

# **Frequency of Board of Commissioners Meetings and Foreign Ownership as Determinants of Corporate Social Responsibility Disclosure**

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## **Abstract**

Currently, competition between companies is getting more challenging, so companies need better morale and corporate image to survive. A good reputation can be realized when the company carries out social responsibility. This study examines the determinants of corporate social responsibility disclosure, namely gender diversity, frequency of board of commissioners' meetings, and foreign ownership. Based on the sample selection criteria, this study obtained 80 observational data on manufacturing companies listed on the Indonesia Stock Exchange from 2018 to 2020. The results showed that the frequency of board of commissioners' meetings and foreign ownership positively affect corporate social responsibility disclosure. In contrast, gender diversity did not affect corporate social responsibility disclosure. In achieving good corporate governance, the company is expected to hold the more frequent board of commissioners' meetings to discuss the company's strategy, evaluate risk control policies, and solve problems more quickly and precisely, especially those related to the environment and society. Foreign ownership can encourage companies to be more concerned about corporate social responsibility disclosure.

## **Keywords**

Corporate social responsibility disclosure, Foreign ownership, Frequency of board of commissioners meetings, and Gender diversity.

## **1. Introduction**

In 2020, the Manufacturing Industry's and National GDP experienced a drastic decline compared to the previous year. This decline was caused by the Covid-19 pandemic that entered Indonesia. As a result of the pandemic, the Indonesian economy and even the world experienced a drastic decline. All sectors have been affected by the pandemic, but the manufacturing industry is one of the sectors on which the national economy relies. Despite being under heavy pressure due to the Covid-19 pandemic, the manufacturing industry in Indonesia continues to strive to rise through the expansionary phase, as reflected in the Purchasing Managers' Index (PMI) at 51.3. This number has increased compared to the previous month, which was only 50.6 (Sulaeman 2021). The contribution given by manufacturing companies to the National GDP is the largest compared to other sectors so the manufacturing industry has become the leading sector (Statistics Indonesia 2021).

This research was conducted because of the following motivations. First, companies that get the title of green industry are still involved in environmental pollution. The Indonesian government supports companies in carrying out CSR practices to protect the environment from the negative impacts of company activities by issuing laws and government regulations. Even though the government has issued regulations, companies still violate them. One is a manufacturing company in the Pulp & Paper sub-sector, PT. Fajar Surya Wisesa Tbk. (FASW), which received a 2019 green industry award certificate. Still, in 2020 the Bekasi Regency Regional People's Representative Assembly found pollution in the Cikarang Barat Laut River in Kalijaya village and the Alam Cikarang river (Alamsyah 2020). This phenomenon indicates that there are factors that influence the disclosure of corporate social responsibility (CSR), so this study focuses on the effect of gender diversity, frequency of board of commissioners meetings, and foreign ownership on corporate social responsibility disclosure.

Second, previous studies have examined gender diversity, frequency of board of commissioners meetings, foreign ownership, and CSR disclosure with inconsistent results. Nour et al. (2020) found a positive effect on CSR disclosure

when women were on the board of directors, while Anggraeni and Djakman (2017) found that the presence of women on the board of directors did not affect CSR disclosure. Ayatunisa and Prastiwi (2018) found that the frequency of board of commissioners' meetings positively affected CSR disclosure, while Emerald and Zaitul (2020) found that the frequency of board of commissioners' meetings negatively affected CSR disclosure. Yani and Suputra (2020) found that foreign ownership positively affects CSR disclosure, while Chen (2019) did not see the effect of foreign ownership on CSR disclosure.

The purpose of this study is to test stakeholder theory empirically by investigating determinant factors that influence the CSR disclosures in Indonesia. One way the company can benefit stakeholders, especially the community and the surrounding environment, is by carrying out socially responsible activities. Disclosure of corporate social responsibility activities is a form of communication between the company and stakeholders (Widyastari and Sari 2018). Therefore, this study aims to examine the effect of gender diversity, frequency of board of commissioners meetings, and foreign ownership on corporate social responsibility disclosure.

The following section presents the stakeholder theory and reviews relevant literature to develop a hypothesis. The section is followed by methods, data collection, results, and discussion. Finally, the paper concludes with main findings, contributions, limitations, and suggestions for future research.

