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Company size on corporate social responsibility with the board of commissioners as mediation

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ABSTRACT

Information is a fundamental need for investors and potential investors for decision making. The existence of complete information, accurate and timely allows investors to be rational decision-making so that the results obtained as expected. Demands on companies to provide transparent information, the organization accountable and good corporate governance is increasingly forcing companies to provide information about social activities related to the organization's interaction with the physical environment and social environment, which is made in company annual reports or social reports separately. This study aims to examine some factors that affect the disclosure of corporate social responsibility. This study tried to develop a board of commissioners as the intervening variable of firm size on the disclosure of corporate social responsibility. The sample in this study was determined by sampling purposive. The population was 219 company listed on the Indonesia stock exchange. Data were analyzed using Path Analysis with SPSS. The results indicate that company size does not influence directly on the disclosure of corporate social responsibility, and commissars council cannot serve as an intervening variable in the influence of company size on disclosure of corporate social responsibility.

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INTRODUCTION

The philosophical shift in the organizational management of business entities based on agency theory, namely corporate responsibility that is only addressed to managers (agents) and owners (principles) has changed to a modern management view based on stakeholders, namely the expansion of responsibilities company with the premise that the company's goals are closely related to the pattern (setting) of the social environment in which the company is located [Azizul (2015) in Kholis and Maksum (2017)].

In the last two decades, the face of industry in Indonesia has been colored by various industrial conflicts, such as demonstrations and protests that imply the dissatisfaction of several elements of stakeholders in the company's management, workers often hold strike demonstrations because the wage policy and the provision of other welfare facilities implemented by the company do not reflect a sense of justice.. Realizing this, companies in Indonesia are not standing still, companies are trying to improve their relationship with their social environment. Through various media, both mass media and internal media (including annual reports), the company seeks to communicate its social activities.

In conventional accounting (mainstream accounting), the center of attention served by the company is stockholders and bondholders while other parties are ignored. Today the demands on companies are getting bigger. Companies are expected not only to prioritize the interests of management and capital owners (investors and creditors), but also employees, consumers, and the community. The company has social responsibility to parties outside the management and owners of capital (Anggraini, 2015).

However, the discourse of social responsibility is still marginally positioned, and tends to lack proper appreciation. Such a context occurs, at least triggered by conditions, namely: (1) still not uniform and clear boundaries of social responsibility; (2) the company's opportunistic attitude, especially social responsibility, contains a fairly large cost which does not necessarily have relevance to the achievement of goals that are economic motives; (3) lack of stakeholder response (silent stakeholders) so that it does not create social control even though the community is a social agent; (4) weak legal support; (5) unclear operational standards; and (6) the size of the evaluation is not yet clear (Nor Hadi (2017).

Various studies related to the disclosure of corporate social responsibility show a variety of results. As research that shows social responsibility conducted by Singh and Ahuja in Gray et. al., (2015) did not find a relationship between the two variables, while Cowen et. al., (2015) found that the relationship only occurred with some of these categories of social responsibility, not as a whole. The diversity of results is partly due to the fact that the model developed is a very simple model and the measurements used are also inconsistent (Belkaoui and Karpik, 1989) in Sembiring (2015).

Based on the background of the problems stated above, the researchers are interested in conducting research with the title "Board of Commissioners as Mediating Company Size on Social Responsibility Disclosure (Empirical Study on Companies Listed on the Indonesia Stock Exchange)"

RESEARCH METHOD

Population and Sample

The population in this study are all companies listed (go-public) on the Indonesia Stock Exchange (IDX) as listed in the Indonesian Capital Market Directory, are 219 companies in 2021. The probability sample selection method used in this research is purposive sampling, which is a non-probability sampling technique that selects respondents based on the characteristics or special characteristics possessed by the sample and the sample is representative of the population (Sumarsono, 2016:52). The considerations and criteria and determination of the sample are:

a. The sample selected is a company listed on the Indonesia Stock Exchange in 2021
b. The sample period is limited to only companies that disclose corporate social responsibility in 2021.
c. The selected sample is a company that discloses the number of employees in its annual report. (year 2021)
d. The sample selected is the company that discloses the number of members of the board of commissioners in its annual report (year 2021)
e. The selected sample is tailored to the industrial sector

