The Effect of Corporate Governance on Corporate Social Responsibility Disclosure

Sumatriani¹, Gagaring Pagalung², Darwis Said², Grace T. Pontoh²

¹Politeknik Negeri Ujung Pandang, Makassar, Indonesia
Email: sumatriani@atyahoo.com
²Faculty of Economics and Business, Hasanuddin University, Makassar, Indonesia

Abstract: This research examines the effect of corporate governance towards corporate social responsibility disclosure. Good corporate governance is measured by the Asean scorecard. The population of this study was the companies that participated in the assessment of Asean Corporate Governance Scorecard 150 public companies listed in Indonesia, Malaysia and Thailand in 2012 - 2015. The number of samples in this study consists of 142 companies selected by purposive sampling technique. This study use Ordinary Least Square (OLS) as the analysis. The results showed that right of shareholder, equitable treatment of shareholder, role of stakeholder, effects on disclosure of social responsibility. While disclosure and transparency and responsibilities of board has no effects, the company should still improve the implementation of good corporate governance to improve the competitiveness of enterprises and investor confidence as well as company sustainability.

Keywords: Good corporate governance, Corporate Social responsibility, Scorecard Asean

1. Introduction

In accordance with the principles of OECD (2004) states that corporate governance frameworks should ensure equal treatment of all shareholders including non-controlling shareholders and foreign shareholders. Khan et al. (2013) indicates that foreign ownership, institutional ownership, board independence and audit committees have a significant positive impact on corporate social responsibility disclosure. Companies involved in CSR disclosure activities not only have an effect on stakeholders, but also have a positive impact on the company's reputation.

Under the OECD principle (2004) states that companies must recognize the rights of stakeholders and the public are protected and encourage active cooperation between companies and stakeholders in creating wealth, employment and sustainability. Past research such as Iryanie (2009) found that stakeholder-oriented firms showed better social performance and financial performance than shareholder-oriented firms. The results of Nyalwal et al. (2013) demonstrate that stakeholder participation is influential in enhancing the social responsibility activities of publicly listed companies in Kenya. This shows that the level of stakeholder participation is very big role related to social activities as well as sustainability and growth of the company.

Timely disclosure and accurate information are an important part of corporate governance. Transparency and disclosure are key aspects of corporate governance to provide a strong signal for management in controlling and controlling. Investigations were conducted in relation to non-financial companies listed on the Bucharest Stock Exchange on disclosure of corporate social responsibility information. Results indicate that disclosure of social responsibility information in annual reports has a major impact on the environment (Popa et al., 2009). Furthermore, research conducted (Popa and Pop, 2008) in Western European countries, companies are under pressure from stakeholders and the desire to avoid public scandals, companies make reports on social and environmental disclosure.

Corporate governance, in particular the role of the board of directors performs the company's activities effectively and provides accountability to shareholders. Members of the board of directors shall act transparently, in good faith and have conducted due diligence and in a manner which in his view is the best thing for the company. The results of Jizi et al. (2014) investigates corporate governance (board independence, board size, CEO duality) and disclosure of corporate social responsibility. The results show that board independence and board characteristics are related to stakeholder interest, positively related to CSR disclosure. This proves that CSR disclosure, board independence and internal corporate governance mechanisms, both the interests of shareholders and other stakeholders, and the CEO of duality, have a major impact on corporate sustainability by disclosure of CSR.

2. Research Method

The population of this study is the company that participated in the assessment of Asean Corporate Governance Scorecard of 150 public companies that have the highest rating listed on the Indonesia Stock Exchange, Malaysia and Thailand from 2012 to 2015. The method of determining the sample used is purposive sampling method, with certain criteria the company consistently follows the ASEAN scorecard index during the period 2012-2015, so that the selected sample is 142 companies. The data used is secondary data. Data obtained from electronic publications are accessed directly from Indonesia, Malaysia and Thailand Stock Exchange. Data obtained from the website www.idx.co.id, www.ticmi.coid, www.yahoofinance.com

The OLS analysis using the Eviews program in this study is used to describe the functional relationship between independent variables of shareholder rights, equitable treatment of shareholder's, stakeholder role, disclosure and...
transparency, as well as the responsibility of the board to the dependent variable i.e. disclosure of social responsibility, then to test the magnitude Influence using coefficient of determination test.