## **2. Literature Review**

### **2.1 Gender Diversity and Corporate Social Responsibility Disclosure**

Board characteristics are essential factors in corporate governance that can determine the level of social and environmental disclosure (Fadli et al. 2019). Fahad and Rahman (2020) suggest that gender differences between women and men in board members make the company better off compared to only male board members. The position of women on the board will improve CSR management and CSR disclosure because women have more sensitivity than men to social and environmental issues (Anggraeni and Djakman 2017). Issa and Fang (2019) suggest that women will be more effective in carrying out corporate social responsibility because the decisions made are more socially oriented than male directors, so having women on the board of directors can increase CSR disclosure.

H1: Gender diversity positively affect corporate social responsibility disclosure.

### **2.2 Frequency of Board of Commissioners Meetings and Corporate Social Responsibility Disclosure**

The board of commissioners holds meetings to reduce management's opportunistic behavior and can increase company value (Solikhah and Kuswoyo 2019). Meetings of the board of commissioners are considered to influence CSR disclosure because holding meetings can communicate the company's strategy and evaluate the policies taken so that problems do not occur or harm other parties and improve the company's value. Board of Commissioners meetings that are held continuously tend to regulate the company's running activities and try to fulfill the wishes of stakeholders by disclosing corporate social responsibility (Sektiyani and Ghozali 2019).

H2: Frequency of board of commissioners meetings positively affect corporate social responsibility disclosure.

### **2.3 Foreign Ownership and Corporate Social Responsibility Disclosure**

Foreign ownership is the percentage of share ownership by foreign companies and individuals. Foreign ownership is one of the stakeholders that the company must consider. Companies with high foreign ownership will make the company wider in conveying company information. Foreign ownership can affect the level of CSR disclosure to be high because companies will face more information asymmetry problems. Information asymmetry occurs because of geographical and linguistic differences, so companies are encouraged to disclose information more broadly (Sumilat and Destriana 2017). Companies with foreign ownership are considered more concerned about responding to the disclosure of corporate social responsibility (Darma et al. 2019).

H3: Foreign Ownership positively affect corporate social responsibility disclosure.

## **3. Methods**

The dependent variable of this study is the number of corporate social responsibility disclosure (CSR D) which refers to the indicators of the Financial Services Authority Regulation Number 51/POJK.03/2017, as many as 67 indicators covering the disclosure of general information, economic, environmental, and social aspects. This study examines three variables. First, gender diversity (GD) is measured by the number of female board of directors compared to the total number of the company's board of directors (Anggraeni and Djakman 2017). Second, the frequency of board of commissioners' meetings (CM) is measured by the number of board of commissioners' meetings in one year (Sektiyani

and Ghozali 2019). Third, foreign ownership (FO) is measured by the shares owned by foreigners divided by the company's total shares (Darma et al. 2019). This study selected a sample based on two criteria. First, manufacturing companies that are consistently listed and publish annual reports on IDX for the 2018-2020 period. Second, manufacturing companies that have complete data according to research needs. Based on these criteria, a sample of 28 companies was obtained so that there were 84 observational data, but after the outlier test, 74 observations were obtained. The data analysis technique used is panel data regression.

$$CSR_{Dit} = \alpha + \beta_1 GD_{it} + \beta_2 CM_{it} + \beta_3 FO_{it} + \varepsilon$$

$CSR_{Dit}$  = Corporate social responsibility disclosure of firm  $i$  in year  $t$ ;  $GD_{it}$  = gender diversity of firm  $i$  in year  $t$ ;  $CM_{it}$  = frequency of board of commissioners' meetings of firm  $i$  in year  $t$ ;  $FO_{it}$  = Foreign ownership of firm  $i$  in year  $t$ .

## 4. Data Collection

This study uses secondary data sourced from annual and sustainability reports of manufacturing companies listed on the Indonesia Stock Exchange from 2018 to 2020. Researchers hand collect general, economic, environmental, and social information to determine the level of corporate social responsibility disclosure. Researchers looked at the profile of the board of directors to identify the presence of a female board of directors. The researcher calculates the frequency of board of commissioners' meetings based on the information presented in corporate governance. Researchers calculate the number of shares based on the category of share ownership.

