The Influence of Institutional Ownership, Liquidity, and Risk Minimization on Corporate Social Responsibility Disclosure

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Abstract

Corporate Social Responsibility is the company's commitment to contributing to the community and the surrounding environment. The company maintains long-term sustainability by minimizing the negative impact of its operational activities. This study examines the effect of institutional ownership, liquidity, and risk minimization on corporate social responsibility disclosure. This study uses a sample of 73 companies in the infrastructure, utilities, and transportation sectors listed on the Indonesia Stock Exchange for the 2018-2020 period. The analysis used in this study is descriptive analysis and panel data regression which is processed using the Eviews application. The hypothesis testing results indicate that liquidity positively affects corporate social responsibility disclosure. High liquidity suggests the company's ability to fund its social responsibility activities and disclosures. However, institutional ownership and risk minimization are not corporate social responsibility disclosure determinants.

Keywords
Corporate Social Responsibility Disclosure, Institutional Ownership, Liquidity, Risk Minimization.

1. Introduction

In the business world in recent years, there have been several issues of social and environmental problems. This problem starts from environmental management, which is not accompanied by corporate responsibility in preserving the environment. This causes losses to the surrounding community, such as disease outbreaks due to company waste, erosion, etc. Companies are required to carry out Corporate Social Responsibility (CSR) to reduce environmental damage and community losses. CSR is the company's commitment to contribute in the business world to the company's economic activities for long-term sustainability by paying attention to social responsibility for the community and the surrounding environment (Rahmawati and Retnani, 2021). The company's focus on long-term sustainability minimizes negative impacts, as evidenced by implementing CSR activities and disclosures. Disclosure of corporate social responsibility is part of accounting social responsibility by conveying company performance information related to acceptability and sustainability, which means the company is acceptable and sustainable (Widyastari and Sari, 2018). Thus, investors can trust the company because they tend to invest in companies that carry out CSR activities and disclosures as a form of their social, environmental, labor, and consumer responsibility (Aruan et al., 2021). In carrying out the company's role to complete its increasingly complex social responsibilities, maximum efforts are needed to fulfill and carry out CSR activities (Cahyaningsih and Septyaweni, 2022)

Government Regulation No. 47 of 2012 also states that companies must disclose social and environmental responsibility activities in the company's annual report and to the General Meeting of Shareholders (BPK, 2012). The Financial Services Authority also issued a regulation in the form of OJK Regulation Number 51/POJK.03/2017 regarding sustainable finance, in which companies must publish reports containing economic, social, and environmental performance (OJK, 2017). However, these regulations are not fully implemented by the company, causing social and environmental problems, as happened to one company in the infrastructure, utilities, and transportation sectors. Companies engaged in information and communication technology (ICT) services have experienced a decline in consumer satisfaction with the services provided. This problem is contrary to one form of implementation of corporate social responsibility programs, namely increasing customer satisfaction. Therefore, CSR programs are essential in the company's operational activities (Aruan et al., 2021).

Based on this phenomenon, this study examines the factors that influence CSR disclosure in infrastructure, utility, and transportation sector companies listed on the Indonesia Stock Exchange for 2018-2020. The intensity of CSR disclosure may be influenced by institutional ownership, liquidity, and risk minimization. The higher level of institutional ownership will encourage a more optimal level of management supervision. One of the company's activities monitored by institutional shareholders is CSR disclosure (Noviani *et al*., 2018). In previous research, the results of Yani and Suputra (2020) showed that institutional ownership significantly affected the disclosure of corporate social responsibility. However, in contrast, Noviani *et al*. (2018) show that institutional ownership has no significant effect on corporate social responsibility disclosure.

Liquidity is one of the company's performances that is often used as a benchmark for investors in assessing the company. When liquidity is high, companies tend to carry out CSR activities and disclosures (Purba and Candradewi, 2019). Research conducted by Sijum and Dewi (2021) shows that liquidity positively affects the disclosure of corporate social responsibility. However, it differs from the study conducted by Kurniawan and Yuniarta (2020), which states that there is no relationship between liquidity and disclosure of corporate social responsibility.

Risk minimization is a company's effort to minimize risk. In practice, risk minimization is one of the reasons companies carry out corporate social responsibility because company activities can cause environmental damage and social problems. Therefore the company must minimize losses to the community and the environment (Ruroh and Latifah, 2018). Ruroh and Latifah (2018) show that risk minimization affects corporate social responsibility disclosure. This result differs from Kurniawan and Yuniarta (2020), which shows that risk minimization does not affect corporate social responsibility disclosure.

2. Literature Review

Institutional Ownership and Corporate Social Responsibility Disclosure

Institutional ownership indicates its ability to monitor management. Because it has the largest share, institutional investors have the right to ask the company's management to disclose the annual report transparently by disclosing its social information as a form of responsibility to shareholders and also the public to gain legitimacy and increase company value through the capital market mechanism so that it affects the company's share price (Singal & Putra, 2019). Supervision of management policies can be more robust by institutional parties than other shareholders so that institutional parties can demand management to disclose company activities, one of which is corporate social responsibility.

