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The Role of Good Corporate Governance and Financial Performance on The Disclosure of Corporate Social Responsibility

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Abstract: This study aims to examine the effect of Good Corporate Governance (GCG) and financial performance on the disclosure of Corporate Social Responsibility (CSR). This study was devoted to mining companies listed on the Indonesia Stock Exchange (IDX) during 2018 - 2019. GCG is measured by four proxies, namely the proportion of directors, the proportion of independent commissioners, and the independence of the audit committee. Meanwhile, to see financial performance, this study uses the Return on Equity (ROE) Ratio. The extent of CSR disclosure is measured by the method of analysing the content of the company's annual report related to CSR activities and the amount issued by the company for their CSR activities. The final sample of this study was 73 observations. To test the hypothesis, multiple linear regression analysis was used. The results of this study will later prove that the proportion of Directors, Independent Commissioners, Audit Committee Independence and financial performance will increase the positive effect on CSR disclosure. Meanwhile, the Independent Board of Commissioners is not proven to have an effect on CSR disclosure.

Keywords: proportion of directors, proportion of independent commissioners, independence of the audit committee, CSR disclosure

Abstrak: Penelitian ini bertujuan untuk menguji pengaruh Good Corporate Governance (GCG) dan kinerja keuangan terhadap pengungkapan Corporate Social Responsibility (CSR). Penelitian ini dikhususkan pada perusahaan pertambangan yang terdaftar di Bursa Efek Indonesia (BEI) selama tahun 2018 – 2019. GCG diukur dengan empat proksi yaitu proporsi direksi, proporsi komisaris independen, dan independensi komite audit. Sedangkan untuk melihat kinerja keuangan, penelitian ini menggunakan Rasio Return on Equity (ROE). Luasnya pengungkapan CSR diukur dengan metode analisis isi laporan tahunan perusahaan yang berkaitan dengan kegiatan CSR dan jumlah yang dikeluarkan perusahaan untuk kegiatan CSR-nya. Sampel akhir penelitian ini sebanyak 73 observasi. Untuk menguji hipotesis digunakan analisis regresi linier berganda. Hasil penelitian ini nantinya akan membuktikan bahwa proporsi Direksi, Komisaris Independen, Independensi Komite Audit, dan kinerja keuangan akan meningkatkan pengaruh positif terhadap pengungkapan CSR. Sedangkan Dewan Komisaris Independen tidak terbukti berpengaruh terhadap pengungkapan CSR.

Kata Kunci: proporsi direksi, proporsi komisaris independen, independensi komite audit, pengungkapan CSR

INTRODUCTION

The good repute the relationship between corporate governance and their social responsibility still becomes an interesting topic to discuss. Every company expects to obtain financial benefits (profit) that will enrich the owner. The owner will make various efforts to make a profit or increase the company's stock price. To increase their profits, companies often ignore the social and environmental impacts of their operations (Istianingsih; Trireksani, T.; Manurung, D.T.H., 2020). Their activities often have the potential to cause damage to the environment, such as deforestation, soil erosion, water pollution, etc. The various negative impacts of the company's operations on the environment affect public awareness of the importance of carrying out Corporate Social Responsibilities (CSR). Since the reform era, people have become more critical and able to exercise social control over the business world. Changes in the level of public awareness raise new awareness of the company about the importance of implementing CSR (Daniri, 2008).

CSR is a concept that is growing rapidly in the industrial world and the demands of society for the company's role in CSR are getting higher. Thus, the company must be able to run its business ethically, not damage the environment, and provide the maximum benefit to the surrounding community.

Through this CSR program, it is hoped that the company will not only focus on giving donations as it only gives a short-term impact on the community. The real CSR programs are those that have a long-term impact and are responsible for building the surrounding community.

The need for business sustainability and the development of CSR, make companies start to realize to disclose their activities to stakeholders. It can be done through a report covering not only a single bottom line of the company's financial condition but also a triple bottom line. The term triple bottom line refers to when the company provides not only financial information but also social and environmental information (Elkington, 1990). The information presented in this annual report is then called the sustainability report (SR).

Sustainability reports are usually prepared with certain guidelines (standards). One of the common standards in preparing the SR is the Global Reporting Initiative (GRI) proposed in 1990 by Elkington and GRI and is prepared separately from financial reports or annual reports. Besides fulfilling obligations, disclosure of CSR can also be used as a company strategy to achieve a better corporate image for both investors and potential investors.

