, in this case related to CSR practices and disclosures.

Independent Commissioner

Independent commissioners are commissioners who are from outside the company (not affiliated with the company). (Diyanti, 2010) explains that the supervisory process of an independent company's board of commissioners will be more responsive to investors and the role of an independent board of commissioners will improve the quality of the disclosures made.

The independent commissioner aims to balance decision making, especially in the context of protecting minority shareholders and other related parties, as well as providing advice to management to carry out monitoring functions in order to create good corporate governance companies and produce financial reports with high integrity.

Board of Commissioners Size

The size of the board of commissioners in question is the number of members of the board of commissioners in the company. According to agency theory, the board of commissioners is the highest internal control mechanism responsible for monitoring the actions of top management. Individuals who work as members of the board of commissioners are important in monitoring management activities effectively (Sembiring, 2005).

Profitability

Profitability is the ability or performance of the company to earn profits through all certain sources that exist in the company, such as sales activities, cash, capital, number of employees, number of branches and so on, in a certain period, Harahap (2004). The level of profitability of a company will affect the policies of investors on the investments made.

Media Disclosure

Media disclosure is how companies use available media to communicate their identity and information about the activities carried out by the company. One of the activities that can be communicated is the company's CSR. There are three media that are usually used by companies in disclosing corporate CSR, namely through television media, newspapers, and the internet (company web). Sari (2012) in Kristi (2012), said that by communicating the company's CSR through the internet, it is expected that the public will know about the social activities carried out by the company.

Managerial Ownership of CSR

Muchlish (2010) in his research shows that if a company has a high managerial share ownership, the company will make decisions in accordance with the company's interests. Similarly, research by Murwaningsari (2009).

The same thing was also expressed by previous researchers who revealed that managerial share ownership has an effect on the extent of CSR disclosure in Indonesia (Rizky and Yuyetta, 2015). Based on the explanation above, the hypothesis is formulated:

H1 = Managerial Ownership has an effect on Corporate Social Responsibility.

Institutional Ownership of CSR

Anggono and Handoko (2009), state that institutional investors emphasize the long-term benefits of the company so that they often put pressure on management to make decisions not only based on short-term profits but also how to pay attention to social fields. Based on the explanation above, the hypothesis is formulated:

H2 = Institutional Ownership has an effect on Corporate Social Responsibility.

Independent Commissioner of CSR

Research conducted by Jo and Harjoto (2011) shows that independent commissioners have a positive effect on CSR disclosure which affects company decisions. Based on the explanation above, the hypothesis is formulated:

H3 = Independent Commissioner has an effect on Corporate Social Responsibility.

Size of the Board of Commissioners on CSR

Research conducted by Sembiring (2005), found a significant positive effect between the number of commissioners on the level of CSR disclosure. An influential result is also shown by research (Sari and Marsono, 2013), which states that the board of commissioners, which is considered the highest internal control mechanism, is responsible for monitoring the actions of top management so as to disclose its social responsibilities. Based on the explanation above, the hypothesis is formulated:

H4 = The size of the Board of Commissioners has an effect on Corporate Social Responsibility.

The Effect of Profitability on CSR

Research by Wardhani (2013), explains that the profitability of a company is a factor that makes management free and flexible to disclose social responsibility to shareholders. Nurkhin (2010), proves that profitability has a positive influence on the company's CSR disclosure.

Based on the explanation above, the hypothesis is formulated:

H5 = Profitability has an effect on Corporate Social Responsibility.

Media Disclosure of CSR

Ratnasari and Prastiwi (2010), stated that internet media (website) is an effective media supported by internet users which are starting to increase at this time. Research by Respati and Hadiprajitno (2015) explains that media disclosure has a significant positive effect on CSR disclosure. Based on the explanation above, the hypothesis is formulated:

H6 = Media Disclosure has an effect on Corporate Social Responsibility.

RESEARCH METHODOLOGY

This research uses quantitative research, which tests theories through measurement and analysis of each variable that has been compiled. The research population is property and real estate companies listed on the IDX for the 2017-2019 period. The sampling method in this study uses a purposive sampling method based on the criteria: Property and Real Estate companies are listed on the IDX and publish annual reports in a row during the 2017-2019 period. The company uses the rupiah currency in its financial statements. Have all the complete data used to calculate the variables that are the focus of this study. Methods of data collection using documentation techniques. The data used in this study is secondary data. The source of the data used in this research is based on the annual reports of property and real estate companies listed on the Indonesia Stock Exchange in 2017-2019 and obtained through direct access from the Indonesian website (www.idx.co.id).