Based on the considerations and criteria above, the number of samples used in this study were 25 companies

Analysis Techniques

Based on the research objectives and hypotheses above, the analytical technique used is path analysis which is used to analyze the relationship between endogenous variables and exogenous variables. In this study, the relationship between company size and disclosure of corporate social responsibility and the number of commissioners as an intervening variable.

RESULTS AND DISCUSSIONS

Normality Test

Whether or not a data is normal can be detected through histogram graphs, only graphic images are sometimes misleading because it looks like the distribution is normal, but statistically it is actually not normal (Ghozali, 2015). In addition to using a histogram graph, the normality test of the data can be done using the Kolmogorov-Smirnov test, along with the results of the normality test for firm size variables (X1), number of commissioners (X2) and disclosure of social responsibility (Y) using the Kolmogorof-Smirnov test :

Table 1. Data Normality Test

One-Sample Kolmogorov-Smirnov Test

		Karyawan	Komisaris	CSR
N		25	25	25
Normal Parameters[a,b]	Mean	8541.9600	4.9600	.2923
	Std. Deviation	15676.50116	1.71950	.06682
Most Extreme Differences	Absolute	.341	.189	.129
	Positive	.341	.171	.129
	Negative	-.294	-.189	-.125
Kolmogorov-Smirnov Z		1.704	.946	.645
Asymp. Sig. (2-tailed)		.006	.332	.800

a. Test distribution is Normal.

b. Calculated from data.

From the results of the Kolmogorov-Smirnov test, the variable firm size (X1) has a probability of 0.006, the number of commissioners (X2) has a probability of 0.332 and the disclosure of corporate social responsibility (Y) has a probability of 0.800, because the probability value of the three variables is greater than 0.005, then the three variables are normally distributed

Path Analysis

The results of the overall path coefficient calculation can be seen in the table below :

Table 2 . Path Analyis

Path	Path Coefficient	t_{hitung}	Probability
Y ← X1	0,293	1,472	0,155
Y ← X2	0,190	0,927	0,364
X2 ← X1	0,341	1,738	0,096

Based on the table above, it can be described :

a. The path coefficient of firm size (X1) → social responsibility disclosure (Y) is 0.293 with a probability of 0.155

b. The path coefficient of the number of commissioners (X2) → corporate social responsibility disclosure (Y) is 0.190 with a probability of 0.364

c. The path coefficient of firm size (X1) → number of commissioners (X2) is 0.341 with a probability of 0.096

Hypothesis Test

Hypothesis Testing 1

Based on the results of data processing, the path coefficient value of company size (X1) on corporate social responsibility disclosure (Y) is 0.293 with a significant level of 0.155. Because this significant level is greater than 0.05, hypothesis 1 which suspects that there is an effect of firm size (X1) on the disclosure of corporate social responsibility (Y) is not proven.

Hypothesis Testing 2

Based on the results of data processing, the path coefficient value of the firm size variable (X1) to the number of commissioners (X2) is 0.341 with a significant level of 0.096. While the path coefficient value of the number of commissioners to company size (Y) is 0.190 with a significant level of 0.364.

The magnitude of the indirect effect of firm size (X1) on the disclosure of corporate social responsibility through the number of commissioners (X2) is (0.341) x (0.190) = 0.065, because the indirect coefficient value is smaller than the direct coefficient (0.293), then the hypothesis 2 who suspect that company size affects the disclosure of social responsibility with the number of commissioners (X2) as an intervening variable is not proven.

