

# the effect of leverage, board commissioner

*by* Rosita Suryaningsih

---

**Submission date:** 16-Sep-2022 10:40AM (UTC+0700)

**Submission ID:** 1901021854

**File name:** ffect\_of\_Leverage,\_Board\_of\_Commissioner,\_Foreign\_Ownership,.pdf (590.79K)

**Word count:** 3917

**Character count:** 21909

## The Effect of Leverage, Board of Commissioner, Foreign Ownership, Company Age, and Company Size Towards the Disclosure of Corporate Social Responsibility (CSR) Implementation

Clara Cahyani<sup>1</sup> and Rosita Suryaningsih<sup>2\*</sup>

<sup>1,2</sup> Universitas Multimedia Nusantara, Scientia Garden, Jl Boulevard Gading Serpong, 15811, Tangerang, Indonesia

### ABSTRACT

**Objective** – The objective of this research is to examine the effect of leverage, board of commissioner, foreign ownership, company age and company size towards the disclosure of CSR implementation. Leverage was measured by debt to asset ratio (DAR), board of commissioner was measured by the number of commissioners, company age was measured by the difference of research year and listing year, and company size was measured by the in total asset.

**Methodology/Technique** – This research uses the published reports and financial statements of 55 companies listed in the manufacturing sector of the Indonesia Stock Exchange from the period of 2013-2014. Selection was based on purposive sampling. Data were analyzed using the multiple regression approach.

**Findings** – The results showed that leverage that was measured by the DAR, board of commissioners, foreign ownership, company age, and company size, all simultaneously, have a significant effect towards the disclosure of CSR implementation. The board of commissioner has a positive significant effect towards the disclosures of CSR implementation while leverage that was measured by DAR, foreign ownership, company age, and company size have no effect towards the disclosures of CSR implementation.

**Novelty** – This research proves that bigger companies tend to implement CSR more broadly so the disclosure of CSR implementation can be on a wider scope too.

**Type of Paper:** Empirical

**Keywords:** Board of Commissioner; Company Age; Company Size; Disclosure of CSR Implementation; Foreign Ownership; Leverage.

**JEL Classification:** M14, M21.

### 1. Introduction

Scandals such as environmental destruction and pollution, worker and consumer rights violation, corruption and irresponsible business conduct of a company can have a direct impact on business operations. This can decrease the company's reputation. These scandals should not happen if the company maintains its business operations alongside its maintenance of the sustainability of the environmental and social conditions

\* Paper Info: Received: September 14, 2016

Accepted: December 10, 2016

\* Corresponding author:

E-mail: [rosita@umn.ac.id](mailto:rosita@umn.ac.id)

Affiliation: Universitas Multimedia Nusantara, Indonesia

surrounding the company. These moves can be realized through Corporate Social Responsibility (CSR). In the business world, CSR is defined as a company's commitment towards the provision of a long-term contribution towards a particular problem in the community or the environment. This can help to create a better environment which creates a mutually beneficial relationship between company and the community (Ratnasari, 2012). In the concept of CSR, a company is said to be good if the company also have concerns for the environment (planet) and the social welfare of the community, besides making profits (Ratnasari, 2012). The balance between these three components can be one of the company's strategy which adds value and make a market differentiation that can increase the company's competitive advantage and reputation. The implementation of the CSR requires companies to integrate the practice as a strategic move.

In Indonesia, there are regulations which were developed for the purpose of addressing the implementation of the CSR. This is known as the Limited Liability Company (PT) Act of No. 40, 2007, chapter 74, extracted from the Government Regulation of No. 47, year 2012, on Social and Environmental Responsibility of Limited Liability Company and the Investment Act of No. 25, year 2007, extracted from chapter 15. Although such regulations have been regulated, there are still no clear rules about the scope of the CSR and how it should be implemented. A company can communicate to its stakeholders information about the company's social and environmental responsibility performance by making disclosures of its CSR implementation. In this research, there are several factors that can affect the disclosure of CSR implementation and this comprise leverage, commissioners, foreign ownership, company age and company size.

Leverage is the amount of debt financing present in the capital structure of a company (Subramanyam, 2014). Debt-to-Asset Ratio (DAR) is one of the fundamental analysis that can be used to calculate the level of leverage. DAR illustrates how much the company assets are financed by debts or how much company debts are affecting the management of assets. The higher the DAR, the higher the company's investment is funded by a loan. Companies can pay debt principals and interests with cash or cash equivalents derived from income hence, the company must manage the income derived from its operating activities so as to pay the debts. In managing its income, a company can create cost efficiency in its operations, for example, by using energy-saving technologies, recycling and using local labor. Thus, it can be stated that companies with higher leverage level will implement and disclose more CSR items and in wider scopes.

