International Journal of Application on Economics and Business (IJAEB)
Volume 2, Issue 1, 2024. ISSN: 2987-1972

FACTORS AFFECTING CSR DISCLOSURE

Fiorensa Jasmine Hendrata[1*], Rousilita Suhendah[2]

[1] Faculty of Economics and Business, Universitas Tarumanagara, Jakarta, Indonesia*
Email: fiorensa.125204016@stu.untar.ac.id
[2] Faculty of Economics and Business, Universitas Tarumanagara, Jakarta, Indonesia

*Corresponding Author

Submitted: 19-12-2023, Revised: 03-01-2024, Accepted: 30-01-2024

ABSTRACT
This study aims to determine the effect of the influence of board size, firm size, leverage, and audit size on Corporate Social Responsibility Disclosure (CSRD) in the Consumer Non-Cyclicals sector listed on the IDX in 2019-2021. The sample was selected using criteria, namely Consumer Non-Cyclicals sector companies listed on the IDX, publishing annual reports, using IDR currency in their reporting, and presenting complete information in accordance with research needs. The criteria resulted in 68 companies as samples processed with the e-Views 12 and Microsoft excel. Factors that are expected to affect CSR disclosure as well as being independent variables are board size, firm size, leverage, and audit size variables. The results showed significant results from firm size variables, except for size, leverage, and audit size variables. However, the results of this study lack the ability to describe the overall situation and the period studied is limited. So future researchers can expand the scope of research using other sectors such as the Consumer Cyclicals, Industrials, or Technology sector and extend the research period up to 5 years.

Keywords: *CSR Disclosure, Board Size, Firm Size, Leverage, Audit Size*

1. INTRODUCTION

Company is a business entity that focuses on maximizing profits in operational activities. However, in carrying out its activities, the company cannot only focus on achieving profits, but must pay attention to other factors, namely the community and the surrounding environment. Thus, Corporate Social Responsibility (CSR) created to build good relations between the company and the community and the environment.

Corporate Social Responsibility is an entity's commitment to act appropriately either directly or indirectly by improving the welfare and quality of life of stakeholders. CSR also considers environmental, economic, and social aspects. Companies can feel the good impact of CSR activities in the end. The good impact, such as the good image of the company and loyal consumers. This is important to maintain and strengthen the company's position in the midst of fierce business competition. Company can do various activity for CSR. The examples are providing disaster relief and educational scholarships. In addition to social aspects, companies must also pay attention to environmental aspects. The company must carry out waste treatment and management of energy used.

Companies can publish their social and environmental activities, which referred as Corporate Social Responsibility Disclosure (CSRD). Social responsibility reporting is important, because it can show the community that the company is committed to maintaining and caring for the surrounding social and environment. CSR reporting that disclosed by the company can influence the company's stock trading volume. This shows that CSRD also influences investors' decision-making.

CSR disclosure have to be transparently, ethically, and reliably. However, there are still companies that are not honest in presenting CSR reports. As in the case of Aqua, which known as a producer of bottled mineral water (AMDK) and its product sold globally, that is under the group of the brand, Danone. Currently, three major environmental organizations are taking Danone to court alleging that Danone failed to solve the problem of plastic waste it produces. The plaintiff argues that Danone is not serious about reducing plastic waste. Another problem is that Danone states that the company's plastic products do not deliver. Danone also revealed in its report that the use of plastic in 2021 was greater than in 2020. This made the three environmental organizations that sued Danone want Danone to improve and be able to release new plans, especially for Danone's accountability for the use of plastic made.

There are still many companies in the Consumer Non-Cyclicals sector that do not disclose their CSR activities, which makes stakeholders do not know exactly what the company has been working on. CSR disclosure can actually improve the company's reputation image in the eyes of the public. In addition, some companies present CSR in a non-transparent manner. Doing this can make the report looks good even though it is not in accordance with the actual situation. This dishonesty can actually be a boomerang for the company.

Consumer Non-Cyclicals sector is not affected by seasons nor economic cycles. This happens because the goods and services provided by the companies are basic needs that always be needed by people. Causing the sales to be unaffected and tend to be stable. Because the results of goods or services sold are basic needs, the community usually very concerned about the company's behavior towards the surrounding environment. This study uses the Consumer Non-Cyclicals sector to see whether companies in the sector have made social responsibility disclosures. In addition, it is also to find out what factors can influence the company in making disclosures.

Research samples used were from the 2019-2021 period. This is because, people's concern for their environment began to rise during the pandemic. With the pandemic, people realize how important it is to keep their environment good. This can be one of the bases for the company to be aware of their surrounding environment. Besides, Indonesia Financial Authority (OJK) have obligated the company to make sustainability report. So, company have to disclose their CSR activity so that the public can know what deeds did the company do.

Board size is one of the independent variables used in this study. Board is the party that leads and supervises the activities carried out by the company as a representative of the shareholders. Therefore, board likely get a voice in disclosing information on company's CSR disclosure (Krisna, et al., 2016).
Another independent variable is firm size. Companies that already have a big name will get more attention from the public. The Company is obliged to provide information to its stakeholders. However, large companies are also required to provide more information to meet the expectations of stakeholders. People's expectations of large companies are also getting higher. Similarly, CSR disclosure, especially if company disclose more information regarding CSR, the company reputation is looking good in the public eyes (Ningrum, et al., 2019). But, if large companies do not disclose their CSR, this can raise question marks from the public

Leverage became the third independent variable in the study. The ability to repay debt is one of the crucial factors for the company, because if it defaults, the company can go bankrupt. Companies must smartly manage their finances. Everything requires funds, as well as CSR activities. If high-leverage companies carry out excessive CSR activities, the funds spent are also getting bigger. This will make creditors become anxious and pay attention to the company more closely. Therefore, high-leverage companies need to disclose more information to convince stakeholders that the company is still running well (Salehi, 2018). The expression carried out can be in the form of financial or non-financial (CSRD).

The last independent variable is audit size. Companies usually choose audit companies that have a good reputation so that the audit results produced can be in accordance with the company's needs. Similar to companies, usually large audit companies have a tendency to choose companies that have a good image. Disclosure of broader and detailed information that shows that they are transparent to their stakeholders is also a value in itself. Companies that conduct CSR disclosures usually have a good name in the community. Audit firms will usually audit companies that are equivalent to it. In addition, the larger the audit company, the more detailed it will be in providing criticism and suggestions (Al-Gamrh & Al-Dhamari, 2016).

The purpose of this study is to examine which factors is affecting the CSR Disclosure in Consumer Non-Cyclicals sector companies. Company that disclose more information of its CSR activity will gain more trust from the stakeholder and can even make the investors take a note on them in a good light. Consequently, hope this study can help future researchers to do more varies of different variables and sector.

This paper showed some studies related to the factors affecting Corporate Social Responsibility Disclosure (CSRD) based on research conducted by Qa'dan et al (Abu Qa'dan & Suwaidan , 2018). On the one hand, we use a data directly from financial reports and CSR reports of companies in Consumer Non-Cyclicals sector. We also use a different subject to the research conducted by Qa'dan et al (Abu Qa'dan & Suwaidan , 2018) which was to use Consumer Non-Cyclicals companies. Variable used in this study was limited to Board Size, Firm Size, Leverage, and Audit Size.

2. RESEARCH METHOD

This theory explains which parties are entitled to responsibility from the company (Freeman, 1984). This relationship with stakeholders is important, because the company cannot run well without stakeholders. Stakeholders themselves are a group of people and individuals who have influence and are influenced by the goals of the organization (Freeman, 1984). Those included in the stakeholder category are stockholders, employees, customers, creditors suppliers, government, and public interest groups.

This theory related to the concept of Triple Bottom Line (TBL), where this concept is a performance measurement that pays attention to profit gain, measures of social concern, and the environment. In addition, this theory says that the company exists not only as an entity for its own interests, but also must be beneficial to stakeholders. This applies to all companies. Both large and new companies.

Information is one of thing that company can provide to stakeholders. Therefore, company must be able to classify information accessed by all stakeholders or certain stakeholders. Company expected to make disclosures of information, such as financial, social, and environmental that can increase thinking and trust in the company. This is based on the company's existence cannot survive if it does not get support from stakeholders. Therefore, the company attaches the information it has in order to meet the expectations of stakeholders. Associated with ongoing research, disclosure of information regarding the environment by the company considered as one of the important facts that attract support from stakeholders. For this reason, the better the environmental disclosure (CSR) carried out by the company, the more stakeholders can trust and provide full support for the company's activities, namely improving performance to achieve profits.