The form of the equation model used as the base is a linear function form that is:

\[ Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e \]

Where: \( Y \) = Disclosure of Social Responsibility, \( X_1 \) = Shareholder Rights, \( X_2 \) = Equal Treatment of Shareholders, \( X_3 \) = Stakeholder Role, \( X_4 \) = Disclosure and Transparency, \( X_5 \) = Board Responsibility, \( a \) = Constant, \( b \) = Regression Coefficient, \( e \) = Error.

3. Results

Descriptive Analysis

Table 1: Descriptive Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.884</td>
<td>5</td>
<td>.177</td>
<td>17.278</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>.567</td>
<td>564</td>
<td>.010</td>
<td>.</td>
<td></td>
</tr>
</tbody>
</table>

The rights of shareholders indicate a minimum value of 7.14 and a maximum value of 10. This illustrates that shareholders rights have been exercised in accordance with OCED principles such as the right to dividend and stock issuance authorization. The fair shareholder's fair valuation indicates a minimum value of 10.71 and a maximum score of 15 which means that the implementation of good corporate governance is well implemented such as protection against conflict of interest conflicts. The stakeholder role of a minimum score of 7.14 and a maximum value of 10, this implies good governance impacting both stakeholders. Minimum disclosure and transparency of 21.34 and a maximum value of 25, this means that disclosure and transparency activities become evaluations for the stakeholders for decision making. The responsibility of the board of minimum value is 28.57 and the maximum value is 40, this implies that the board's responsibility is very instrumental in the management of the company. While the disclosure of social responsibility value minimum 0.59 and a maximum value of 1.0 this means the disclosure of social responsibility has been done properly.

Analysis of Original Least Square (OLS)

Analyze the effect rights of shareholder, equitable treatment of shareholder's, stakeholder role, disclosure and transparency as well as board responsibility to disclosure of corporate social responsibility listed on Indonesia Stock Exchange, Malaysia and Thailand in 2012-2015, the writer uses Original Least Square (OLS) with the help of Eviews computer program. Based on data processing, the results obtained in table 2 below.

Based on the results of OLS analysis above, it can be obtained a regression line equation as follows:

\[ Y = 0.449 + 0.031X_1 + 0.013X_2 + 0.028X_3 - 0.008X_4 - 0.003X_5 \]

Statistics F Test

F statistic test is used for simultaneous significance test (overall significance) in a regression equation based on hypothesis test. To test whether this regression model can be used to predict \( Y \), an F-test will be used. F test results can be seen in table 3 below.

Determinant Coefficient Test

Adapun koefisien determinasi antara pengaruh hak pemegang saham, perluakan wajar pemegang saham, peran stakeholder, pengungkapan dan transparansi serta tanggung jawab dalam terhadap pengungkapan tanggung jawab sosial perusahaan yang terdaftar di Indonesia, Malaysia dan Thailand tahun 2012-2015, disajikan bentuk tabel 4 berikut ini.

Table 4: Determinant Coefficient Test

Model Summary

Based on table 3 above shows that R Square (R2) = 0.133, this indicates that the effect of shareholder rights, fair shareholder's treatment, stakeholder role, disclosure
and transparency as well as board responsibility to disclosure of corporate social responsibility listed on Indonesia Stock Exchange, Malaysia, and Thailand in 2012 - 2015 by 13.3%. This means that 13.3% variation in the value of social responsibility disclosure variables are explained by shareholder rights, fair shareholder treatment, stakeholder role, disclosure and transparency and board responsibilities, while the remaining 86.7% is the contribution or influence of other variables that are not incorporated into this research model.