Companies need to be managed properly in order to be able to meet the demand for profit while carrying out various CSR activities. Good corporate governance (GCG) is the implementation of policies in managing companies as required in the 2007 Public Company Law (UUPT). One of the objectives of implementing GCG is to protect the interests of shareholders or investors from possible fraud by company managers or management.

Theoretically, CSR is an extension and a concrete manifestation of business ethics. Companies cannot live, operate, and survive as well as earn profits if they do not run their business ethically (Istianingsih, 2020). Thus, CSR shows the company's concern for the interests of other parties more broadly (stakeholders) than just the interests of the company itself. CSR refers to all relationships between the company and its customers, employees, communities, investors, government, and suppliers, and competitors (Istianingsih, Terri Trireksani, and Daniel Manurung, 2020).

The presence of CSR is to strengthen the sustainability of the company by building cooperation between stakeholders facilitated by the company or in terms of the company's ability to adapt to its environment, community and related stakeholders locally, nationally, or globally. This statement is a representation of the stakeholder theory which states that the company's activities should provide benefits to all stakeholders (Gray et al. (1994, p.53) in Chariri (2008). CSR development should be based on the idea that natural resources are limited so that economic development must be carried out sustainably and companies must be able to use resources efficiently and ensure that these resources are not wasted so that they can still be utilized by the next generation (Fahrizqi, 2010). Disclosure of the

sustainability report gets more attention in global business practices and has become one of the criteria in assessing the social responsibility of a company. This is in line with the signaling theory used in the research of Ni Wayan Rustiarini, (2010): The world's corporate leaders are increasingly realizing the disclosure of more comprehensive reports. Disclosures of financial statements and others will support the company's strategy. Management commitment to CSR disclosure is also a tangible manifestation of supporting sustainable development (Dilling, 2009). As stated in the legitimacy theory that disclosure of sustainability reports can also improve financial performance and build company legitimacy (Ghozali and Chariri, 2007).

This study aims to continue the previous studies by analyzing the role of the board of directors, the proportion of independent commissioners, the independence of the audit committee and financial performance and their impact on the extent of CSR disclosure for mining companies. The mining industry was chosen because it is an industry that has unique characteristics, namely this industry is very closely related to the use of natural resources, so it is very closely related to the implementation of CSR (Setiawan et al., 2018). The mining industry is a high-profile industry (Dong, Burritt, and Qian, 2014; Hackston and Milne, 1996) because the mining industry has a high sensitivity to the environment and the surrounding community. In Indonesia, many cases are related to mining and the surrounding environment, such as in the case of PT Lapindo, Freeport and also the mining industry in East Kalimantan (Subhan and Deviyanti, 2017). Law No.40/2007 also specifically states the obligations of companies engaged in the utilization of natural resources.

The main different of this study from previous studies is in way of measuring the extent of CSR disclosure. Most of the previous studies assessed CSR disclosure with GRI standards. This study on the other hand used a new criterion named the multi-method approach. This approach was used to measure CSR practices not only quantitatively but also qualitatively. Qualitatively, content analysis was used to develop a CSR Disclosure Index (CSRD Index) with five sub-indices, namely, community welfare, health and education, environment and energy, products, and customers and labor. While on the quantitative side this study used a multidimensional financial approach to calculate the company's CSR monetary expenditure ratio (CSR-MSR) using monetary data on CSR activities. The application of this multi-method becomes the main contribution of this research, namely by applying a new measure of CSR disclosure in Indonesia.

RESEARCH PROBLEM

Does the Board of Directors affect CSR disclosure?, Does the independent Board of commissioners affect CSR disclosure?, Does the Independence of the Audit Committee affect CSR disclosure?, and Does Financial Performance affect CSR disclosure?

LITERATURE REVIEW

Agency Theory

Agency theory has been the theoretical basis that underlies the company's business practices so far. The theory is rooted in the synergy of economic theory, decision theory, sociology, and organizational theory. The main principle of this theory states that there is a working relationship between the party giving the authority, namely the investor, and the party receiving the authority (agency), namely the manager. For example, the theory of Jensen and Meckling (1976) states an agency concept is a contract in which the principal hires an agent to contribute to their interests by giving some decision-making authority to the agent.

Jensen and Meckling (1976) explain the existence of conflicts of interest in agency relationships. This conflict of interest occurs due to the different goals of each party. In carrying out their duties, managers as agents must maximize the welfare of the owners of the company (principals) both in the short and long term. On the other hand, they also have an interest in maximizing their welfare. The difference in objectives between the principal and the agent and the separation between ownership and control of the company will make managers act not in accordance with the principal's wishes.