This theory says that agency theory arises when there is one or more parties (principal) who hire other people (agents) to provide services and then give authority in decision-making (Jensen & Meckling, 1976). The existence of two separate entities will cause agency conflicts between principals and agents. The cause of this conflict is due to conflicts of interest, such as each party wants to maximize its utility, but to realize that desire both parties are at odds. Principals want agents to maximize their wealth, while agents tend to reduce the principal's desires because of the desires to be achieved. Decisions made by management are not always in accordance with the wishes of investors or owners.

Because of these conflicts, it is inevitable that agency costs will arise, where these costs are costs held by owners or shareholders in order to oversee management and costs incurred due to these anomalies. Therefore, information asymmetry can occur. Therefore, management will strive to prevent information asymmetry to shareholders through increased levels of supervision and provide more information disclosure. However, this information asymmetry is also a loophole that management can exploit to perform cunning. Because there are many possible problems that occur, agency costs arise, where these costs are costs held by owners or shareholders in order to supervise management and costs incurred due to these anomalies. Therefore, the ultimate purpose of this theory is to strive so that the principal and agent can jointly minimize the costs incurred due to uncertainty and information asymmetry.

This theory reveals where the existence of information asymmetry becomes its own signal for more detailed disclosure (Spence, 1973). It can be said, that the sender (agent) provides a signal that can be used by the receiver (principal). Disclosure of information itself can affect people's views in terms of giving signals whether the company has a good or bad signal. The level of complexity of information disclosure also affects the level of trust and support provided by the social environment of the community.

Information asymmetry is a situation where the information owned by management is more complete and clear than that owned by shareholders. This imbalance makes investors' investment considerations less accurate. This equalization of information is important in order to produce analytical data to determine whether the company is giving good or bad signals. If it emits a positive signal, investors will put their trust and invest in their shares, and vice versa.
The reporting of information carried out by this company is very influential in the analysis carried out by market participants. If the company wants the results of the analysis of market participants to show that the company is giving good signals, then the company must disclose important information, such as financial statements, openly and transparently.

This theory shows that there will be organizational legitimacy if there is a harmony between social values related to the activities carried out by the company with values that apply in the social environment or society (Dowling & Pfeffer, 1975). This theory run as a form of involvement and effort of companies to enter the social environment. The company does this to ensure that no conflicts arise that are detrimental and hinder the company's activities. By paying attention to this, the company can find a gap to attract attention and pay attention to its reputation for the sustainability of the company in the future. Companies that build and maintain a good image in the social environment based on people's judgments and points of view, then companies need more effort to get it.

Activities carried out by the company can have both positive and negative impacts on the community and the surrounding environment. If there is no harmony between the company's activities and work with community values, then the company's legitimacy is threatened. Companies must be able to adapt along with the times in adjusting developments to the values of the social environment of the community. Companies that seek to adapt to the development of values in the social environment of society, show that companies value the importance of legitimacy in the community environment. The company establishes a social contract with the community because it has a social responsibility.

Corporate Social Responsibility is a program carried out by the company in order to carry out its social responsibility to stakeholders and the social environment. CSR initially emerged because people did not put trust in the company, where people considered the company only paid attention to the company's goals without paying attention to the surroundings. Therefore, with this CSR program, hoped the public can put their trust in the company. This communication process is needed because the company does not solely obtain profits only by itself, but there are other factors that make the company successful in creating the desired profit, namely environmental and social. Company activities cannot work properly if not supported by adequate environmental conditions. In addition, these activities cannot worked without human resources. If the company did not maintain the social environment properly then this can have an impact on the company's goal to make a profit.
Companies that do CSR activities need to communicate the impact of the social environment that occurs because of the economic activities carried out by the company. Companies that make CSR disclosures mean that the company carries out its responsibilities, namely by showing the public about the company's CSR programs and their effects on the social environment. This CSR disclosure can also be a means for companies to establish good relationships with stakeholders. Because, the company provides information needed by internal and external stakeholders.

The company has a board that has the authority and responsibility to supervise and control the flow of business and the use of resources to be in line with company objectives. Both the board of directors and the board of commissioners are one of the most important key mechanisms in the company's internal governance structure This is because the board of directors and board of commissioners are parties who are in control and responsible for making decisions in company activities to be in accordance with company goals. The size of the board is not determined specifically, but depends on the policies of each company. However, the number of personnel on the board will determine the resulting performance. If the size of the board is too small, it can cause inefficiencies in carrying out tasks. Conversely, if the size of the board is too large, it can cause a variety of opinions and thoughts that take time to review one by one and can make the board not unified.

Based on research conducted by (Ali, et al., 2020) and (Ronald & Jin, 2019), it was found that board size has a positive and significant effect on CSR disclosure. Companies with larger corporate boards expected to provide disclosures that are more detailed related to Corporate Social Responsibility (CSR). This expectation stems from the idea that a larger and diverse board may have a wider range of perspectives. As a result, such boards may place greater emphasis on CSR issues and advocate more comprehensive and transparent reporting. However, it's important

to note that the relationship between board size and CSR disclosure can vary based on the specific corporate governance practices and priorities of individual companies.
H1: Board size has a positive effect on CSR disclosure.

Companies can be assessed in terms of their scale, often based on various factors such as revenue or market capitalization. The magnitude of a company can provide valuable insights into its size and influence within its respective industry or market. The total assets owned by the company can also measure companies. Companies with large assets tend to utilize their resources optimally in carrying out their business activities rather than going into debt. Another thing is, If the company's assets are large, it shows that the company can maximize the benefits of its assets to get greater profits than companies with small assets. This situation shows that the company's business prospects are good. If the company's prospects are good, then it can increase investor confidence. Large companies that have large enough total assets can attract the attention of investors to invest because of the good long-term prospects.

The larger the company, stakeholders will demand more disclosure about the activities that carried out by the company. Public expectations of large companies tend to be higher, so companies must be able to maintain these expectations by providing the requested information. Large companies tend to get more attention from the public. The pressure borne by large companies is high, because of the expectations of the community itself. Without public intervention, both as investors, buyers, and labour, company activities cannot move effectively. It is undeniable that the bigger the company, the greater the impact that will be left behind (Al-Gamrh & Al-Dhamari, 2016) (Maryujati, et al., 2022). Therefore, to maintain public trust, the company discloses information regarding CSR programs.
H2: Firm size has a positive effect on CSR disclosure.

Leverage indicates the company's debt repayment capabilities. The greater the leverage of the company, indicating the size of the company's debt. The level of leverage is a concern for companies and investors. Because the higher the company's leverage, the higher the possibility that the company is unable to pay its debts. Especially if the company is experiencing financial problems. This can raise doubts in shareholders. Different story if the company can manage the use of debt, then the debt can make the company to develop its business. Leverage closely related to the company's profitability because with additional funds to expand the business, the company can increase the profits obtained. Companies that use debt to finance operational activities, have a goal that the profit obtained can be greater than the fixed costs. This is so that the company can grow and can pay back debt loans and interest.

In measuring the company's leverage level, one financial ratio is used, namely the debt-to-asset ratio (DAR). DAR used to calculate the ratio between total debt and total company assets. The higher the company's leverage, the more disclosure will be made to convince shareholders that the company is still healthy (Salehi, 2018). The higher the level of leverage of the company, the wider the disclosure will be made to convince stakeholders that the company is still healthy even with high leverage. High-leveraged companies that do CSR activities shows that the company still has long-term prospects. These events can attract investors to invest and help the company to lower its leverage level.
H3: Leverage has a positive effect on CSR disclosure

Audits have a role in assessing the appropriateness and accuracy of financial and non-financial reporting presented by companies. The goal is to provide stakeholders with confidence in the company's financial transparency. Company has the freedom to choose which audit company will they use. The size of the audit company was also a factor in the selection. Because, a large audit company (Big 4), means that the audit company already has a good reputation and have a good results in its interpretations.

The size of the audit company affects the quality of the independent party conducting the inspection. This is because, audit firms that are already large-scale Big 4, tend to have auditors who provide high audit quality to maintain independence from clients by reporting findings transparently. Auditors in Big 4 companies are also considered to have more experience, which makes the quality of the audits produced will be better than other audit companies. Big 4 companies are also more careful in conducting inspections, because if there are reporting problems made by clients but the audit company does not highlight them, this can cause question marks and question the credibility of Big 4 Public Accountants. This Big 4 KAP has more assets and reputation, than Non-Big 4 audit firms. Therefore, the costs required to use the services of Big 4 companies are greater than Non-Big 4 companies.