Researchers predict that institutional ownership positively affects the disclosure of corporate social responsibility. The greater the institutional ownership in the company, the greater the pressure on company management to disclose social responsibility. Every company must be able to convince the public that the company's performance and activities are in line with the community's goals. One way is to disclose social responsibility activities. This prediction is in line with the legitimacy theory and research conducted by Yani and Suputra (2020) and Singal and Putra (2019).
H_1: Institutional ownership positively affects corporate social responsibility disclosure.

Liquidity and Corporate Social Responsibility Disclosure

Liquidity is a scale used to determine the company's capability to pay off short-term obligations on time or according to maturity (Kurniawan and Yuniarta, 2020). High liquidity shows the company can settle its short-term debts. Therefore, when the resulting liquidity is higher, the tendency of companies to carry out CSR activities and disclosure is also high.

Researchers predict that liquidity positively affects the disclosure of corporate social responsibility. Companies with high liquidity indicate that their companies are better than others, namely companies that tend to carry out activities related to the social environment. The company carries out this indication by providing broader information on social

and environmental responsibilities. The company must be able to convince the public that the company's operational activities can be beneficial to the community. This prediction is in line with the legitimacy theory and research conducted by Rahmawati and Retnani (2021) and Purba and Candradewi (2019).
H_2: Liquidity positively affects corporate social responsibility disclosure.

Risk Minimization and Corporate Social Responsibility Disclosure
Companies must be aware of the actual and potential impact socially, economically, politically, and environmentally. Reasonable risk minimization requires the company's CSR program to be higher in disclosing CSR. CSR disclosure can minimize risk by increasing the suitability between company operations and community expectations through social responsibility and disclosure (Ruroh and Latifah, 2018). In this case, risk management is applied by the company concerning a systematic way of looking at the risks that might occur to minimize risks early (Kurniawan and Yuniarta, 2020).

Researchers predict that risk minimization positively affects the disclosure of corporate social responsibility. Companies with a risk management committee will encourage companies to disclose CSR because CSR disclosure is considered essential for the company's reputation in the eyes of the public and investors. The company will gain legitimacy when there is conformity with the company's existence that does not interfere with or follow the values of society and the environment. This prediction is in line with the legitimacy theory and research conducted by Rahmawati and Retnani (2021) and Ruroh and Latifah (2018).
H_3: Risk minimization positively affects corporate social responsibility disclosure.

3. Methods
This study uses quantitative methods. Samples were taken from companies in the infrastructure, utilities, and transportation sectors listed on the Indonesia Stock Exchange for 2018-2020. The sample was selected based on the criteria that infrastructure, utility, and transportation companies consistently publish annual reports for the 2018-2020 period and have complete data. Based on these criteria, 36 samples of companies were obtained. The number of outlier data in this study was 35 observation data, so the number of observation data after the outlier test was carried out was 73 data.

The dependent variable is CSR disclosure, measured using the Corporate Social Responsibility Disclosure Index (CSRDI) based on the Global Reporting Initiatives (GRI) Standards, which have universal standards and specific topics (Fajrianto and Mulawarman, 2021). Series 100 is a universal standard, namely GRI 101 (Foundation), GRI 102 (General Disclosures), and GRI 103 (Management Approach). While the 200, 300, and 400 series are related to economic, environmental, and social topics. The measurement uses content analysis. Then the calculation is done by observing whether or not the item is disclosed. If it is disclosed, it is given a score of one. If it is not disclosed, it is given a score of zero. Corporate social responsibility disclosure is measured by CSR disclosed by the company divided by 149 GRI standards items.

This study uses three independent variables. Institutional ownership can be measured by the ownership of company shares by institutions (agencies) such as foundations, banks, insurance companies, investment companies, pension funds, companies in the form of corporations, and so on divided by the number of outstanding shares (Rahayu and Hastuti, 2020). Liquidity can be measured by the current ratio, which is current assets divided by current liabilities (Hapsoro and Sulistyarini, 2019). Risk minimization can be measured using a dummy variable, namely a score of 1 if you have a risk management committee and a score of 0 if you don't have a risk management committee (Ruroh and Latifah 2018). This study analyzed the data using panel data regression.

$$CSRD = \alpha + \beta_1 IO + \beta_2 LQ + \beta_3 RM + \varepsilon$$

Information:
CSRD: Corporate Social Responsibility Disclosure, IO: Institutional Ownership, LQ: Liquidity, RM: Risk Minimization

4. Results and Discussion
This study conducted a descriptive statistical analysis to explain or provide an overview of the characteristics of the variables of CSR disclosure, institutional ownership, liquidity, and risk minimization. Table 1 shows a descriptive statistics analysis.