This separation results in any risk borne by the company will be fully borne by the shareholders because the manager as the

manager does not have a direct relationship with the company's profits or losses. As a result, managers will take actions that can improve their welfare without considering the interests of shareholders.

In addition, agency theory also explains the problem of information asymmetry. Managers as company managers have complete information about the company's internal and prospects in the future than owners (shareholders) or other parties. To bridge the information asymmetry, the company's management discloses or provides other information about this CSR.

Stakeholder Theory

Stakeholder theory says that the company is not an entity that only operates for its own sake, but must provide benefits to its stakeholders (shareholders, creditors, consumers, suppliers, Government, society, analysts, and other parties). Gray et al. (1994, p.53) in Chariri (2008) state that:

"The survival of the company depends on the support of stakeholders, and that support must be sought so that the company's activity is to seek that support. The more powerful the stakeholders, the greater the company's effort to adapt. Social disclosure is considered as a part of the dialogue between the company and its stakeholders".

One of the strategies used by the company to maintain relationships with its stakeholders is by disclosing social and environmental information. This disclosure is expected to help the company fulfil the required information and manage stakeholders to get support from stakeholders that affect the company's survival.

Legitimacy Theory

Several studies on environmental and social disclosure have used legitimacy theory to explain their practice. Wilmshurts and Frost (in Ghozali and Chariri, 2007) explain that legitimacy theory is very useful in analyzing organizational behavior. They say: "Legitimacy is important for social norms and values to emphasize organizations, boundaries, reactions to these limits encourage the importance of analyzing organizational behavior concerning the environment."

Legitimacy theory explains that companies operate in a constantly changing external environment. Therefore, they try to ensure that their behavior conforms to societal boundaries and norms (Brown and Deegan, 1998 in Michelon and Parbonetti, 2010). Legitimacy theory focuses on the interaction between companies and society (Ulman, 1982; Ghozali and Chariri, 2007).

The embodiment of legitimacy in the business world can be in the form of reporting corporate social and environmental activities. The legitimacy theory states that by disclosing CSR, companies simultaneously ensure that they are trying to adapt the company's activities to the norms of the local community and environment.

Signalling Theory

Signal theory explains that CSR disclosure by companies is a signal intended to attract shareholders in order to reduce information asymmetry related to CSR activities. Signal theory discusses the company's encouragement to provide information to external parties. This encouragement is due to the occurrence of information asymmetry between management and external parties.

To reduce information asymmetry, companies must disclose their information, both financial and non-financial information. One of the pieces of information to disclose is about corporate social responsibility (CSR). This information may be included in an annual report or a separate corporate social report. Companies carry out CSR disclosures to increase the company's reputation and value (Ni Wayan Rustiarini, 2010: 3).

Good Corporate Governance (GCG)

In line with agency theory (Jensen and Meckling, 1976), the information gap between managers and owners is known as information asymmetry. This causes managers to only disclose certain information if there are benefits to be obtained. Meanwhile, if there is no benefit, the manager will hide and even delay the disclosure of information to the owner or other stakeholders.

Considering the problem of information asymmetry, it is necessary to have a mechanism that can control and mediate different interests between managers and owners. One of the control mechanisms that can be used to deal with the problem of information asymmetry is to apply the GCG

mechanism. Parkinson (1994) states that GCG is a control process that aims to convince owners that managers can act in line with the interests of the owner. In this GCG, various structures are used to control and supervise management so that they work in line with the interests of the owner. The GCG structure includes the Board of Directors, the Board of Commissioners, and the Audit Committee.

GCG is useful for achieving more transparent information management for all users of financial statements so it is expected to reduce the information gaps. The implementation of GCG is also mountainous with the financial performance which is expected to improve.

One manifestation of the implementation of the principles of corporate governance is the implementation of CSR with a good action by the company towards the environment and the surrounding community. GCG and CSR have a close relationship that is highly considered by all stakeholders. Both have important positions in business practices that are oriented to the interests of stakeholders.

Good Corporate Governance (CG) and CSR

The definition of Corporate Governance as stated in the Turnbull Report (April 1999) quoted by Tsuguoki Fujinuma, is as follows: "Corporate governance is a company's system of internal control, which has as its principal aim the management of risks that are significant to the fulfillment of its business objectives, intending to safeguardthe company's assets and enhance over time the value of the shareholder investment."

Based on the elaboration above, corporate governance is defined as a company's internal control system that has the main objective of managing significant risks to meet the predetermined business objectives by securing company assets and increasing shareholder investment value in the long term.