The board of commissioners is the shareholder representative within a business entity and it is incorporated into the Limited Liability Company (PT). Its function is to oversee the management of the company held by the board of directors. It is responsible for determining whether the management fulfills its responsibilities in developing and conducting internal control in the company (Nur & Priantinah, 2012). Board size, as seen from the number of commissioners in a company, can describe the level of the company's activities and their supervision by the commissioners. One of the aims of the commissioners' supervision is to ensure that the operation of the company does not violate the laws and regulations, as a form of good corporate compliance in areas related to the responsibility of products and services, the environment and other fields. Compliance with laws and regulations may reduce the company's risk which could arise directly through sanctions and/or fines or indirectly, through company's reputation affected by the violations committed. Thus, the commissioners would encourage the company management to implement and disclose CSR in a more obvious fashion. Based on this, it can be stated that the larger the board size, the better the disclosure of CSR implementation and the wider its scope.

Foreign ownership is the proportion of shareholding in Indonesian companies held by foreign individuals or institution (Sriayu & Mimba, 2013). Foreign ownership can be determined by the percentage of stock investment made by foreigners in a company. Investing in different countries has a higher business risk due to the different economy, social, environment and culture as well as the asymmetry of information provided. The higher the investment in shares held by foreign parties, the higher the risk that might be covered so as to minimize business risks due to differences. Foreign investors making investment decisions are more likely to invest in companies that have more responsible business operations in terms of quality and safety of products as well as customers, prevention and control of corruption, labor practices and decent work or management of

waste and emissions. In this regard, the higher the foreign ownership in a company, the more the demand for better and wider scope of implementation and disclosure of CSR.

Company age is the length of time companies are listed on the Indonesia Stock Exchange (Sudaryono, 2007). By listing the company on the Stock Exchange, the public accountability of companies towards stakeholders will also increase. This means that such companies are required to perform more responsible business operations as well as have better disclosure of information in the economic and environmental aspects of the companies, labor practices and decent work matters, human rights, products and customer safety, as a means of maintaining public accountability. Older companies also illustrates that the companies have a longer experience in overcoming related issues such as environmental and social waste pollution, human rights issue, employment practices and workplace safety as well as corruption. Thus, it can be stated that the longer the life of the company, the wider the scope of CSR item implementation and disclosures.

The size of the company is a scale that is used to determine the size of an enterprise and this is based on specific indicators such as total assets, log size, value of stocks, total employment, sales, and market capitalization (Haninun & Nurdiawansyah 2014). In this research, the indicators used include the natural log of total assets. Asset is a resource that companies use for providing benefits in the future (Weygandt et al., 2013). Companies with greater total assets use larger resources on a larger scale of activity operations. The use of larger resources will give greater impact to the environment and society such as the impact of emissions and waste and this also leads to a bigger impact of local society involvement. This means that companies must manage their resources better, for example, by recycling and/or distributing economic values through right community investments. It can be said that bigger companies tend to implement CSR more broadly so the disclosure of CSR implementation can be on a wider scope too.

## 2. Literature Review

If a company treats CSR similar to the way the company analyses its business steps, the view held towards CSR will change. CSR is no longer regarded as a cost incurred by the company for 'charity' activities to the society but rather, as a source of opportunity, innovation, and excellence of companies (Ratnasari, 2012). Disclosures of the company's social, ethical, environmental and sustainability involvement is a way for companies to communicate its accountability to stakeholders (Susanti & Riharjo, 2013). The Association of Chartered Certified Accountants (ACCA) (see Kristi, 2013) states that the disclosure of social responsibility is the reporting of a company's economic policy, environmental and social issues, impact and performance of the organization and its products, in the context of sustainable development. Presently, CSR is considered as a part of a company's business strategy. To measure the level of the implementation of CSR disclosures, this research uses several indicators of the GRI G3.1 which amount to a total of 84 indicators which are duly classified into the economy, environment and social aspects.