Research Variables and Its Measurement

Corporate Social Responsibility

In this study the dependent variable is Corporate Social Responsibility. CSR disclosure standards developed in Indonesia refer to the standards applied by the GRI (Global Reporting Initiative) (GRI-G4). The GRI standard was chosen because this GRI standard focuses more on disclosure standards as a company's economic, social, and environmental performance with the aim of improving the quality and utilization of sustainability reports.

In the GRI standards, performance indicators are divided into two main components, namely economic, environmental and social which includes human rights, labor practices and the work environment, product and community responsibility, with a total indicator of 91 items.

Managerial ownership

Managerial ownership is the proportion of management shares that participate in taking the company, including directors and commissioners with the following formula:

$$MNJM = \frac{\text{Jumlah saham yang dimiliki manajemen}}{\text{jumlah saham yang beredar}}$$

Institutional Ownership

(Oktabila, 2019) Institutional ownership is company shares owned by institutions or institutions (banks, investment companies, insurance companies, or other institutions) except for subsidiaries and other institutions that have special relationships (affiliated companies and associated companies). Measuring institutional ownership by using the indicator of the percentage of the number of shares owned by the institution from the total outstanding share capital.

$$KpInst = \frac{\text{Jumlah saham yang dimiliki institusional}}{\text{jumlah saham yang beredar}}$$

Independent Commissioner

Independent Commissioner is a member of the board of commissioners who is not affiliated with the board of directors, other members of the board of commissioners and the controlling shareholder, and is free from business relationships or other relationships that may affect his ability to act independently.

$$KI = D_KI$$

Board of Commissioners Size

(Oktabila, 2019) The size of the board of commissioners is measured by calculating the number of all members of the board of commissioners in the company contained in the company's annual report, with the following formula:

$$UDK = D_KOM$$

Profitability

Profitability (X1) In this study the measuring instrument used in profitability is Return on Assets (ROA) which is measured using the formula:

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}} \times 100\%$$

Media Disclosure

Media disclosure is the company's way of communicating the identity and information about the activities carried out by the company by utilizing

the available media. This study measures media disclosure with a dummy variable, namely by giving a value of 1 for companies that disclose CSR activities on the company's website and 0 for companies that do not disclose CSR activities on the company's website (Darma, Arza, & Halmawati, 2019).

RESULTS AND DISCUSSION

Descriptive statistics

Based on the results of the descriptive analysis in the table, it shows that the CSR value is between 0.000 to 0.430 days with an average (mean) of 0.2269 and a standard deviation of 0.10068.

The managerial ownership ratio ranges from 0.000 to 2.300 with an average (mean) of 0.1583 and a standard deviation of 0.42849. The high value of managerial ownership indicates that the company's reputation is in good condition.

The institutional ownership ratio ranges from 0.070 to 3.700 with an average (mean) of 0.6995 and a standard deviation of 0.65282. The large value of institutional ownership means that the pressure on management to disclose CSR is getting bigger.

Independent commissioners show a minimum score of 1 and a maximum of 5. The mean value is 1.9867 and the standard deviation is 0.90782.

The size of the board of commissioners has a value range of 1 to 5 with an average (mean) of 2.5200 and a standard deviation of 0.99131. The more members of the board of commissioners, the company's CSR disclosure will be wider.

Profitability shows a minimum value of -0.060 and a maximum of 1. The average (mean) profitability of property and real estate companies listed on the Indonesia Stock Exchange (IDX) in 2017-2019 is 0.0667 with a standard deviation of 0.16148.

Media disclosure shows a minimum value of 0.000 and a maximum of 1,000. The average value (mean) is 0.8000 and the standard deviation is 0.40269. Communicating the company's CSR activities through the media will improve the company's reputation.

Multiple Linear Regression Test

Based on the results of multiple linear regression, can be arranged as follows:

$$CSR = 0.075 - 0.072 \text{ KpMnjm} + 0.101 \text{ KpInst} + 0.005 \text{ KI} + 0.020 \text{ UDK} - 0.013 \text{ PRF} + 0.041 \text{ PM} + \text{Information} :$$

CSR	= Corporate Social Responsibility
KpMnjm	= Managerial Ownership
KpInst	= Institutional Ownership
KI	= Independent Commissioner
UDK	= Board of Commissioners Size
PRF	= Profitability
PM	= Media Disclosure
ε	= error

Based on the regression equation, it can be interpreted as follows:

The constant value of 0.075 implies that if the variables of managerial ownership, institutional ownership, independent commissioners, board of commissioners size, profitability, and media

disclosure do not change or are considered constant (value 0), then CSR is 0.075.