Audit quality is a chance auditor finds and reports material misstatements in the reporting of client information. The higher the quality of the audit, the lower the material misstatement found by the auditor so that it can produce more quality and credible reporting of information. Usually, big audit company can produce more specific and detailed information because there are more skilled auditor. This shows that the larger the audit size, the more information will be disclosed by the company (Alia & Mardawi, 2021). Large audit firms usually have a better reputation and name than other audit firms do, so they are more likely to inspect companies that are equivalent to the size of the audit firm. This occurs in order to maintain the company's good reputation and prestige.
H4: Audit size has a positive effect on CSR disclosure.

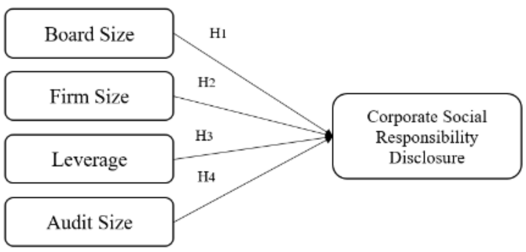

Figure 1. The Research Model

3. RESULTS AND DISCUSSIONS

This research uses companies in the Consumer Non-Cyclicals sector listed on the Indonesia Stock Exchange in 2019-2021. The data used in the study used secondary data. Secondary data is taken from the Indonesia Stock Exchange (IDX) website and the websites of companies in the Consumer Non-Cyclicals sector. The study used panel data consisting of cross-sectional data and time-series data. Sampling carried by using the purposive sampling method. The following sample criteria was used: 1) Consumer Non-Cyclicals sector companies listed on the IDX, 2) publishing annual reports, 3) using IDR currency in their reporting, and 4) presenting complete information in accordance with research needs. Multiple regression analysis was used to examine a total of 183-panel data (68 samples times 3 periods minus 21 outlier). Software used to process the data for this investigation is EViews software 12, student edition.

The operationalization of the research variables shown in Table 1 is as follows:

Table 1. Operational Variables and Measurement

No.	Variable	Operation	Scale
1.	CSRD	$CSRD = \frac{\Sigma_{1}^{31} d}{33}$	Ratio
2.	Board Size	Board Size = Total board of director and commissioner	Nominal
3.	Firm Size	Firm Size = Ln Total Assets	Nominal
4.	Leverage	$DAR = \frac{\text{Total Debt}}{\text{Total Asset}}$	Ratio
5.	Audit size	Audit size = value 1 if the company uses Big Four and value 0 if not using Big Four	Nominal

This study used panel data, which is a combination of cross-sectional and time-series data. In determining the analysis model to be used, this study carried out Chow Test and Hausman Test. Based Chow Test, the probability of cross-section Chi-Square value is 0.0000 so that the model selected from this Chow Test is the Fixed Effect Model. Based on Hausman Test, the probability of cross-section random value is 0.0241 so that the model selected from this Hausman Test is the Fixed Effect Model. In conclusion, this study use Fixed Effect Model (FEM) as its model to analyse the data.

The research also doing the Classic Assumption tests, such as normality test, autocorrelation test, multicolinearity test, and heteroscedasticity test. This study used the Jarque-Bera test in conducting normality tests. The Jarque-Bera probability value is 0.0549, which means the data used in the study are normally distributed. To see if there is an autocorrelation occurs between the variables, this study used Durbin-Watson test. Based on Table 6, Durbin-Watson value is 2.1073. Thus, it can be concluded that the data used in the study were not exposed to autocorrelation.

Table 2. Normality Test

		Information
Jarque-Bera	5,8052	
Prob.	0,0549	Normal

According to the multicollinearity test, all independent variable's coefficient was less than 0.80, which means that there are no multicollinearity issues with the correlation between the independent variables. The heteroscedasticity test is using the Glejser Test to check if the variable have any heteroscedasticity. The heteroscedasticity tests reveal that all independent variables have fulfilled the criteria needed to pass the test. This indicates that there is no heteroscedasticity in the regression model.

Table 3. Autocorrelation Test

Variable	BSIZE	FSIZE	FIRMLEV	AUDITFIRM
BSIZE	1	0.6441	0.1847	0.4671
FSIZE	0.6440	1	0.1187	0.5107
FIRMLEV	0.1847	0.1187	1	0.0419
AUDITFIRM	0.4671	0.5106	0.0419	1

Table 4. Heteroscedasticity Test

Variable	Coefficient	t-stat.	Prob.
C	0,0722	0,1178	0,9064
BSIZE	-0,0023	-0,5711	0,5691
FSIZE	0,0002	0,0087	0,9931
FIRMLEV	-0,0271	-0,5571	0,5786
AUDITFIRM	0,0137	0,4978	0,6196

After doing the panel data test, the descriptive statistic test will be conducted. The result of descriptive statistical test of 183 samples of dependent and independent variable in Consumer Non-Cyclical company can be seen in the following table.

Table 5. Statistic Descriptive Test

Variable	Min.	Max.	Mean	Std. Deviation	Obs.
CSRD	0,1212	0,9090	0,6025	0,1505	183
BSIZE	4,0000	17,0000	9,0000	2,7853	183
FSIZE	25,2518	32,4022	28,8911	1,6111	183
FIRMLEV	0,0052	0,9590	0,4782	0,2128	183
AUDITFIRM	0,0000	1,0000	0,4153	0,4941	183

The results of the min and max CSRD values explained that the companies used as samples made the lowest disclosure of 12.12% and the highest of 90.91% of the total CSR disclosure. The average value of CSRD shows that the average sample of companies in this study revealed CSR as much as 60.26% of the total points. Thus, Consumer Non-Cyclicals companies listed on the IDX in the 2019-2021 period have a medium average CSRD. The size of the CSRD variable data distribution was 0.1506 from 183 samples used.

Board Size (BSIZE) has a minimum value of 4 and a maximum value of 17. The average value of board size (BSIZE) is 9, which means that Consumer Non-Cyclicals companies listed on the IDX in the 2019-2021 period have at least 9 members of the board of directors and commissioners in a company. The size of the data distribution of variable board size (BSIZE) was 2.7854 from 183 samples used.

Firm Size (FSIZE), measured by Total Assets, has a minimum value of 25.25185 and a maximum value of 32.4023. The average firm size (FSIZE) value is 28.8916, which means that Consumer Non-Cyclicals companies listed on the IDX in the 2019-2021 period are more or less medium-sized companies. The size of the data distribution of the firm size variable (FSIZE) was 1.6111 from 183 samples used.

Leverage (FIRMLEV) as measured by debt-to-assets ratio (DAR) has a minimum value of 0.005277 and a maximum value of 0.9590. From the average leverage value, it shows that Consumer Non-Cyclicals companies listed on the IDX in the 2019-2021 period have an average debt of 47.82% of total existing assets. So, it can be said that the sample company of this study has a good performance because in terms of debt it is below 60% where the ratio is a normal value of the DAR ratio. The size of the data spread of variable leverage (FIRMLEV) was 0.2128 from 183 samples used.

Audit size (AUDITFIRM) calculated with dummy variables, where if the audit company used by the sample company is in the BIG 4, then the number 1 and vice versa is given. This variable has a minimum value of 0 and a maximum value of 1. From the average audit size (AUDITFIRM) value, it shows that Consumer Non-Cyclicals companies listed on the IDX in the 2019-2021 period amounted to 41.53% of the total 183 samples using the services of the BIG 4 audit company. The size of data distribution from variable audit size (AUDITFIRM) was 0.4941 from 183 samples used.

Table 6. Regression Analysis

Variable	Coefficient	Prob.
C	-3,3350	0,0335
BSIZE	-0,0125	0,2306
FIRMSIZE	0,1412	0,0094
FIRMLEV	-0,0654	0,5958
AUDITFIRM	0,0009	0,9895
R-Squared		0,8022
Adjusted R-Squared		0,6787
F-Statistic		6,4924
Prob (F-Statitic)		0.0000
Durbin-Watson Stat		2,1073

Based on the data from Table 6, the regression equation is as follows:
CSRD = -3,3350 - 0,0125 BSIZE + 0,1412 FSIZE - 0,0654 FIRMLEV + 0,0009 AUDITFIRM + c
(Note: BSIZE: Board Size, FSIZE: Firm Size, FIRMLEV: Leverage, AUDITFIRM: Audit Size, CSRD: Corporate Social Responsibility Disclosure)

From the multiple regression analysis, we can get the adjusted R2 result shown Table 3. The adjusted R2 value is 0,6787. It indicates that or 67,87% of the dependent variable (CSRD) can be explained by the independent variables in the form of board size, firm size, leverage, and audit size. While the rest, which is 32,13% is explained by other variables apart from the variables used in this study. Also, the F-test shows the probability is 0,0000. Means that the independent variable in this study simultaneously affects the dependent variable.