## 5. Results and Discussion

### 5.1 Descriptive Statistic

Table 1. Descriptive Statistic

Variable	N	Mean	Std. Dev.	Minimum	Maximum
CSR	74	0.6388	0.0978	0.4029	0.8806
GD	74	0.3161	0.1823	0.0909	1
CM	74	6.5	1.7918	2	12
FO	74	0.3029	0.3385	0.00001	0.9309

Source: data processing results (2022)

Table 1 shows that CSR has a mean value of 0.6388, which means that the average CSR disclosure of manufacturing companies is relatively high, namely 63.8%. The higher the disclosure made by the company means that the company is more concerned with the surrounding environment. The maximum value of CSR is 0.8806, owned by PT. Astra International Tbk. (ASII) in 2020 while PT. Indospring Tbk. (INDS) in 2018 has a minimum value of 0.4029. Gender diversity (GD) has a mean value of 0.3161, meaning that the number of female directors is still relatively low. PT. Inti Agri Resources Tbk. (IIKP) owned the maximum value of one in 2019 and 2020 and PT. Astra International Tbk. (ASII) owned the minimum value of 0.0909 in 2019. The frequency of board of commissioners meetings (CM) has an average of 6.5, meaning that manufacturing companies have held meetings according to Financial Services Authority Regulation number 33/POJK.04/2014 article 31. The law requires that the board of commissioners meet at least once in two months or at least six times a year (Financial Services Authority 2014). The highest value of CM of 12 is owned by PT. Trisula Textile Industries Tbk. (BELL) in 2018-2020, PT. Trisula International Tbk. (PTSN) in 2019-2020, and PT. Mandom Indonesia Tbk. (TCID) in 2020, the lowest value of 2 was owned by PT. Hartadinata Abadi Tbk. (HRTA) in 2018. Foreign ownership (FO) has a mean value of 0.3029, which means that manufacturing companies have a relatively low level of foreign ownership. The highest value of 0.9309 is owned by PT. Unilever Indonesia Tbk. (UNVR) in 2019 and a minimum value of 0.00001 is owned by PT. Trisula Textile Industries Tbk. (BEL) in 2020.