The regression coefficient on the managerial ownership variable shows a value of -0.072. This shows that the greater the managerial ownership, the lower the level of CSR disclosure.

The regression coefficient on the institutional ownership variable shows a value of +0.101. This shows that the higher the institutional ownership, the higher the level of CSR disclosure.

The regression coefficient on the independent commissioner variable shows a value of +0.005. This shows that if the proportion of independent commissioners is large, the level of CSR disclosure will be higher.

The regression coefficient on the variable size of the board of commissioners shows a value of +0.020. This shows that the larger the size of the

board of commissioners, the higher the company's CSR disclosure will be.

The regression coefficient on the profitability variable shows a value of -0.013. This shows that the higher the level of profitability, the higher the level of CSR disclosure will be.

The regression coefficient on the media disclosure variable shows a value of +0.041. This shows that the more media used, the higher the level of CSR disclosure will be.

Discussion

The Effect of Managerial Ownership on CSR

The results showed that the managerial ownership variable had a positive effect on CSR with a regression coefficient of -0.305 and a significance level of 0.200 ($0.200 > 0.05$). The results show that the effect of managerial ownership on CSR is not significant, namely the managerial ownership variable has no effect on CSR, because managers are more focused on increasing company profits which will provide benefits to company owners and managers themselves rather than disclosing CSR. The results of this study support previous research conducted by Trisnawati (2014) which showed that management ownership had no effect on CSR. However, contrary to research by Rawi & Muchlish (2010), research by Abdullah & Nasir (2004) which shows that management ownership has an effect on CSR.

The Effect of Institutional Ownership on CSR

The results showed that the institutional ownership variable had a positive effect on CSR with a regression coefficient of 0.654 and a significance level of 0.007 ($0.007 < 0.05$). The results showed that the effect of institutional ownership on CSR was significant, namely that the variable of institutional ownership had an effect on CSR. The results of this study support previous research conducted by Rahayu and Rahayu (2013) in their research showing that institutional ownership has an effect on CSR. However, it contradicts the research of Kurniawan, et al (2018) which shows that institutional ownership has no effect on CSR.

The Influence of Independent Commissioners on CSR

The results showed that the independent commissioner variable had a positive effect on CSR with a regression coefficient value of 0.049 and a

significance level of 0.733 ($0.733 > 0.05$). The results showed that the independent commissioner's influence on CSR was not significant, namely the independent commissioner's variable had no effect on CSR., because the independent commissioner owned by the company was unable to carry out its roles and functions, one of which was in the implementation and disclosure of CSR. The results of this study support previous research conducted by Ratnasari and Prastiwi (2010) in their research showing that independent commissioners have no effect on CSR. But contrary to the research of Sudana and Arlindania (2011) in their research shows that independent commissioners have an effect on CSR.

The Influence of the Size of the Board of Commissioners on CSR

The results showed that the variable size of the board of commissioners had a positive effect on CSR with a regression coefficient value of 0.194 and a significance level of 0.171 ($0.171 > 0.05$). The results showed that the effect of the size of the board of commissioners and CSR is not significant, namely the variable size of the board of commissioners has no effect on CSR. The board of commissioners has the task of controlling the company's internal control not only based on the number of members of the board of commissioners but on the value and trust received by the company and the integrity ability of the members of the board of commissioners. The results of this study contradict the research of Sari and Marsono (2013) in their research showing that independent commissioners have an effect on CSR.

The Effect of Profitability on CSR

The results showed that the profitability variable had a positive effect on CSR with a regression coefficient value of -0.021 and a significance level of 0.865 ($0.865 > 0.05$). The results showed that the influence of profitability on CSR is significant, namely the profitability variable has an effect on CSR. The results of this study support previous research by Nurkhin (2011) which shows that profitability has an effect on CSR.

6 The Effect of Media Disclosure on CSR

The results showed that the media disclosure variable had a positive effect on CSR with a regression coefficient of 0.165 and a significance level of 0.155 ($0.155 > 0.05$). The results of the study indicate that the effect of media disclosure on CSR is not significant, that is, the variable of media disclosure has no effect on CSR. The results of this study support previous research conducted by Environment and Winarsih (2016) in their research showing that media disclosure has no effect on CSR.

CONCLUSION

This study aims to determine the effect of disclosure of Good Corporate Governance (GCG), profitability, and media disclosure on Corporate Social Responsibility. Based on the results of the research above, it can be concluded that managerial ownership, independent commissioners, board size, profitability, and media disclosure have no effect on Corporate Social Responsibility, while institutional ownership has no effect on Corporate Social Responsibility.

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