Table 7. Hypothesis Test Result

Variable	Coefficient	t-stat.	Prob.	Conclusion
BSIZE	-0,0125	-1,2052	0,2306	Rejected
FSIZE	0,1412	2,6411	0,0094	Accepted
FIRMLEV	-0,0654	-0,5320	0,5958	Rejected
AUDITFIRM	0,0009	0,0132	0,9895	Rejected

Based on the test, obtained a significance value of 0.2306. This result shows that the significance of the probability is greater than 0.05, so it can be concluded that H1 is rejected, which means that partially the board size variable does not have a significant effect on CSRD. The coefficient value is -0,0125, which means that the board size has an opposite direction to the CSRD as the dependent variable. It can be said, that the higher the size of the company's board, the lower the intervention that can be made to management for CSR disclosure. If the board gets bigger, it can result in more opinions and urges that may be difficult to avoid which can make CSR disclosure even more ambiguous. It can be said that the size of the company's board does not ensure that the company will have a better ability to express CSR. Therefore, the results of this research cannot support stakeholder theory on board size variables, which states that each stakeholder or board of directors has the ability to influence the company. The research result is similar to the research done by Rouf, Md. Abdur et al. (Rouf & Hossan, 2020).

Based on the test, obtained a significance value of 0.0094. This result shows that the significance of the probability is lower than 0.05, so it can be concluded that H2 is accepted, which means that partially the firm size variable have a significant effect on CSRD. The coefficient value is 0,1412, which means that the firm size has the same direction to the CSRD as the dependent variable. Besides running in accordance with its purpose of being established, company certainly wants to be an entity that provides benefits to stakeholders. Company stakeholders benefit, namely the company's image increases. Companies can strengthen their brand and also expand their influence both at the economic and social levels. This benefit can be an important added value for the company.

Therefore, the bigger the company means that the company also has great pressure to make more disclosures. Companies that develop will get a wider general spotlight also on the activities carried out by the company. By conducting CSRD, companies can inform stakeholders and the community about what positive activities that carried out so thus can strengthen the relationship between the company and the community. The research result is similar to the research done by Alia, Abu et al. (Alia & Mardawi, 2021)

Based on the test, obtained a significance value of 0.5958. This result shows that the significance of the probability is greater than 0.05, so it can be concluded that H3 is rejected, which means that partially the leverage variable does not have a significant effect on CSRD. The coefficient value is -0,0654, which means that the leverage has an opposite direction to the CSRD as the dependent variable. According to agency theory, if companies make more CSR disclosures, the company can be highlighted by creditors. Thus company will reduce CSR disclosures because the company does not want to get more attention from its creditors. If the leverage of this company is high, then the funds set aside to carry out CSR activities are reduced, because to carry out CSR activities also requires considerable funds. If the funds provided for CSR activities are small or insignificant, it will be difficult for companies to disclose them to the public.

This shows that the higher the leverage, the lower the company's CSR disclosure. When the company has a high level of debt, the level of CSR disclosure carried out will be low, In addition, if the level of leverage is higher, the company will usually reduce funds for other financing, including costs for CSR activities so that the company can also get greater profits in the financial statements. The research result is similar to the research done by Martinez (Martinez & Alvarez, 2018)

Based on the test, obtained a significance value of 0.9895. This result shows that the significance of the probability is greater than 0.05, so it can be concluded that H4 is rejected, which means that partially the audit size variable does not have a significant effect on CSRD. The coefficient value is 0,0009, which means that the audit size has the same direction to the CSRD as the dependent variable. The size of the audit company considered not to have much influence on CSR disclosure. CSR disclosure itself is one of the company's responsibilities for the environment. So whether the company will disclose the CSR or not, it all depends on the company itself. CSR disclosure also has many benefits that companies can receive, such as public trust in companies that are responsible for reducing and processing waste. By this, the image and value of the company can increase.

Large audit companies usually chosen not only because of their good image, but also because of their accuracy, speed, and accuracy. In addition, companies can also get constructive criticism and suggestions from audit companies, which can improve company disclosure in the future. How each company manages criticism and suggestions from audit firms depends on the company itself. Large auditing firms are usually more conservative than smaller audit firm, so they are more accepting of companies that are financially better. Therefore, audit companies focus more on reporting companies on an annual basis and do not require companies to report more than the data requirements of accounting standards. The research result is similar to the research done by Salehi (Salehi, 2018)

4. CONCLUSIONS AND SUGGESTIONS

Currently, Corporate Social Responsibility activities have become mandatory in Indonesia. This is because, the company must show its concern for its surroundings who also support and help the running of the business. However, there is no legal obligation for companies to disclose their CSR activities. Therefore, research is conducted to see what factors influence the company to make further disclosures. This study uses board size, firm size, leverage, and audit size variables as independent variables. The sample in this study includes companies in the Consumer Non-Cyclicals sector registered with IDX in the 2019-2021 period.

Based on the results of the processing in this study, it can be concluded that the size of the company will affect CSR disclosure significantly. The larger the size of the company, the larger demands of stakeholders so that the company makes more detailed disclosures. Meanwhile, board size, leverage, and audit size do not have a significant effect on CSR disclosure. It can be said that the disclosure of CSR carried out depends on the assessment of the company's management itself. If it is felt that disclosing its CSR activities can have a greater positive impact than the efforts expended, then the company may disclose CSR.

Because the sample used in the study was only limited to the Consumer Non-Cyclicals sector listed on the Indonesia Stock Exchange (IDX), so it could not describe the whole company in other sectors. Hence, in future observations can use a different sector to find result variation from another sector, like Consumer Cyclicals, Industrials, Technology In addition, the observation period carried out is only three years, so it can not shows a long-term trends. Consequently, future studies can carried out a longer observation period as examples for 5 years. From the discussion above, only one variable that can met the requirement, and so future research should use another independent variable which is expected to increase the level of relevance in CSR Disclosure.

REFERENCES

Abu Qa'dan, M. B. dan Suwaidan, M. S. (2018). Board Composition, Ownership Structure And Corporate Social Responsibility Disclosure: The Case Of Jordan. Social Responsibility Journal Vol. 15(1), pp. 28–46.

Al-Gamrh, B.A. and Al-Dhamari, A. (2016), Firm Characteristics and Corporate Social Responsibility Disclosure. International Business Management, Vol. 10, pp. 4283-4291.

Ali, Rizwan, Rehman, Ramiz Ur, Kanwal, Madiha, Naseem, Muhammad A., dan Ahmad, Muhammad Ishfaq. (2020). Determinants of corporate social responsibility disclosure of banking sector in Pakistan. Social Responsibility Journal, Vol 18(5), pp. 1019-1034.

Alia, A. M. J. dan Mardawi, Z. M. (2021). The Impact of Ownership Structure and Board Characteristics on Corporate Social Responsibility Disclosed by Palestinian Companies. Jordan Journal of Business Administration, Vol. 17(2), pp. 254-277.

Dowling, J. and Pfeffer, J. (1975) Organizational Legitimacy: Social Values and Organizational Behavior. Pacific Sociological Review, Vol. 18, pp. 122-136.

Freeman, R.E. (1984) Strategic Management: A Stakeholder Approach. Pitman, Boston.

Jensen, M. C., & Meckling, W. H. (1976). Theory of The Firm : Managerial Behavior, Agency Cost, and Ownership Structure. Journal of Financial Economics, Vol. 3, pp. 305-360.

Krisna, Aditya Dharmawan dan Suhardianto, Novrys. (2016). Faktor-Faktor yang Mempengaruhi Pengungkapan Tanggung Jawab Sosial. *Jurnal Akuntansi dan Keuangan, Vol. 18*(2), pp. 119-128.

Martinez, Maria C. P. dan Alvarez, Isabel G. (2018). An international approach of the relationship between board attributes and the disclosure of corporate social responsibility issues. Department of Business Administration, Multidisciplinary Institute for Enterprise.