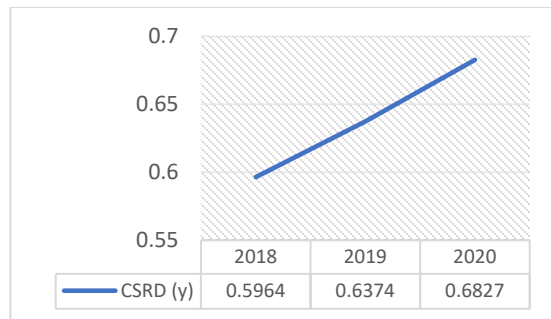


Figure 1. Mean of Corporate Social Responsibility Disclosure

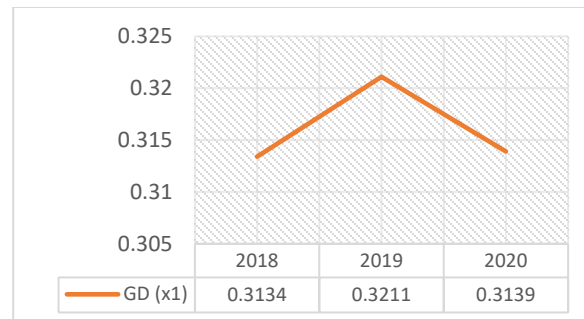


Figure 2. Mean of Gender Diversity

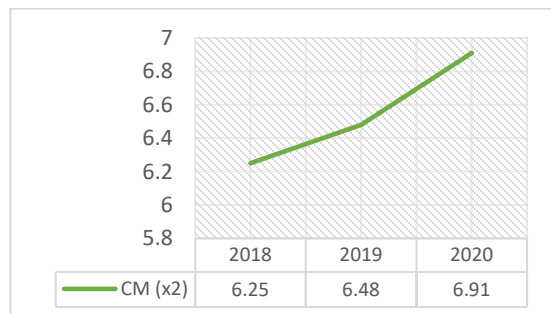


Figure 3. Mean of Frequency of Board of Commissioners Meetings

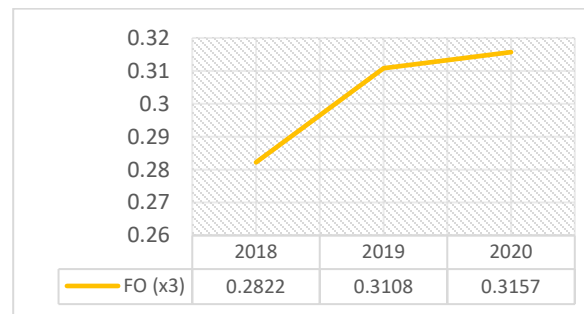


Figure 4. Mean of Foreign Ownership

Figure 1 shows that the mean CSR disclosure of manufacturing companies increased from 2018 to 2020. The data shows that the company's contribution to economic sustainability, environmental preservation, and community welfare is rising. When the COVID-19 pandemic hit Indonesia, the manufacturing industry was the most to help overcome the broader impact. Figure 2 shows that the mean gender diversity fluctuates relatively. The proportion of women on the board of directors is still relatively low. Gender equality has been implemented in many companies to provide equal opportunities for women to achieve high positions in the company even though they are still a minority. Figure 3 shows the increasing mean frequency of board of commissioners' meetings. This condition indicates increased commissioners' monitoring of company activities and financial management. The board of commissioners' meeting is held to discuss the company's strategy, control policies, evaluate risk, and resolve problems (FCGI, 2002). Figure 4 shows that the mean foreign ownership relatively increased. Indonesia is the most extensive manufacturing industrial base compared to other ASEAN countries, and its development can shift the Indonesian economy to manufacturing-based, which was initially commodity-based (BKPM, 2019).

## 5.2 Results

This study has conducted a data feasibility test to meet the Best Linear Unbiased Estimator. The test results showed that the data were normally distributed and free of multicollinearity, heteroscedasticity, and autocorrelation. The selection of the panel data model requires three tests, namely the Chow, Hausman, and Lagrange multiplier tests. The test results showed that the best panel data regression used the random effect model.

Table 2. Regression Results

Hypothesis	Coefficient	Probability	Results
C	0.5229	0.0000	
GD → CSR D	-0.0649	0.3796	Not support for H1
CM → CSR D	0.0139	0.0407	Support for H2
FO → CSR D	0.1472	0.0004	Support for H3
F-statistic	6.2713	0.0008	

Adjusted R <sup>2</sup>	0.1781		
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Source: data processing results (2022)

Table 2 shows that gender diversity did not affect CSR disclosure, so it did not support H1. This result implies that the presence of women on the board of directors did not affect the level of CSR disclosure because, in Indonesia, the share of women on the board of directors is still relatively low. This result is consistent with Anggraeni and Djakman (2017) and Farida (2020). The frequency of board of commissioners (CM) meetings has a positive effect on CSR Disclosure so that it supports H2. This finding implies that the board of commissioners is a corporate governance mechanism, so they hold meetings to manage the company's activities and try to fulfill the wishes of stakeholders, one of which is corporate social responsibility. The board of commissioners that holding regular meetings will prevent mistakes in decision-making by management regarding company activities. Therefore, the higher the frequency of board of commissioners' meetings will result in better decisions and reduce the risk of problems. This result is consistent with Ayatunisa and Prastiwi (2018) and Sektiyani and Ghozali (2019). Foreign ownership (FO) positively affects CSR disclosure so that it supports H3. This finding implies that the presence of foreign owners can influence the company's decision to be more concerned with environmental and social issues. The company will be encouraged to disclose its information more voluntarily to accommodate a lot of interest. These results support Suprijani and Patrisia (2020) and Sumilat and Destriana (2017).

## 6. Conclusion

This study examines the effect of gender diversity, frequency of board of commissioners' meetings, and foreign ownership on corporate social responsibility. The test results found that the frequency of board of commissioners' meetings and foreign ownership positively affected corporate social responsibility. In contrast, gender diversity did not affect corporate social responsibility disclosure. This study concludes that the higher the foreign ownership and the frequency of board of commissioners' meetings, the higher the corporate social responsibility disclosure carried out by the company so that it can help the company to get a good reputation from stakeholders. Companies with relatively low corporate social responsibility are expected to increase social and environmental awareness. The company is also expected to increase the proportion of women's boards to manage and advance the company jointly.

This study can only prove that the frequency of board of commissioners' meetings and foreign ownership positively affects CSR disclosure. The gender diversity of the board of directors does not affect the level of CSR disclosure. Future researchers can make some improvements. First, further research can use different objects, namely non-manufacturing companies or banking companies. Second, the next researcher can use other indicators of gender diversity, such as the gender diversity of the board of commissioners or the gender diversity of the board of directors and the board of commissioners. Third, future research may use different CSR disclosure criteria, such as the Global Reporting Initiative.

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