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The Influence of Institutional Ownership, Independent Commissioner, Audit Committee, Company Age, and Company Size on Disclosure of Corporate Social Responsibility

(Study of Sharia Commercial Banking Companies Registered by OJK in Indonesia 2017-2020 Period)

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Abstracts:*This articlewas written to determine the effect of institutional ownership, independent commissioners, audit committees, company age, and company size in the disclosure of corporate social responsibility in Islamic commercial banks. This type of research is quantitative research with secondary data obtained from the annual financial reports of Islamic public banking companies registered with the financial services authority in Indonesia for the 2017-2020 period. The sampling technique used purposive sampling method. There were 13 companies with a total of 52 data for 4 years of observation that matched the criteria. Data analysis used multiple linear regression with the help of the SPSS program.*

Keywords: Institutional Ownership, Independent Commissioner, Audit Committee, Company Age, CSR

I. INTRODUCTION

Currently in Indonesia there are many large and developing companies, these companies are certainly not free from financial reporting problems. Transparent financial reports determine the company's future steps. However, now the disclosure of financial statements alone is not enough. In addition to disclosing its performance through financial reports, companies must also disclose social responsibility reports, the surrounding environment and stakeholders, which is often referred to as corporate social responsibility (CSR). This statement is proven, now many companies are starting to disclose corporate social responsibility.

Disclosure of Corporate Social Responsibility has many benefits for companies, for example, the company will be seen as having a good image by investors so that it attracts investors' interest, another example of benefits is related to sales so that it can increase the products produced by the company which are increasingly in demand by consumers. There are various ways to make this disclosure, by carrying out activities with the community through environmental improvement, providing public facilities that are needed by the community, especially in the company environment. The characteristics of the company can be seen from various factors such as profitability, solvency, company size, company age, gender diversity, and so on. These characteristics underlie the running of the company's operational activities. From these characteristics, it can influence the company's disclosure decision making in preparing its annual report. Disclosures contained in the annual report can help the public know the condition of the company and all activities carried out in fulfilling its social responsibility report.

Another factor that can influence corporate social responsibility is good corporate governance. Good Corporate Governance (GCG) companies, namely public ownership, foreign ownership, institutional ownership, the size of the board of directors, the size of the board of commissioners, the number of audit committees and others.

This study examines the effect of institutional ownership, independent commissioners, audit committees, company age, and company size on disclosure of corporate social responsibility in Islamic commercial banks in Indonesia that are registered with the financial services authority.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Theoretical Perspective

Stakeholder theory is a relationship that emphasizes the view of capitalism between businesses and their customers, employees, investors, communities, and other people with an interest in the organization(Prasetya & Sari, 2022).

The theory of legitimacy is the management of systems in companies that are oriented or in favor of the government, society, individuals and community groups. Therefore, as a system that puts the community first, companies must be in line with people'sthinking.(Abidin & Lestari, 2019). Legitimacy theory, the reason for companies disclosing CSR is in order to get a CSR image so that they can legitimize behavior towards interest groups. This theory is based on the relationship between business and society.(Prasetya & Sari, 2022).

In this globalization era, there is a public tendency to demand corporate transparency and accountability as a form of good corporate governance implementation. One of the implementations of good corporate governance is through the implementation of social responsibility activities. The success of implementing corporate social responsibility will produce a positive cycle on outside stakeholders, order the effectiveness of products or services so that continuous performance will be obtained. Corporate responsibility includes business responsibility, government responsibility, banking, shareholders, and to society in relation to public interests.(Santioso & Chandra, 2012).