Influence Analysis

In the influence analysis stage, a large analysis of the effect of exogenous variables on endogenous variables has been tested. To analyze the effect of exogenous variables on endogenous variables, it can be seen in table 8 below

Table 3 : Influence analysis

	Standardized Direct Effect		Standardized Indirect Effect		standardized Total effect	
	jml. Kom	CSR	jml. Kom	CSR	jml. Kom	CSR
UP	0,341	0,293	0,000	0,065	0,341	0,358
JK	0,000	0,190	0,000	0,000	0,000	0,190

From the table above, it is known that the indirect effect of company size on the disclosure of corporate social responsibility is 0.065 where the value of the indirect effect is smaller than the direct effect, which is 0.293. Thus the effect of the number of commissioners cannot be used as an intervening variable on the effect of firm size on firm value.

Disclosure is a presentation of a number of information needed for the optimal operation of an efficient capital market. Some of the disclosures are mandatory, namely the disclosure of information that must be carried out by companies based on certain regulations or standards, and there are voluntary ones, which are information disclosures that exceed the minimum requirements of the applicable regulations.

Management has an urge to disclose favorable information and "hide" unfavorable information. Profitable information will be disclosed to the fullest extent, while unfavorable information is unlikely to be disclosed and as a result, shareholders will not know specifically what information is hidden.

In relation to agency theory, where large companies have greater agency costs, they will disclose wider information to reduce agency costs, besides that large companies are issuers that are widely highlighted, greater disclosure is a reduction in political costs as a form of social responsibility. company. The results of this study, in contrast to agency theory, where the size of the company as measured by the number of employees owned by the company does not affect the disclosure of corporate social responsibility.

Voluntary disclosure of social responsibility, which is only a minimum requirement, makes companies consider the costs and benefits that will be obtained by the company, if the costs are greater than the benefits, the company is reluctant to disclose its social activities. The low disclosure of social responsibility makes the delegation of authority to corporate social activities low or lacking, so that regardless of the number of employees the company has, if the social activity itself is still low and the delegation of authority for social activities to employees is also low, regardless of the number of employees owned by the company, it will not affect the disclosure of corporate social responsibility.

The board of commissioners as the highest internal control mechanism is responsible for monitoring the actions of top management. The composition of individuals who work as members of the board of commissioners is important in monitoring management activities effectively. Board of commissioners who come from outside the company will be seen as better, because outside parties will set policies related to the company more objectively than companies that have a board of commissioners who only come from within the company, associated with disclosure of information by the company, the more the number of commissioners who come from outside the company. independent board of commissioners, it will be easier to control the CEO and monitoring will be more effective.

In the context of information disclosure, management will try to provide information to the investor community and potential investors, so that management can be seen as an agent, to investors entrusting control over their resources. In a company, the progress of social activities is determined by the presence or absence of the highest concern and commitment of the company (CEO, board of directors and staff) as the main policy makers. The larger the number of the board of commissioners, the easier it will be to control the CEO and the monitoring will be more effective.

In this study, the board of commissioners as measured by the number of members of the board of commissioners showed an insignificant effect on the disclosure of social responsibility made by the company, besides that the board of commissioners also could not be used as an intervening variable. The number of boards of commissioners does not affect the extent of disclosure of corporate social responsibility, in practice it is who the "personnel" of the company's board of commissioners is, not from how many boards of commissioners are in a company.

CONCLUSION

Based on the problem formulation, research objectives and research results in the previous chapter, the conclusions IS the size of the company (X1) does not contribute to the disclosure of corporate social responsibility (Y), because of the nature of the voluntary disclosure of social responsibility, the size of the company as seen from the number of employees owned by the company, theoretically the larger the company size, activity operations that have a greater impact on society do not affect the disclosure of corporate social responsibility, so hypothesis 1 is not verified. The board of commissioners (X2) does not contribute and cannot be used as an intervening variable between company size (X1) and the disclosure of corporate social responsibility (Y), because the board of commissioners personnel from outside the company will be seen as better than the board of commissioners from outside the company. In the company, it can be concluded who the personnel will be more influential than the number of commissioners owned by the company, so that hypothesis 2 is not tested.

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