Leverage is the amount of debt financing present in the capital structure of a company (Subramanyam, 2014). It was suggested that additional information is needed to dispel the doubts which bondholders hold towards the fulfilment of their rights as creditors (Schipper, 1981). Therefore, companies with high leverage ratios have an obligation to meet the information needs of long-term creditors. Hence, more comprehensive information needs to be provided. The formed hypothesis is hence,

**H<sub>a1</sub>**=Leverage proxies by DAR has an effect towards the disclosure of CSR implementation

The board of commissioners, as the organ of the company, has the task of conducting surveillance in general and/or special, according to the statutes. It also has to advise the board of directors (Silondae & Ilyas, 2011). Act No. 40 of 2007 states that the board of directors may consist of one or more members, particularly for a public company. This is stated in the Regulation of the Financial Services Authority of No. 33/POJK.04/2014. Sembiring (2005) cited in Utami (2010) suggests that the greater the number of commissioners, the easier it is

to control the CEO. Associated with the disclosure of CSR, the pressure to disclose it by the management will also be greater. Therefore, the formed hypothesis is:

**Ha<sub>2</sub>**= Board of commissioner has an effect towards the disclosure of CSR implementation

Foreign ownership is the proportion of shareholding held by foreign individuals or institution in an Indonesian company (Sriayu & Mimba, 2013). According to Susanti (2013), the factor that can push a company to consider the disclosure of CSR is foreign ownership. This is because foreign companies seem to have better training in accounting as gained from their parent companies abroad; foreign companies also appear to have a more efficient information system to meet internal and parent companies' needs and foreign companies appear to be better equipped in handling greater demands in terms of customers, suppliers, and the general public. Therefore, the formed hypothesis is:

**Ha<sub>3</sub>**= Foreign ownership has an effect towards the disclosure of CSR implementation

Company age is measured by the length of time a company is listed on the Indonesia Stock Exchange, as stated in the Chairman of Capital Market Supervisory Agency and Financial Institution regulation of No. KEP-431/BL/2012. It is also stipulated that the annual report must include a report about CSR hence, companies which have gone public are required to implement and disclose CSR (Dewi & Keni, 2013). Therefore, the formed hypothesis is:

**Ha<sub>4</sub>**= Company age has an effect towards the disclosure of CSR implementation

Company size is a scale used to determine the size of an enterprise based on specific indicators such as total assets, log size, value of stocks, total employment, sales, and market capitalization (Haninun & Nurdawansyah, 2014). According to Cowen et al., (1987), larger companies conduct more activities so that these activities have a greater impact on society. These activities can also draw more shareholders' attention to such social programs. The annual report is an efficient tool for companies to communicate this information. Therefore, the formed hypothesis is:

**Ha<sub>5</sub>**= Company size has an effect towards the disclosure of CSR implementation

### 3. Research methodology

The samples used in this research refer to those companies which were listed under the manufacturing sector of the Indonesia Stock Exchange for the period of 2013-2014. These companies have published their annual reports or they have sustainability of their reports and financial statements which have been audited for the period of 2013-2014 consecutively and ending December 31. These reports and financial statements must also be denominated in the Indonesian Rupiah, hold foreign ownership of above 10%; and had not experienced equity deficiency. The samples were determined based on purposive sampling. A total of 55 companies were extracted from the two year observation period, hence the total observation is 110.

#### Dependent Variables

The dependent variable in this research is CSR Implementation proxies by CSRD Index. The formula for calculating the disclosure of CSR implementation is as what Mutia and Andriani (2011) propose:

$$CSRD\ INDEX = \frac{CSR\ items\ implemented\ and\ disclosed}{Total\ GRI\ G3.1\ indicators\ (84)}$$

The number of CSR items implemented and disclosed was given a score of 1 and 0 if the CSR item was not implemented and disclosed.

**Independent Variables**

1. Leverage (DAR) was measured by a scale ratio which is the proportion of total liabilities to total assets
2. The Board of Commissioners (DK) was measured by using a scale ratio which is the number of commissioners in the company.
3. Foreign ownership (KA) was measured by using a scale ratio which is the shares owned by foreign parties with total shares outstanding.
4. Age Company (UMP) was measured by using a scale ratio which is the difference in research with the company's listing on the Stock Exchange.
5. Company size (UKP) was measured by using a ratio scale which is the natural log of total assets.

**4. Analysis and Discussion**

This research has met normality test and all the classical assumption tests which consist of multicollinearity test, autocorrelation test, and heteroscedasticity test.

These tests were aimed to measure the ability of the model in explaining the variation in the dependent variable (Ghozali, 2011). The following are the results of the coefficients determination tests.

Table 1. Correlation and Coefficient Determination Test Result

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.514 <sup>a</sup>	.264	.227	.02982852
a. Predictors: (Constant), UKP, UMP, KA, DAR, DK				
b. Dependent Variable: CSRDI				

As noted, the R Square seen in Table 1 is 0.514. This indicates that the relationship between the independent variables namely leverage, board of commissioners, foreign ownership, company age and company size with the dependent variable namely disclosure of CSR implementation, is strongly correlated because it is in the classification of 0.50 until 1. This shows a positive relationship. The adjusted R<sup>2</sup> is 0.227 and this means that 22.7% of the variation of the dependent variable namely the disclosure of CSR implementation, can be explained by the independent variables namely leverage, board of commissioners, foreign ownership, company age and company size.