Disclosure of Corporate Social Responsibility (CSR) is a claim that companies do not only operate for the benefit of shareholders, but also for the interests of stakeholders in business practices, namely workers, local communities, government, non-governmental organizations, consumers and the environment or what is referred to as profit, people and planet (3P)(Setyowati). In Brief Corporate Social Responsibility is a commitment of the company and its stakeholders who have an interest in and are socially and environmentally responsible in order to gain support from their stakeholders.(Prasetya & Sari, 2022).Some disclosures are mandatory, that is, information disclosure must be carried out by companies based on certain regulations or standards, and some are voluntary, which are disclosures of information that exceed the minimum requirements of the applicable regulations. The corporate social responsibility (CSR) disclosure standards developed in Indonesia refer to the standards developed by GRI (Global Reporting Initiatives). Indicators for disclosing responsibility include indicators of economic performance, environmental performance and social performance indicators.(Sari & Rani, 2015).

Global Reporting Initiatives(GRI) G4 has indicators that must be met by companies covering various categories and multidimensional aspects. The indicators contain the Economic Category, Environmental Category, Social Category, Human Rights Category, Society Category, Product Responsibility Category.

2.2 Hypothesis Development

2.2.1 Institutional Ownership

Institutional ownership has an important meaning in monitoring management more than 5% of its ability to supervise management. Institutional ownership will encourage the company to be more optimal. The company will be more efficient if the institutional ownership is getting bigger. This means that institutional ownership can encourage companies to disclose their social responsibility.(Singal & Son, 2019)Based on the description above, the research hypothesis is formulated as follows:

Hypothesis 1 (H1). Institutional ownership influences the disclosure of corporate social responsibility (CSR).

2.2.2 Independent Commissioner

Independent commissioners are part of the members of the board of commissioners who have the highest authority in a company, so they can have a large enough impact to confirm management to disclose corporate social responsibility information. Thus, the size of the independent board of commissioners plays a role in protecting all stakeholders and encouraging the CSR disclosure process as a whole. The larger the size of the independent board of commissioners can provide a stronger impetus for companies to disclose social responsibility.(Prasetya & Sari, 2022). Based on the description above, the research hypothesis is formulated as follows:

Hypothesis 2 (H2). Independent commissioners influence the disclosure of corporate social responsibility (CSR).

2.2.3 Audit Committee

The audit committee is all members of the audit committee in the company, the category is stated on a nominal scale or group on the subject. The existence of an audit committee within the company is to assist the performance of the board of commissioners in disclosing CSR to the company so that it can overcome conflicts that arise between

management and company owners. Therefore, the more members of the audit committee, the better and can increase the company's CSR (Abidin & Lestari, 2019). Based on the description above, the research hypothesis is formulated as follows:

Hypothesis 3 (H3). The audit committee influences the disclosure of corporate social responsibility (CSR)

2.2.4 Company Age

The age of the company shows how long the company has existed. The longer the age of the company, it can be said that the company already has many stakeholders with various information from the company, so that the longer the company has been established, the wider the disclosure of social responsibility. Therefore the relationship between the company and society and the environment is getting wider. Company age can affect company reports, because it relates to the development and growth of the company.(Susilastri, Agusti, & Indriani, 2011). Based on the description above, the research hypothesis is formulated as follows:

Hypothesis 4 (H4). Company age has an effect on disclosure of corporate social responsibility (CSR)

2.2.5 Company Size

A company will not be free from pressure, large companies that have operating activities and greater influence on society will probably have shareholders pay attention to CSR disclosure. From the workforce side, with the increasing number in the company, the pressure from management to pay attention to the interests of the workforce is also getting bigger (Maulana & Yuyetta, 2014)Based on the description above, the research hypothesis is formulated as follows:

Hypothesis 5 (H5). Company size influences corporate social responsibility (CSR)

III. RESEARCH METHODS

3.1 Research design

This research design is a type of quantitative research by testing the hypothesis. The data used is secondary data by looking at the annual reports of general sharia banking companies registered with the financial services authorities in Indonesia. The data for this research were obtained from the company's Annual Report for the 2017-2020 period.