Maryujati, Arini G., Leon, Farah M., dan Purba, Yosephina E., (2022). Faktor Yang Menentukan Corporate Social Responsibility Pada Sektor Perbankan Yang Terdaftar Di BEI. Jurnal Ilmiah Akuntansi dan Keuangan, Vol 4, pp. 4284-4298.

Ningrum, H., Purnama, A. A., Oktaviana A., Calista G., Perwira, I. F. A., Nasim, A. 2019. Faktor – faktor yang Mempengaruhi Penerapan Corporate Social Responsibility (CSR) di Perusahaan. *Journal of Business Management Education, Vol. 4*(3), pp. 46-53.

Ronald dan Jin, Tjhai Fung. (2019). Pengaruh Leverage, Ukuran Perusahaan, Dan Umur Perusahaan Terhadap Corporate Social Responsibility Disclosure. Trisakti School of Management.

Rouf, Md. Abdur dan Hossan, Md. Alamgir. (2020). The Effects Of Board Size And Board Composition On CSR Disclosure: A Study Of Banking Sectors In Bangladesh. Department of Business Administration, Vol. 37(1), pp. 105-121.

Salehi, M. (2018). Empirical study on the effective factors of social responsibility disclosure of Iranian companies. Journal of Asian Business and Economic Studies, Vol. 26(1), pp. 34-55.

Spence, M. (1973). Job Market Signaling. Quarterly Journal of Economics, Vol. 87(3), pp. 355-374.

International Journal of Application on Economics and Business (IJAEB)
Volume 2, Issue 3, 2024. ISSN: 2987-1972

THE EFFECT OF INSTITUTIONAL OWNERSHIP, FOREIGN OWNERSHIP, LEVERAGE AND AUDIT FIRM SIZE ON CSR DISCLOSURE

Imanuela Glory Della Febryanti[1*], Rousilita Suhendah[2]

[1,2] Faculty of Economics and Business, Universitas Tarumanagara, Jakarta, Indonesia
Email: imanuela.125204041@stu.untar.ac.id

*Corresponding Author

Submitted: 23-02-2024, Revised: 16-04-2024, Accepted: 29-06-2024

ABSTRACT

This study empirically examines the effect of institutional ownership structure, foreign ownership structure, financial leverage and audit firm size from 2019-2021. The dependent variables used in this study are corporate social responsibility disclosure. This study uses quantitative research methods with secondary data obtained from the annual financial statements of basic material companies listed on the BEI. There are 138 data from 46 companies selected as research samples based on the purposive sampling method. The data processing in this study was tested using the Eviews 10. The results of the regression test showed that institutional ownership had a positive and significant effect on corporate social responsibility disclosure (CSRD), while foreign ownership, financial leverage and audit firm size had no effect on corporate social responsibility disclosure (CSRD).

Keywords: *Institutional Ownership, Foreign Ownership, Financial Leverage, Audit Firm Size, CSR Disclosure.*

1. INTRODUCTION

The number of companies and industries that carry out business activities indicates the development of business activities in a country. Establishing a company can contribute to the growth of economic conditions and social welfare in the region. However, besides being seen as a valuable institution that provides many benefits to society, the existence of a business also has the potential to cause natural damage [1]. The damage to nature is caused by the company's business operations and practices that can lead to natural disasters, climate change, environmental pollution and other social problems [2].

In recent years, the discussion of corporate social responsibility has gained the attention of many people worldwide, ranging from the general public to investors, governments, and creditors [3]. Companies are forced to assume greater responsibility towards stakeholders and the general public due to the social pressures in their daily business operations. Multi-stakeholder support and attention to environmental and social issues that appear in various mass media reports ultimately encourage companies to address environmental and social problems that arise in the areas where they operate. This is known as corporate social responsibility (CSR).

Corporate Social Responsibility (CSR) is a concept of social responsibility in which companies must sustainably benefit stakeholders financially and socially in the long term. Companies have the option to engage in CSR programs if they realize that their business operations are not only obliged to fulfil their commitments to stakeholders but also to meet stakeholders' expectations. This study was conducted to determine the causes affecting CSR disclosure in basic material sector companies listed on the Indonesia Stock Exchange in 2019-2021. The ratios used in this study are institutional ownership, foreign ownership, financial leverage and audit firm size.

The ownership structure of a company is obtained by comparing the number of shareholdings in a company. A company can be owned by the government, individuals, the public, foreign investors, or other parties within the company. Institutional ownership is the ownership of company shares by institutions (business entities). Meanwhile, foreign ownership refers to the number of shares owned by foreign parties (abroad), both by individuals and institutions, against company shares in Indonesia. The more parties are interested in learning about the company's business, the more detailed the disclosure of social responsibility by the company.

Financial leverage is obtained by calculating the total book value of all debt to the total assets or assets of the company. Creditors will pay more attention to companies with high levels of leverage. While, audit firm size is obtained by looking at the size of the auditor company (KAP) whose services are used to audit related companies.

The consideration of choosing the basic materials sector is because this sector is one of the fields that has an important role in development in Indonesia. Many global and local companies are competing to expand their business due to the rapid growth in Indonesia. This is like a double-edged sword because, on the one hand, this business can provide raw materials for the production process of other sectors and benefit shareholders. Still, on the other hand, it causes a lot of environmental pollution through the company's operations.

Based on events in mid-2022, there was a problem related to PT Timah Tbk, which is included in the industry in the basic materials sector, where tin miners and fishermen on Bangka Island were involved in a conflict over marine products. The lives of residents have been destroyed by tin mining on Bangka Island, which has made the island arid, full of holes, critical clean water sources, and the death of coral reefs, causing a reduction in coral fish. The results of environmental research indicate that toxic and carcinogenic heavy metals have polluted Bangka Island, which has destroyed coral reefs and forced many fishermen to look for alternative sources of livelihood. Walhi noted that from 2017 to 2020, tin mining incidents on land and sea have resulted in at least 59 fatalities. The relevant authorities also found allegations of environmental damage to fish resources and coastal waters at the end of February 2020 due to the disposal of tin waste (tailings) that did not pay attention to the standards of prevention, pollution and coastal damage in Matras by KIP Octopus 1.

According to a global survey by The Economist Intelligence Unit, 85% of top executives and investors from various companies have made CSR a critical factor in decision-making [4]. Also, more and more businesses see the value of corporate CSR initiatives as a component of the overall business continuity strategy and as a way to build credibility with society [5]. This means that CSR plays a vital role in the company. Extensive and complete CSR disclosure can be a component of interaction that companies use with stakeholders to explain business ethics and foster a positive reputation for the company.

Legitimacy Theory

Legitimacy theory emphasizes that company activities must be in line with and pay attention to the values and social norms that apply in the community where the company is located with the aim that the company is accepted by outsiders as legitimate [6]. However, it must also be accepted that there will be a gap between the values the company holds and those the community believes. The difference between the company's values and the social values of society is often called the legitimacy gap, which can hamper the company's capacity to continue business activities. One way to reduce the legitimacy gap is to disclose responsibility for environmental, social and corporate governance practices. That way, the company will get recognition from the community for creating harmony between the values and norms of the company and those of the community, which will impact the company's sustainability so that superior performance is obtained.

Signalling Theory

Signalling theory is a theory that states that in a transaction, the parties involved have various levels of information that differ from each other, where the data is considered a signal that has a trustworthy value [7]. Companies consider this signal a critical factor that influences the assessment of outsiders to investment decisions. As a result, the signal that the company wants to announce must have information strength that can change the views of external parties regarding the company's valuation. Non-financial information disclosure, such as corporate social responsibility disclosure, can also be viewed as positive signals expected to be received by other parties who have the power to influence decision-making. Investors may respond favourably if businesses disclose non-financial information about environmental, social and corporate governance responsibilities.

Stakeholder Theory

A stakeholder theory is one of the strategic issues regarding how companies manage relationships with stakeholders [8]. According to this theory, companies must pay attention and provide benefits to stakeholders because their existence can affect or be affected by company policies in business activities. This theory also explains that stakeholders are a group of people or individuals who influence the achievement of company goals either directly or indirectly. The existence of stakeholders can influence company policies that have an impact on its business activities. To maintain and support the company's survival, the company needs to seek support from each stakeholder for the business activities carried out. The search for help can be done by disclosing information about company activities from the financial and non-financial sides. Disclosure of company information is important to maintain relationships and improve the company's reputation with stakeholders.