Table 2. Statistical F Test Result

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.031	5	.006	7.048	.000 <sup>b</sup>
	Residual	.087	98	.001		
	Total	.119	103			
a. Dependent Variable: CSRDI						
b. Predictors: (Constant), UKP, UMP, KA, DAR, DK						

The F statistical test results shown above is 7.048, with a significant level of 0.000. The significance level is less than 0.05 therefore, leverage, board of commissioners, foreign ownership, company age, and company size simultaneously, have a significant effect on the disclosure of CSR implementation. This indicates that the regression model used is an appropriate sample or model fit.

Table 3. Result of Statistical t Test

Model		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-6.106E-05	.073		-.001	.999
	DAR	-.001	.014	-.004	-.046	.964
	DK	.010	.002	.459	4.259	.000
	KA	-.025	.013	-.173	-1.948	.054
	UMP	-.001	.000	-.175	-1.952	.054
	UKP	.002	.003	.076	.706	.482

a. Dependent Variable: CSRDI

Based on Table 3, the results of regression equation obtained in this study is:

$$CSRDI = -0.004DAR + 0.459DK - 0.173KA - 0.175UMP + 0.076UKP$$

The statistical t test results noted for the variable, leverage (DAR), shows a t value of -0.046 with a significant level of 0.964 or greater than 0.05. This indicates that  $H_{a1}$  is rejected, thus, the leverage proxies by DAR has no effect towards the disclosure of CSR implementation.

The statistical t test results for the variable, board of commissioners (DK), shows a t value of 4.259 with a significant level of 0.000 or less than 0.05. This suggests that  $H_{a2}$  is accepted. This means that the board of commissioners has a significant effect towards the disclosure of CSR implementation.

Results of the statistical t test for the variable, foreign ownership (KA), shows a t value of -1.948 with a significant level of 0.054 or greater than 0.05. This implies that  $H_{a3}$  is rejected. This means that foreign ownership does not affect the disclosure of CSR implementation.

Results of the statistical t test for the variable, company age (UMP), shows a t value of -1.952 with a significant level of 0.054 or greater than 0.05. This shows that  $H_{a4}$  is rejected. This means that company age has no effect towards the disclosure of CSR implementation.

The statistical t test results for the variable, company size (UKP), shows a t value of 0.706 with a significant level of 0.482 or greater than 0.05. This shows that  $H_{a5}$  is rejected. This means that company size has no effect towards the disclosure of CSR implementation.

## 5. Conclusion

The results of this research show that leverage measured with DAR, board of commissioner, foreign ownership, company age, and company size, all simultaneously, have significant effects towards the disclosure of CSR implementation. The variable, board of commissioner, seems to have a positive significant effect towards the disclosure of CSR implementation while leverage that is measured by DAR, foreign ownership, company age and company size have no effect towards the disclosure of CSR implementation.