3.2 Population and Sample

The population in this study are general sharia banking companies registered with the financial services authority in Indonesia for the 2017-2020 period. Based on data from the financial services authority, there are 14 listed companies. The sampling method uses purposive sampling, namely the sample or the basis of suitability of the characteristics of the sample with the specified sample selection criteria. The sample criteria are as follows:

a. Sharia general banking in Indonesia which publishes annual reports consistently for the period 2017 to 2020, which can be accessed via the website of each bank.
b. Presenting CSR disclosures in annual reports for the 2017-2020 period

3.3 Data and Data sources

The data used in this research is secondary data in conducting data analysis. The secondary data in this study were obtained from the websites of each company, and company annual reports related to social and finance.

3.4 Variable Operational Definition and Variable Measurement

Based on the main issues that have been formulated above, the variables to be analyzed are as follows:

3.4.1 Dependent Variable

Corporate Social Responsibility

This research is to measure CSR disclosure using CSRDI proxies based on GRI Version 4.0 indicators, totaling 91 items. The measurement is carried out by giving a score of 1 to items that are disclosed in the CSR disclosure report and a score of 0 is given to items that are not disclosed in the CSR disclosure report. Furthermore, the total CSR disclosure score with the expected total disclosure items so that the results of the disclosure score per indicator for each company are obtained. The measurement of this research reflects the research conducted by(Rengganis & Putri, 2018)that is:

CSRD = Number of CSR information items used
91 CSR information items GRI G4 Version

3.4.2 Independent Variable

a. Institutional Ownership
Institutional ownership structure can be measured according to the proportion of share ownership owned by the institution or institution divided by the number of outstanding shares. This measurement reflects the research conducted by(Edison, 2017)that is:

$$\frac{\text{Number of shareholdings by institutional parties}}{\text{Number of outstanding shares}} \times 100$$

b. Independent Commissioner
The interest of the independent commissioner is the long term performance and sustainability of the company. Measurements in this study reflect the research conducted by(Prasetya & Sari, 2022)that is:

∑ Independent Commissioner / ∑ Member of the Board of Commissioners

c. Audit Committee
The size of the audit committee is measured by counting the number of audit committee members in a company listed in the report. Measurements in this study reflect the research conducted by(Restu, Yuliandari, & Nurbaiti, 2017)that is:

Size of the Audit Committee = ∑ audit committee

d. Company Age
The age of the company is calculated from the year the company was inaugurated until the company is used as a sample in the study. Measurements in this study reflect the research conducted by(Susilastri, Agusti, & Indriani, 2011)

e. Company Size
The size of the company in this study will be measured using the natural log of the number of assets owned by the company(Santioso & Chandra, 2012).

3.5 Data analysis method

This study uses multiple linear regression analysis method. This analysis is used to analyze how much influence the independent variables have on the dependent variable. The dependent variable of this model is corporate social responsibility, and the independent variables are institutional ownership, independent commissioners, audit committee, firm age, and firm size. Before conducting multiple linear regression analysis, the classical assumption test must be performed first to obtain better results. The regression equation model used to test this hypothesis is:

$$CSR = \alpha + \beta 1KINS + \beta 2KI + \beta 3KA + \beta 4UP + \beta 5\ SIZE$$

Information:
CSR = Corporate Social Responsibility
α = Constant
β1- β5 = Regression Coefficient
KINS = Institutional Ownership
KI = Independent Commissioner
KA = Audit Committee
UP = Company Age
SIZE = Company Size

IV. RESULTS ANALYSIS

4.1 Descriptive Analysis

Table 1. Descriptive statistics

Variables	N	Minimum	Maximum	Means	std. Deviation
Institutional Ownership	52	44.72	100	94.4812	10.32763
Independent Commissioner	52	0.33	1	0.6169	0.15257
Audit Committee	52	2	8	4	1,400
Company Age	52	3	30	14.48	7,075
Company Size	52	28.33	32.81	30.5452	1.24566
CSR	52	0.1	0.36	0.2467	0.06022
Valid (N)	52				