Corporate Social Responsibility Disclosure (CSRD)

Disclosure is the presentation of information necessary for the capital market to operate as efficiently as possible [9]. By its nature, disclosure can be divided into two categories: voluntary disclosure of information exceeds the minimum requirements of applicable regulations. At the same time, the other is mandatory, where companies must disclose information based on rules or specified criteria. Disclosure by companies is an important medium to communicate a company's economic, environmental and social performance. Disclosure of corporate social information is carried out with various objectives, one of which is to build an excellent corporate image and get the attention of stakeholders.

There are many ways to gain loyalty or trust from stakeholders and realise more value for the company, one of which is to increase the company's credibility through more expansive voluntary disclosures to help investors understand management's business strategy. The revelation of social information in the annual or separate report is intended to reflect corporate accountability, responsibility, and transparency to investors and other stakeholders.

Disclosure of corporate social information is carried out with a variety of objectives, one of which is to build a good corporate image and get the attention of stakeholders. Some things related to the company's CSR disclosure include the following: a) Environment includes efforts to control pollution, mitigation or restoration of environmental damage, nature conservation, and other disclosures related to the environment; b) Energy, including energy conservation, energy efficiency; c) Sound business practices, including empowerment of minority groups and women, support for minority businesses, social responsibility: d) Human resources, including activities related to a community, such as health services, education, and arts in the community; e) Products, including safety, security, and pollution reduction.

Institutional Ownership

Institutional ownership is the ownership of company shares by institutions (business entities), include banks, pension funds, insurance, mutual funds, and other institutions. A high level of institutional ownership will lead to increased supervision of a company by institutional investors, thereby inhibiting the opportunistic behaviour of managers. Institutional ownership can also reduce institutional and agency problems by improving the monitoring process [10].
Institutional investors are typically large shareholders because they have large amounts of capital or funding. Institutional investors, who can be referred to as owners, have a great interest in building the reputation of the company they own. So, it is concluded that the greater the percentage of institutional ownership in the company, the greater the pressure on company management to fulfil its social responsibility disclosure.

In stakeholder theory, it is stated that the company in carrying out its business activities must provide benefits or a positive impact on the entire surrounding community and stakeholders, not as an entity that only operates for its interests. It can be said that the positive effect of institutional ownership on CSR disclosure is that companies that have high institutional ownership as stakeholders will provide positive benefits, namely maintaining the company's good name or reputation through increased corporate social responsibility (CSR) disclosure. In addition, high institutional ownership can encourage a company to disclose corporate social responsibility (CSR) more complete and extensive items.
H1 : Institutional ownership has a significant positive effect on CSR disclosure.

Foreign Ownership

Foreign share ownership refers to the number of shares owned by foreign parties (abroad), both by individuals and institutions, against the shares of companies in Indonesia. Foreign ownership in the company is an interested party and is considered to be concerned about the company's corporate social responsibility (CSR) disclosure [11]. From the point of view of the company's stakeholders, CSR disclosure is one of the media used to show the company's concern for the surrounding community. In other words, companies will get more support in making corporate social responsibility (CSR) disclosures if they have contracts with foreign stakeholders in ownership and trade. It can also be an encouragement and motivation for companies to start changing their behaviour in their activities and business operations to maintain the company's reputation and legitimacy.

In line with legitimacy theory, the company activities must be in line with social norms and can deliver the desired goals to distribute benefits either in the economic, social, or political fields. Companies that have higher foreign ownership tend to make greater CSR disclosures because they are based on a greater level of concern for financing their environmental and social activities. In addition, the more parties that need and use information about the company to make investments, the more demand for information to be disclosed in the reports published by the company. Therefore, more extensive and complete corporate social responsibility (CSR) disclosures are required to fulfil these expectations.

H2 : Foreign ownership has a significant positive effect on CSR disclosure.

Financial Leverage

The funding needs of a company can be met from its capital sourced from equity (share capital) and retained earnings. If the company's funding from its capital still shows a shortage (deficit), it is necessary to consider a budget from outside the company, namely from debt (leverage). The term leverage is often used to define the ability of a company to use assets or funds with fixed costs to increase the level of income (return) for company owners. Financial leverage is a ratio used to measure how much a company uses capital and debt to finance its assets [12]. Financial leverage is also considered a prerequisite for formulating an optimal debt or financing policy for the company that can impact the company's value and the welfare of shareholders through capital cost savings. Determining the ideal debt value and its impact on the company's debt policy is an important part that cannot be separated (integral) from the company's financing (financial) decisions.

Investors will see a company's financial leverage as a consideration and ascertain whether the company can fulfil its funding needs by using a large amount of debt. The higher level of debt owned by the company will lead to high demands for corporate profit targets, this is due to the high level of risk as a result of high debt. If the company has a high level of leverage, it shows that its financial condition is getting worse and depends on external loans to operate. Meanwhile, a company with a low level of leverage means that it can finance its operations with its funding. Since the company's debt comes from creditors, a high level of leverage will have an impact on CSR disclosures made by the company. The intensity of CSR disclosure will increase as leverage increases. The greater flow of corporate funds sourced from debt is expected to encourage an increase in the number of corporate social responsibility disclosures as evidence of the company's effectiveness in using its debt. By signalling theory, leverage is considered a signal that encourages companies to increase their CSR disclosure.
H3 : Financial leverage has a significant positive effect on CSR disclosure.

Audit Firms Size

Audit firm size refers to the public accounting firm (KAP) whose services are used by the company. According to the perspective of stakeholder theory, there are two procedures for supervision, including companies supervised by internal parties and supervised by external parties carried out by external auditors. The existence of an external auditor is one of the corporate governance tools that can minimise conflicts of interest between principals and agents, namely by examining the disclosures made by companies audited by the KAP [13].

A good KAP can examine the disclosure of information made by companies that use its services in detail. Brooks et al. (2019) investigated how corporate social responsibility can be influenced by auditor tenure, company size, company age, company growth and company profitability. Public accounting firms (KAP) as external auditors are responsible for complying with international auditing standards and overseeing greater information disclosure than local audit firms, which are generally smaller than multinational companies.

Large KAPs are considered to have more power than small KAPs to be able to influence their clients, so they will disclose more information about financial and non-financial aspects in the annual report, including information about CSR. In addition, large KAPs also have more concern for the company's reputation, thus requiring the disclosure of more information from their clients.

H4 : Audit firm size has a significant positive effect on CSR disclosure.

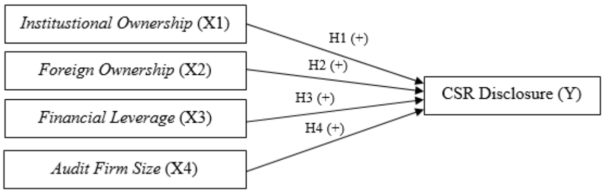

Figure 1. The Research Model

2. RESEARCH METHOD

In this study, the population used is a basic material sector company listed on the Stock Exchange Indonesia during the 2019-2021 period. Furthermore, the sample selection in research uses a purposive sampling technique with this following sample criteria: (1) Basic materials companies listed on the Indonesia Stock Exchange (IDX) in 2019-2021; (2) Basic materials companies that publish annual reports dated 31 December 2019-2021; (3) Basic materials companies that disclose corporate social responsibility during 2019-2021; (4) Basic materials companies with complete data on ownership structure, foreign ownership, financial leverage and audit firm size. The selected sample is 46 companies with 138-panel data (46 samples times three periods) that were analyzed using multiple regression analysis and proceeded using E-views software. The dependent variable is CSR disclosure. On the other hand, the independent variable are institutional ownership, foreign ownership, financial leverage and audit firm size which explained in the Table 1 as follows:

Table 1. Operational Variables and Measurement

Variable	Proxy	Scale	References
CSR Disclosure	$CSRD = \frac{number\ of\ items\ disclosed\ by\ the\ company}{number\ of\ items\ expected\ by\ the\ company}$	Rasio	Yuli, Selfi dan Jojor (2022)
Institutional Ownership	$INS = \frac{number\ of\ shares\ owned\ by\ institutions}{number\ of\ shares\ outstanding}$	Rasio	Rivandi, M. (2021)
Foreign Ownership	$ASING = \frac{number\ of\ shares\ owned\ by\ foreigners}{number\ of\ shares\ outstanding}$	Rasio	Rivandi, M. (2021)
Financial Leverage	$LEV = \frac{total\ liabilities}{total\ assets}$	Rasio	Bassam, M dan Said S. (2019)
Audit Firm Size	Using dummy variables, given a value of 1 if the audit firm size is included in the top ten, and 0 if the audit firm size is not included in the top ten	Nominal	Bassam, M dan Said S. (2019)

3. RESULTS AND DISCUSSIONS

This study used panel data, which is a combination of cross-sectional and time-series data. In determining the analysis model to be used, this study carried out Chow Test and Hausman Test. Based on Chow test, the cross-section value is 0.0000 which is lower than 0.05. It means that the estimation model chosen from the Chow test or likelihood is the fixed effect model (FEM). Then, the panel data test is continued to Hausman test. According to Hausman test, the cross-section value is 0.0173 that is lower than 0.05 meaning that the chosen model in Hausman test is fixed effect model (FEM). Hence, the model that is chosen for this research is fixed effect model (FEM).