## References

- Cowen, S. S., Ferreri, L. B., & Parker, L. D. (1987). The impact of corporate characteristics on social responsibility disclosure: A typology and frequency-based analysis. *Accounting, Organizations and Society*, 12(2), 111-122.
- Dewi & Keni. (2013). Pengaruh Umur Perusahaan, Profitabilitas, Ukuran Perusahaan dan Leverage terhadap Pengungkapan Tanggungjawab Sosial Perusahaan. *Jurnal Bisnis dan Akuntansi*, 15 (1).
- Ghozali, I. (2013). Aplikasi Analisis Multivariate dengan Program IBM SPS21 Edisi 7. Semarang: Badan Penerbit Universitas Diponegoro.
- Haninun & Nurdiansyah. (2014). Analysis of Effect Size Company, Profitability, and Leverage Against Social Responsibility Disclosure of Listed Mining Industry in Indonesia Stock Exchange Period 2009-2012. *Jurnal Akuntansi & Keuangan*, 5(1).
- Ikatan Akuntan Indonesia (IAI). 2014. Standar Akuntansi Keuangan (SAK). Jakarta: IAI.
- Kementrian Keuangan Republik Indonesia. 2012. Keputusan Ketua Badan Pengawas Pasar Modal dan Lembaga Keuangan Nomor 431/BL/2012 tentang Penyampaian Laporan Tahunan Emiten atau Perusahaan Publik.. Sekretariat Negara. Jakarta.
- Weygant J. J., Kimmel P. D. & Kieso D. E. (2013). Financial Accounting IFRS Edition 2th edition. United States: Wiley.
- Kristi, A. A. (2013). Faktor-Faktor yang Mempengaruhi Pengungkapan Corporate Social Responsibility pada Perusahaan Publik di Indonesia. *Jurusan Akuntansi, Fakultas Ekonomi dan Bisnis, Universitas Brawijaya*.
- Mutia Z. & Andriani. (2011). Pengaruh Ukuran Perusahaan, Profitabilitas dan Ukuran Dewan Komisaris terhadap Pengungkapan Corporate Social Responsibility pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia. *Jurnal Telaah & Riset Akuntansi* 4(2)
- Nur, M. & Priantah D. (2012). Analisis Faktor-Faktor yang Mempengaruhi Pengungkapan Corporate Social Responsibility di Indonesia (Studi Empiris pada Perusahaan Berkategori High Profile yang Listing di Bursa Efek Indonesia. *Jurnal Nominal*, 1(1).
- Purnama, A. I. A., Atmadja, A. T., SE, A., Darmawan, N. A. S., & SE, A. (2014). Pengaruh Size, Profitabilitas, Leverage dan Kepemilikan Institusional terhadap Pengungkapan Tanggung Jawab Sosial Perusahaan (CSR Disclosure) dalam Laporan Tahunan Perusahaan Manufaktur pada Bursa Efek Indonesia Periode 2010-2013. *Jurnal Akuntansi Program S1*, 2(1).
- Ratnasari, R. (2012). Corporate Social Responsibility, Tanggungjawab Sosial atau Strategi Perusahaan?. *Jurnal Akuntansi UNESA*, 1, (1).
- Republik Indonesia. (2012). Keputusan Menteri Keuangan Republik Indonesia Nomor 467/KMK.010/1997 tentang Pemilikan Saham Perusahaan Efek Oleh Pemodal Asing. Sekretariat Negara. Jakarta.
- Republik Indonesia. (2012). Peraturan Pemerintah Republik Indonesia Nomor 47 Tahun 2012 tentang Tanggung Jawab Sosial dan Lingkungan Perseroan Terbatas. Sekretariat Negara. Jakarta.
- Republik Indonesia. (2007). Undang-Undang Nomor 25 Tahun 2007 tentang Penanaman Modal. Sekretariat Negara. Jakarta.
- Republik Indonesia. (2007). Undang-Undang Nomor 40 Tahun 2007 tentang Perseroan Terbatas. Sekretariat Negara. Jakarta.
- Schipper, K. (1981). Discussion of voluntary corporate disclosure: The case of interim reporting. *Journal of Accounting Research*, 85-88.
- Silondae, A. A. & Ilyas, W. B. (2011). Pokok-Pokok Hukum Bisnis. Jakarta: Salemba Empat.
- Sriayu, G. A. P. W., & Mimba, N. P. S. H. (2013). Pengaruh Karakteristik Perusahaan Terhadap Corporate Social Responsibility Disclosure. *E-Jurnal Akuntansi*, 5(2), 326-344.
- Subramanyam, K.R. (2014). *Financial Statement Analysis* (1th Ed.) Singapura: McGraw Hill.
- Sudaryono, B. (2007). Kajian atas faktor-faktor yang mempengaruhi pengungkapan lingkungan (*environmental disclosure*) pada perusahaan publik di BEJ pada tahun 2004-2005. *Media Riset Akuntansi, Auditing dan Informasi*. 7(2) 107-139
- Susanti, S. & Riharjo I. B. (2013). Pengaruh Good Corporate Governance terhadap Corporate Social Responsibility pada Perusahaan Cosmetics and Household. *Jurnal Ilmu dan Riset Akuntansi*, 1(1).
- Utami, Indah Dewi dan Rahmawati. 2010. Pengaruh Ukuran Perusahaan, Ukuran Dewan Komisaris, Kepemilikan Institusional, Kepemilikan Asing, dan Umur Perusahaan terhadap Corporate Social Responsibility Disclosure pada Perusahaan Property dan Real Estate yang Terdaftar di Bursa Efek Indonesia. *Jurnal Akuntansi dan Manajemen*

# the effect of leverage, board commissioner

---

## ORIGINALITY REPORT

---

13%

SIMILARITY INDEX

14%

INTERNET SOURCES

15%

PUBLICATIONS

3%

STUDENT PAPERS

---

## MATCH ALL SOURCES (ONLY SELECTED SOURCE PRINTED)

---

8%

★ [www.scribd.com](http://www.scribd.com)

Internet Source

---

Exclude quotes  On

Exclude matches  < 80 words

Exclude bibliography  On