Source: Secondary data processed author, 2022

Based on table 1 above it is known that:

a. The average value of 52 institutional ownership variable data is 94.4812, the minimum value is 44.72, the maximum value is 100.00 with a standard deviation value of 10.32763.
b. The average value of the 52 independent commissioner variable data is 0.6169, the minimum value is 0.33, the maximum value is 1.00 with a standard deviation value of 0.15257.
c. The average value of the 52 audit committee variable data is 4.00, the minimum value is 2, the maximum value is 8 with a standard deviation value of 1,400.
d. The average value of the 52 company age variable data is 14.48, the minimum value is 3, the maximum value is 30 with a standard deviation value of 7.075.
e. The average value of the 52 company size variable data is 30.5452, the minimum value is 28.33, the maximum value is 32.81 with a standard deviation value of 1.24566.
f. The average value of the 52 CSR data variables is 0.2467, the minimum value is 0.10, the maximum value is 0.36 with a standard deviation value of 0.06022.

4.2 Classic assumption test

4.2.1 Normality Test

Table 2. Normality Test

Variables	Test Statistics	asymp. Sig. (2-tailed)	Information
Unstandardized residuals	0.112	0.106	Normal Distributed Data

Source: Secondary data processed author, 2022

The normality test used in this study is the Kolmogorov-Smirnov test. Based on the table of normality test results, it can be seen that the significance value is greater than 0.05, namely 0.106

4.2.2 Multicollinearity Test

Table 3. Multicollinearity Test

Variables	tolerance	VIF	Information
Institutional Ownership	0.748	1,337	Multicollinearity Does Not Occur
Independent Commissioner	0.83	1.205	Multicollinearity Does Not Occur
Audit Committee	0.693	1,442	Multicollinearity Does Not Occur
Company Age	0.842	1.188	Multicollinearity Does Not Occur
Company Size	0.834	1,199	Multicollinearity Does Not Occur

Source: Secondary data processed author, 2022

The table above shows that all independent variables have a Variance Inflation Factor (VIF) of less than 10 and a tolerance value of more than 0.10. So that the variables in this study do not contain symptoms of multicollinearity

4.2.3 **Heteroscedasticity test**

Table 4. Heteroscedasticity Test

Variables	Sig	Information
Institutional Ownership	0.445	There is no Heteroscedasticity
Independent Commissioner	0.934	There is no Heteroscedasticity
Audit Committee	0.554	There is no Heteroscedasticity
Company Age	0.497	There is no Heteroscedasticity
Company Size	0.079	There is no Heteroscedasticity

Source: Secondary data processed author, 2022

Based on the results of the Glejser test above, the significance value (Sig) of all variables is more than 0.05, it can be concluded that there is no relationship between the independent variables and the residual values so that heteroscedasticity does not occur.

4.2.4 Autocorrelation Test

Table 5. Autocorrelation Test

Variables	Durbin Watson	Information
Institutional Ownership Independent Commissioner Audit Committee Company Age Company Size CSR	1,451	No Autocorrelation Occurs

Source: Secondary data processed author, 2022

Based on the test results above, the Durbin Watson value is 1.451, which means that it meets the criteria for a DW number between -2 to +2, so it can be concluded that there is no autocorrelation.

4.3 Hypothesis testing

4.3.1 Analysis of multiple linear regression equations

Table 6. Hypothesis Testing

Variables	tcount	Sig	Information
(Constant)	-2.197	0.033	
Institutional Ownership	0.518	0.607	Notsignificant
Independent Commissioner	0.487	0.629	Notsignificant
Audit Committee	-0.233	0.817	Notsignificant
Company Age	2,561	0.014	Significant
Company Size	3,272	0.002	Significant

Source: Secondary data processed author, 2022

Based on the table above, the regression equation model is obtained as follows:

CSR = -0.483 + 0.000KINS + 0.025 KI – 0.001KA + 0.003UP + 0.021SIZE

Information:

CSR = Corporate Social Responsibility

α = Constant

β1- β5 = Regression Coefficient

KINS = Institutional Ownership

KI = Independent Commissioner

KA = Audit Committee

UP = Company Age

SIZE = Company Size

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

a) A constant of -0.483 states that if the independent variable is considered constant then CSR is -0.483
b) The institutional ownership regression coefficient (KINS) has a positive relationship with CSR, which is equal to 0.000, which means that if there is an increase of 1% KINS, CSR will increase by 0.000
c) The independent commissioner's regression coefficient (KI) has a positive relationship with CSR, which is equal to 0.025, which means that if there is an increase of 1% KI, it will increase CSR by 0.025
d) The regression coefficient of the audit committee (KA) has a negative relationship with CSR, which is -0.001, which means that if there is an increase of 1% KA, it will reduce CSR by -0.001
e) The regression coefficient of company age (UP) has a positive relationship with CSR, which is equal to 0.003, which means that if there is an increase of 1% UP, CSR will increase by 0.003
f) The regression coefficient of company size (SIZE) has a positive relationship with CSR, which is equal to 0.021, which means that if there is an increase of 1% in SIZE, CSR will increase by 0.021

4.3.2 Model Feasibility Test (F-Test)

Table 7. F test

Variables	fcount	Sig	Information
Institutional Ownership Independent Commissioner Audit Committee Company Age Company Size	4,526	0.002	Significant

Source: Secondary data processed author, 2022

Based on the above table shows that the significance value is 0.002 <0.05 level of significance used in this study. This means that in this study all independent variables affect the dependent variable.

4.3.3 Determination Coefficient Test

Table 8. Determination Coefficient Test

Model	R	R Square	Adjusted R Square
1	0.574	0.33	0.257

Source: Secondary data processed author, 2022

Based on the tableabove it can be seen that the adjusted R2 value is 0.257 which means that 25.7% of the dependent variable can be explained by the independent variable. This shows that 25.7% of the variation in the corporate social responsibility disclosure index can be explained by institutional ownership, independent commissioners, audit committees, company age, companysize. The remaining 74.3% of the corporate social responsibility disclosure index can be explained by other variables outside of this study.

4.3.4 Statistic test

In accordance with table 6 above the statistical test results can be seen as follows:

The institutional ownership variable has a probability of 0.607 > 0.05, so it is stated that H0 is accepted and Ha is rejected. This means that institutional ownership has no effect on disclosure of corporate social responsibility.

The independent commissioner variable has a probability of 0.629 > 0.05, so it is stated that H0 is accepted and Ha is rejected. This means that the independent commissioner has no effect on the disclosure of corporate social responsibility.

Audit committee variableshas a probability of 0.817 > 0.05 then it is stated that H0 is accepted and Ha is rejected. This means that the audit committee has no effect on the disclosure of corporate social responsibility.

The firm age variable has a probability of 0.014 <0.05 then it is stated that H0 is rejected and Ha is accepted. This means that the age of the company affects the disclosure of corporate social responsibility.

The firm size variable has a probability of 0.002 <0.05, so it is stated that H0 is rejected and Ha is accepted. This means that company size affects the disclosure of corporate social responsibility.

V. Conclusion

Based on the test results presented in chapter four, regarding the effect of institutional ownership, independent commissioners, audit committees, company age, and company size on disclosure of corporate social responsibility (CSR) in sharia banking companies registered with the Financial Services Authority (OJK) period 2017-2020, the following conclusions can be drawn:

1. Institutional ownership has no effect on corporate social responsibility (CSR) with a significance level of 0.607 higher than 0.05
2. Independent Commissioner has no effect on corporate social responsibility (CSR) with a significance level of 0.629 higher than 0.05
3. The Audit Committee has no effect on corporate social responsibility (CSR) with a significance level of 0.817 higher than 0.05
4. Firm age has a positive effect on corporate social responsibility (CSR) with a significance level of 0.014 lower than 0.05
5. Company size has a positive effect on corporate social responsibility (CSR) with a significance level of 0.002 which is lower than 0.05

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