After carrying out panel data test, the descriptive statistic test will be conducted. Here is the result descriptive statistical test of 138 samples of dependent and independent variable data basic materialcompanies used in research that can be seen in the following table.

Table 2. Statistic Descriptive Test

	CSRD	INS	ASING	LEV	AUDIT
Observations	138	138	138	138	138
Mean	0.580580	0.483997	0.187043	0.502391	0.586957
Maximum	0.850000	0.986900	0.997800	2.820000	1.000000
Minimum	0.170000	0.000000	0.000000	0.010000	0.000000
Std. Dev	0.140862	0.333502	0.282109	0.345204	0.494174

The results of the min and max CSRD values explained that the companies used as samples made the lowest disclosure of 17.00% and the highest of 85.00% of the total CSR disclosure. The average value of CSRD shows that the average sample of companies in this study revealed CSR as much as 58.05% of the total points. Thus, Basic Material sector companies listed on the IDX in the 2019-2021 period have a medium average CSRD. The size of the CSRD variable data distribution was 0.1408 from 138 samples used.

Institutional Ownership (INS) has a minimum value of 0.00 and a maximum value of 0.98. The average value of institutional ownership (INS) is 0.4839, this indicates that of the 138 data used, the average company has institutional ownership of 48.39% in its company ownership structure. The size of the data distribution of institutional ownership (INS) was 0.3335 from 138 samples used.

Foreign Ownership (ASING), has a minimum value of 0.00 and a maximum value of 0.99. The average foreign ownership (ASING) value is 0.1877, which shows that out of 138 data used, the average company has 18.77% foreign ownership in its ownership structure. The size of the data distribution of the average foreign ownership (ASING) was 0.282109 from 138 samples used.
Financial Leverage (FIRMLEV) has a minimum value of 0.01 and a maximum value of 2.82. From the average leverage value, it shows that Basic Material sector companies listed on the IDX in the 2019-2021 period have an average used 50.24% of its debt to finance asset purchases. The size of the data spread of variable leverage (LEV) was 0.345204 from 138 samples used.

Audit firm size (AUDIT) calculated with dummy variables, where if the audit company used by the sample company is in the Top 10 KAP, then the number 1 and vice versa is given. This variable has a minimum value of 0 and a maximum value of 1. From the average audit firm size (AUDIT) value, it shows that Basic Material sector companies listed on the IDX in the 2019-2021 period amounted to 58.69% of the total 138 samples using the services of the Top 10 audit company. The size of data distribution from variable audit firm size (AUDIT) was 0.494174 from 138 samples used.

This research also has fulfilled classic assumption tests, such as normality test, multicollinearity test, heteroscedasticity test, and auto-correlation test. This study used the Jarque-Bera test in conducting normality tests. The Jarque-Bera probability value is 0.346085, which means the data used in the study are normally distributed. To see if there is an autocorrelation occurs between the variables, this study used Durbin-Watson test. Based on Table 6, Durbin-Watson value is 1.950417. Thus, it can be concluded that the data used in the study were not exposed to autocorrelation.

Table 3. Normality Test

		Information
Jarque-Bera	2.122142	
Prob.	0,346085	Normal

According to the multicollinearity test, all independent variable's coefficient was less than 0.80, which means that there are no multicollinearity issues with the correlation between the independent variables. The heteroscedasticity test is using the Resabs Test to check if the variable have any heteroscedasticity. The heteroscedasticity tests reveal that all independent variables have fulfilled the criteria needed to pass the test. This indicates that there is no heteroscedasticity in the regression model.

Table 4. Multicollinearity Test

Variable	INS	ASING	LEV	AUDIT
INS	1	-0.6441	0.1440	0.1319
ASING	-0.4047	1	-0.0324	0.1750
LEV	0.1440	-0.0324	1	0.0143
AUDIT	0.1319	0.1750	0.0143	1

Table 5. Heteroscedasticity Test

Variable	Coefficient	t-stat.	Prob.
C	0,0159	1,4420	0,1528
INS	-0,0025	-0,1885	0,8509
FOREIGN	-0,0007	-0,0547	0,9565
LEV	0,0019	0,2519	0,8017
AUDIT	0,0042	0,3773	0,7068

The following are the results of multiple regression analysis based on the selected fixed effect model.

Table 6. Regression Analysis

Variable	**Coefficient**	**Prob.**
C	0.570466	0.0000
INS	0.063834	0.0482
FOREIGN	-0.028661	0.3601
LEV	0.002731	0.8829
AUDIT	-0.028609	0.2783
R-Squared		0.970346
Adjusted R-Squared		0.953835
F-Statistic		58.76748
Prob (F-Statitic)		0.000000
Durbin-Watson Stat		1.950417

Based on the data from Table 3, the regression equation is as follows:

$$CSRD = 0.570466 + 0.063834\ INS - 0.028661\ ASING + 0.002731\ LEV - 0.028609\ AUDIT + e$$

(*Note: INS: Institutional Ownership, ASING: Foreign Ownership, LEV: Financial Leverage, AUDIT: Audit Firm Size, CSRD : Corporate Social Responsibility Disclosure*)

From the multiple regression analysis, we can get the adjusted R2 result shown Table 6. The adjusted R2 value is 0,9538. It indicates that or 95,38% of the dependent variable (CSRD) can be

explained by the independent variables in the form of institutional ownership, foreign ownership, financial leverage, and audit firm size. While the rest, which is 4,62% is explained by other variables apart from the variables used in this study.
Also, the F-test shows the probability is 0,0000. Means that the independent variable in this study simultaneously affects the dependent variable.

Table 7. Hypothesis Test Result

Variable	Coefficient	t-stat.	Prob.	Conclusion
INS	0,0638	2,0032	0,0482	Accepted
FOREIGN	-0,0286	-0,9199	0,3601	Rejected
LEV	0,0027	0,1476	0,8829	Rejected
AUDIT	-0,0286	-1,0908	0,2783	Rejected

Effect of Institutional Ownership on CSR Disclosure
Based on the test results of the fixed effect model in table 7 it is known that the profitability variable has a positive t- statistic of 2.003294 means that the effect of profitability on the return on assets proxy is positive. This signifies that when institutional ownership increases, CSR disclosure will also increase. On the other hand, if institutional ownership decreases, then CSR disclosure also decreases. Furthermore, in the test results, it is also known that the value of the probability of profitability is 0.0482, which is smaller than the level significance of 5% (0.0482 < 0.05). Therefore, it indicates that institutional ownership's effect on CSR disclosure has the following characteristics: significant. Therefore, based on the t-statistic and probabilities described previously, it can be concluded that institutional ownership positively and significantly affects CSR disclosure.

In this study, the average institutional ownership generated by the sample companies is high, which can affect CSR disclosure by companies. This positive and unidirectional impact can be created because the focus of institutional owners in the form of organizations, institutions or companies is the profitability of the company, which has the potential or direct impact on the return that institutional owners will obtain from their investment in a company. In addition, the positive and significant effect of institutional ownership on CSR disclosure can be defined as companies with high institutional ownership as stakeholders will provide assurance and confidence that the company can provide positive benefits, especially maintaining a good corporate reputation through increased CSR disclosure.

Effect of Foreign Ownership on CSR Disclosure
Table 7 shows the t-statistic value of the resulting foreign ownership is 0.919907 with a negative value. It indicates that when foreign ownership increases, CSR disclosure decreases. On the other hand, if foreign ownership decreases, corporate CSR disclosure increases. While the probability value is generated by a value of 0.3601, which is greater than the 5% significance level, indicating that there is no significant effect of the foreign ownership variable on the corporate social responsibility disclosure variable. Based on the t-count value and profitability generated previously, it can be concluded that foreign ownership has no effect on CSR disclosure.