Table 1. Descriptive Statistic

Variables	N	Mean	Std. Dev.	Minimum	Maximum	Yes	Not
CSRD	73	0.2241	0.0336	0.1678	0.3020		
IO	73	0.5937	0.2578	0.0008	0.9065		
LQ	73	11.458	54.391	0.0280	410.24		
RM	73					42 (57%)	31 (43%)

Source: data processing results (2022)

Table 1 shows corporate social responsibility disclosure as measured by GRI Standards produces a mean value of 0.2241. This value indicates that the level of CSR disclosures of the Infrastructure, Utilities, and Transportation sector companies are still low. The mean value of institutional ownership, which is 0.5937. This value indicates that the Infrastructure, Utilities, and Transportation sector companies have a proportion of shares owned by institutions or entities such as insurance companies, banks, companies' investment, asset management, and ownership of other institutions by 59.37% compared to the proportion of another share. Liquidity has an average value of 11.458, meaning that the company has 11 times more current assets to meet its current liabilities. The results of the frequency analysis for the risk minimization variable showed that 42 of the observation data had a risk management committee (57%), and the remaining 31 data observations did not have a risk management committee (43%) in the company. Many manufacturing companies have tried to minimize the risk of damage resulting from the company's operational activities or post-activity impacts.

This study conducted a data normality test with the data being normally distributed results. This study also tested multicollinearity, heteroscedasticity, and autocorrelation, showing that the three tests passed. Furthermore, this study conducted the Chow, Hausman, and Lagrange Multiplier test to determine the best panel data regression model among the common, fixed, and random effect models. The fixed effect model is the most suitable panel data regression based on these tests. Table 2 presents the fixed effect model.

Table 2. Panel Data Regression Results

Hypothesis	Coefficient	Probability	Results
C	0.2244	0.0000	
IO → CSRD	0.0050	0.9248	Not support for H_1
LQ → CSRD	0.0001	0.0377	Support for H_2
RM → CSRD	-0.0085	0.2710	Not support for H_3
F-statistic	19.143	0.0000	
Adjusted R^2	0.8796		

Source: data processing results (2022)

The value of Prob (F-Statistic) is 0.0000, which is smaller than the significance value of 0.05. The variables of institutional ownership, liquidity, and risk minimization have a simultaneous effect on the disclosure of corporate social responsibility. The adjusted r-squared value is 0.8796. This value indicates that the variables of institutional ownership ability, liquidity, and risk minimization to explain corporate social responsibility disclosure are 87.96%, and other variables explain the remaining 13%.

Institutional ownership has a probability value of 0.9248, greater than a significant value of 0.05, meaning H_1 is not supported. These results indicate that the high or low shares owned by institutional parties have no effect on corporate social responsibility disclosure. This argument is because institutional ownership is less effective in monitoring and influencing management decisions to disclose CSR. Many institutional share ownerships will be less effective and cause conflicts of interest between institutional stock owners. This finding is in line with Rahayu & Hastuti (2020), which did not find the effect of institutional ownership on corporate social responsibility disclosure.

Liquidity has a probability value of 0.0377, which is smaller than a significant value of 0.05, which means that H_2 is supported. These results indicate that liquidity positively affects the disclosure of corporate social responsibility. In this study, liquidity is measured by the current ratio. A high current ratio indicates the company can meet its short-term obligations or current liabilities with its current assets, increasing corporate social responsibility disclosure. Companies can also carry out corporate social responsibility activities so that companies can disclose higher corporate social responsibility. CSR disclosure can increase stakeholder confidence in the company. This result is supported by

Purba and Candradewi (2019) and Sijum and Dewi (2021) that liquidity positively affects corporate social responsibility disclosure.

Risk minimization has a probability value of 0.2710, greater than a significant value of 0.05, meaning that H_3 is not supported. These results indicate that risk minimization does not affect CSR advertising. The presence or absence of a risk management committee within the company does not guarantee the company to improve the achievement of corporate social responsibility. The results of the study are in line with research conducted by Kurniawan & Yuniarta (2020).

5. Conclusion

This study examines the effect of institutional ownership, liquidity, and risk minimization on corporate social responsibility disclosure in infrastructure, utility, and transportation sector companies listed on the Indonesia Stock Exchange for 2018-2020. The test results show that liquidity positively affects the disclosure of corporate social responsibility. However, institutional ownership and risk minimization do not affect corporate social responsibility disclosure. Future research can examine other ownership structures, such as foreign and government ownership. Further researchers can also investigate other than the risk management committee, namely the sustainability committee. This research contributes to practice. The company should increase its level of liquidity so that it has more funds to disclose social responsibility. Investors could invest their funds in companies with a high level of liquidity and CSR disclosure.

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Biography

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