4. Discussion

The Effect of Shareholder Rights to Social Responsibility

Test results show that shareholder rights have a positive effect on social responsibility. The fulfillment of the right to obtain dividends, the involvement in the authorization of share issuance, the decision on the remuneration of the members of the board, the participation in the GMS, the shareholders proposes the candidates for directors / commissioners, elects the board of directors, and participation and is informed of the fundamental company decision will increase corporate social responsibility. The results of this study are in line with Stuebs Marty and Li Sun (2015); Rashid A., (2015); Schaefer (2008) states that shareholders should be aware of the social responsibility activities for the company. The results of this study indicate that shareholders have a high level of awareness of the disclosure of corporate social responsibility. This indicates that the company and its managers strive to meet the interests of its stakeholders in a balanced, ethical and responsible manner and seek to create value for shareholders, the essence of the implementation of corporate governance.

The Influence of Stakeholder Roles to Social Responsibility

The test results show that the role of stakeholders has a direct influence on the disclosure of social responsibility. This research is in line with Rosida and Nasdian (2011); Nyalwal et al. (2013) that the level of stakeholder participation is strongly related to social activities, and the sustainability of the company. This study supports stakeholder theory that companies disclose social and environmental information as a tool to maintain their relationships with stakeholders (Ulman, 1985). The results of this study prove that the contribution of stakeholders is a valuable resource to build a competitive and profitable company for the long term company. The role of stakeholders consisting of investors, employees, creditors, and suppliers is able to fully support the company to maximize its social responsibility disclosure activities.

The Influence of Disclosure and Transparency on Social Responsibility

The test results show that disclosure and transparency have a negative influence on the disclosure of social responsibility. The results of this study are not in accordance with research conducted Popa et al. (2009); Healy and Palepu, (2001) that disclosure and transparency have a major impact on corporate social and environmental disclosure. This investigation was conducted on a non-financial company listed on the Bucharest Stock Exchange.

The results of this study indicate that corporate disclosure and transparency in this study sample means that although the average company has made full and timely disclosure and transparency, the disclosure of corporate social responsibility disclosed has not been fully reported with sustainability Report), there are still companies that make CSR report by using annual report (annual report), this is reflected from the index of disclosure made by the company. This indicates that companies that care about their stakeholders and understand their stakeholder environment tend to manage more effectively, be honest, transparent and ethical in providing quality information to their stakeholders. This research is inconsistent and consistent with stakeholder theories, that companies disclose social and environmental information as a tool to maintain their relationships with stakeholders (Ulman, 1985).

The Influence of the Council's Responsibility to Social Responsibility

The test results show that the council's responsibilities have no effect on the disclosure of social responsibility. The results of this study are not in accordance with research conducted Jizi et al. (2014); Handayani et al. (2014); Sahin et al. (2011) that board compositions such as board independence, audit committees support corporate social responsibility activities. Instead the board size, CEO of duality, does not support CSR disclosure activities for corporate sustainability. This means that the implementation of the disclosure of social responsibility has not been fully supported by the board members. The results of this study indicate that the responsibility of the council has been implemented in accordance with OECD principles, but has not supported the disclosure of social responsibility as a form of concern to the stakeholders in which the company operates.

5. Conclusion

The rights of shareholders, the fair treatment of shareholders, the role of stakeholders, disclosure and transparency as well as the responsibility of the board simultaneously affect the disclosure of social responsibility. This study also found that shareholder rights, fair shareholder rights, partial stakeholder roles have a positive effect on the disclosure of social responsibility. Disclosure and transparency and parliamentary responsibilities are partially negatively affected by social responsibility. However, companies should continue to improve the implementation of good corporate governance to improve the competitiveness of enterprises and increase investor confidence, as well as corporate sustainability.
This study has the following limitations: a. The companies sampled in this study have not included all ASEAN countries included in the ASEAN scorecard measures, so they do not reflect the overall performance of ASEAN; b. Still need to analyze data with more complex measurements like Partial Least Square (PLS) to see interaction with other variables. Research can be developed by adding dependent variables such as company performance and independent variables such as culture.

References