The results of this study indicate that foreign ownership has no-effect on CSR disclosure. This is because the large number of shares owned by foreigners weakens management control. After all, if it is related to agency theory, foreign ownership can supervise management in decision-making. In addition, the absence of influence between foreign ownership and corporate CSR disclosure is possible because companies with a large percentage of foreign shareholding more often face information asymmetry problems due to geographical and language barriers. As a result, such companies do not report or disclose information voluntarily or on a broader scale.

Effect of Financial Leverage on CSR Disclosure

Table 7 shows that the t-statistics value of financial leverage has a positive value of 0.147666. The value indicates that the relationship between financial leverage and CSR disclosure is direct or positive. It means that if financial leverage experiences increase, CSR disclosure will also increase. On the other hand, if financial leverage decreases, CSR disclosure also decreases. Furthermore, on the probability value of financial leverage, the resulting value of 0.8829 is greater than the 5% significance level. This indicates that financial leverage does not have a significant effect significant to CSR disclosure.

So from these two results, it can be concluded that financial leverage has no effect on CSR disclosure. Based on stakeholder theory, management of highly leveraged companies will tend to reduce the information in CSR disclosure to avoid being in the spotlight of creditors (debtholders). Therefore, management will try to disclose corporate social responsibility to a minimum to prevent pressure from creditors. This also shows that the relationship and good performance established and shown by the company to its creditors can make creditors pay less attention to the company's leverage ratio, making the relationship between the leverage ratio and CSR disclosure no longer significant.

Effect of Audit Firm Size on CSR Disclosure

Table 7 shows the t-statistic value of the resulting audit firm size is 1.090876 with a negative value. From this value, audit firm size has the opposite effect or negative to CSR disclosure. When audit firm size experiences an increase, CSR disclosure will decrease. On the contrary, when audit firm size decreases, CSR disclosure increased. Furthermore, the probability of audit firm size generated a value of 0.2783, which is greater than the 5% significance level. This signifies that audit firm size has no-significant influence on CSR disclosure. Based on the t-count value and profitability generated previously, it can be concluded that audit firm size has no effect on CSR disclosure.

Audit firm size is classified based on top ten KAP and non-top ten KAP. The absence of the effect of audit firm size on CSR disclosure may occur because KAP believes that the disclosure of corporate social responsibility is not a significant and crucial thing in the annual report, so providing more recommendations to companies to report their social activities by International Standards is unnecessary. This means that whether or not the size of the KAP, whose services are used by the company, will not affect its CSR disclosure. In addition, the existence of KAP as an institution appointed by the government to carry out its duties to audit the company's financial statements has a function to maintain the quality of financial statements or annual reports used by stakeholders as a basis for economic decision-making and not to pressure companies to make disclosures. Thus, the size of KAP (audit firm size), whether classified as top ten or not, will not affect the extent of disclosure made by the company.

4. CONCLUSION AND SUGGESTION

The institutional ownership has a significant positive impact on CSR disclosure. This can happen because companies with high institutional ownership as stakeholders will provide assurance and confidence that the company can provide positive benefits, especially maintaining a good corporate reputation through increased CSR disclosure.

The study shows that there is a negative influence from foreign ownership towards CSR disclosure because the large number of shares owned by foreigners weakens management control. In addition, the absence of influence between foreign ownership and corporate CSR disclosure is possible because companies with a large percentage of foreign shareholding more often face information asymmetry problems due to geographical and language barriers.

Also, the financial leverage variable does not significantly impact on CSR disclosure because management of highly leveraged companies will tend to reduce the information in CSR disclosure to avoid being in the spotlight of creditors (debtholders). Therefore, management will try to disclose corporate social responsibility to a minimum to prevent pressure from creditors.

And last, audit firm size has no effect on CSR disclosure. The absence of the effect of audit firm size on CSR disclosure may occur because KAP believes that the disclosure of corporate social responsibility is not a significant and crucial thing in the annual report. This means that whether or not the size of the KAP, whose services are used by the company, will not affect its CSR disclosure.

Because the sample used in the study was only limited to the Basic Material sector listed on the Indonesia Stock Exchange (IDX), so it could not describe the whole company in other sectors. In addition, the observation period carried out is only three years, is short enough to make the research results not applicable for the next period or for a long period of time. Consequently, future research can extend the research period so that the results obtained are more accurate and describe the company's position in the long term. From the discussion above, only one variable that can met the requirement, and so future research can add other independent variable or using moderation variable which is expected to increase the level of relevance in CSR Disclosure.

ACKNOWLEDGMENT

As a student of Faculty of Economics and Business, Tarumanagara University, the author would like to say thank you to Rousilita Suhendah, S.E., M.Si.Ak., CA. as supervisor. The Author would also like to express gratitude to Universitas Tarumanagara for supporting and enabling this study.

REFERENCES

Agustia, Dian. (2013). Pengaruh Faktor Good Corporate Governance, Free Cash Flow dan Leverage Terhadap Manajemen Laba. *Jurnal Akuntansi dan Keuangan Vol. 15, No. 1, Mei 2013, 27-42*.

Ahmad, Nurkhin. (2009). Corporate Governance dan Profitabilitas Pengaruhnya terhadap Pengungkapan Tanggung Jawab Sosial Perusahaan. *Tesis. Pasca Sarjana Universitas Diponegoro.*

Al-Bassam, W. M., C. G. Ntim, K. K. Opong, and Y. Downs. (2015). *Corporate Boards and Ownership Structure as Antecedents of Corporate Governance Disclosure in Saudi Arabian Publicly Listed Corporations. Business & Society* 57 (2):335-377.

Bani Khalid, T., & Reza, K. (2017). *The Impact of National Contextual Factors on Corporate Social and Environmental Disclosure (CSED): The Perceptions of Jordanian Stakeholders. International Review of Management and Business Research Vol.6 Issue 2, 556-578.*

Brigham, F. Eugene dan Joel F. Houston. (2013). Dasar-dasar Manajemen Keuangan. *Jakarta: Salemba Empat*.

Carey, P., Liu, L., & Qu, W. (2017). *Voluntary corporate social responsibility reporting and financial statement auditing in China. Journal of Contemporary Accounting and Economics*, 13(3), 244–262. https://doi.org/10.1016/j.jcae.2017.09.002

Enekwe, I.C., et all. (2014). *The Effect of Financial Leverage on Financial Performance : Evidence of Quoted Pharmaceutical Companies in Nigeria. IOSR Journal of Economics and Finance. Vol.5 No 3, September 2014.*

Fatimah, S., Makhdalena, & Trisnawati, F. (2016). Pengaruh Komisaris Independen dan Komite Audit Terhadap Pengungkapan Corporate Social Responsibility Perusahaan di Bursa Efek Indonesia Periode 2012-2014. *Jurnal Online Mahasiswa , 1-10*.

Harsono, B., dan S. Susanti. (2022). Analisis Manajemen Laba, Penghindaran Pajak, Tata Kelola terhadap Tanggung Jawab Sosial. *Jesya (Jurnal Ekonomi & Ekonomi Syariah) 5 (1): 1002–1017.*

Kusumawati, R. R. (2018). Pengaruh Kepemilikan Institusional dan Kepemilikan Asing Terhadap Pengungkapan Corporate Social Responsibility Pada Perusahaan LQ-45 yang Terdaftar di Bursa Efek Indonesia. *Jurnal Ekonomi dan Publik, 14(1), 65-75.*

Machmud, Novita dan Chaerul D. Djakman. (2008). Pengaruh Struktur Kepemilikan Terhadap Luas Pengungkapan Tanggung Jawab Sosial (CSR Disclosure) Pada Laporan Tahunan Perusahaan: Studi Empiris Pada Perusahaan Publik Yang Tercatat Di Bursa Efek Indonesia Tahun 2006. *Simposium Nasional Akuntansi 11. Pontianak.*

Reverte, C. (2009). *Determinants of Corporate Social Responsibility Disclosure Ratings by Spanish Listed Firms. Journal of Business Ethies*, *88, pp: 351-366.*

Sanjaya, Oi, Taufeni Taufik, dan Al Azhar L. (2014). Pengaruh *Good Corporate Governance*, Profitabilitas, dan Ukuran Perusahaan Terhadap Pengungkapan Tanggung Jawab Sosial Perusahaan Pada Perusahaan *Real Estate* dan *Property* yang Terdaftar di Bursa Efek Indonesia (2010-2011). *Jurnal Online Mahasiswa (JOM) Bidang Ilmu Ekonomi 1.1, 1-15*.