The Board of directors in a company will determine the policies to be taken or the company's strategy both in the short and long term. Wardhani (2006) explains that the greater the need for more effective external relations, the higher the need for a large number of boards. While the disadvantages of a large number of boards are related to two things, namely increasing problems in terms of communication and coordination and decreasing the ability of the Board to control management, resulting in agency problems due to the separation between management and control. Research on the relationship between the Board of directors and the CSR disclosure practice conducted by Lastini (2007) found that there is an effect of the Board of directors on the CSR disclosure practice.

Anggraini (2006) states that the demands on companies to provide transparent information, accountable organizations, and good corporate governance (GCG) increasingly force companies to provide information about their social activities.

At the top of the company's internal management system, the Board of Commissioners has a role in supervisory activities. The composition of the Board of Commissioners will determine the company's policies, including CSR practices and disclosures. Sembiring (2005) states that the larger the number of members of the Board of Commissioners, the easier to control the CEO and the more effective monitoring will be. Waryanto (2010) found an independent board of commissioners with the CSR disclosure practice. Independent Commissioners are needed to increase the independence of the Board from management.

The existence of the Board of commissioners has not guaranteed the implementation of the principles of Corporate Governance, especially regarding the protection of investors. To encourage the implementation of GCG, different divisions need to be added in the company structure. These divisions include an independent board of commissioners and an audit committee.

The existence of an Independent Commissioner is expected to be neutral towards all policies issued by the Board of directors. Because independent commissioners are not influenced by management, they tend to encourage companies to disclose more extensive information to their stakeholders.

The audit committee can also be a supervisor that can improve the quality of information flow between company owners and managers, especially in environmental and financial reports where both have different levels of information. The existence of the

audit committee as corporate governance can increase the relevance and reliability of corporate information disclosure. As an integral part of corporate governance, the audit committee is expected to increase accountability and transparency in implementing and disclosing social responsibility information in the company's annual report.

Wright (1996) in Said et al (2009) found that the composition of the audit committee is strongly related to the quality of financial statements. McCullen and Raghunandan (1996) in Said et al (2009) support these findings that the existence of an audit can produce higher quality financial reporting. Ho and Wong (2001) in Said et al (2009) also found a positive relationship between audit committee independence and CSR disclosure.

The audit committee is an effective tool to carry out a supervisory mechanism to reduce agency costs and improve the quality of corporate disclosure (Foker, 1992 in Said et al, 2009). Ho and Wong (2001) in Said et al. (2009) revealed that the existence of an audit committee has a significant effect on the extent of voluntary disclosure by the company.

Financial Performance and CSR

Stakeholder theory can be used to answer the relationship between financial performance and corporate social responsibility. The stakeholder theory explains that stakeholders have the power that can control or have the ability to influence the use of economic resources used by the company. Power includes limiting the use of economic resources (capital and labor) to influence the consumption of goods or services produced by the company (Deegan, 2000; Ghozali and Chariri, 2007). Therefore, when the company's stakeholders begin to control important economic resources for the company, the company will respond by satisfying the stakeholders' wishes (Ullman 1985; Ghozali and Chariri, 2007).

One way the company can respond to satisfy the stakeholders is to provide good financial performance. As one of the company's stakeholders, investors will see the financial performance, for example, the company's profitability. Therefore, when profitability shows good financial performance (profit), it can be a consideration for investors to continue to provide funds for the company. Thus, the funds owed by the company will be available, and the company can do so.

HYPOTESIS

A hypothesis can be defined as a tentative but testable statement that predicts what is expected to be found in the empirical data (Sekaran & Bougie, 2016). Therefore, the formulation of the hypothesis is important in a study. Based on the previous studies, this present study proposes the following hypothesis:

The Effect of The Proportion of The Board Of Directors On Csr Disclosure.

The Board of directors in a company will determine the policies to be taken or the company's strategy both in the short and long term. Wardhani (2006) explains that the greater the need for more effective external relations, the higher the need for many boards. In contrast, the disadvantages of a large number of boards are related to two things, namely increasing problems in terms of communication and coordination and decreasing the ability of the Board to control management resulting in agency problems due to separation between management and control. Research on the relationship between the Board of directors and CSR disclosure practices conducted by Lastini (2007) found that the Board of directors affect the CSR practice.

The more members of the board of directors, the better the network with outside parties will make the company's financial performance will improve. This is supported by the results of Inge Andhitya Rahmawati's research (2017) which finds that the size of the board of directors has a positive and significant influence on the company's financial performance and CSR disclosure.

H1: The Board Of Directors Has A Positive Effect On Csr Disclosure.

Influence Of Independent Board Of Directors On Csr Disclosure.

At the top of the company's internal management system, the Board of Commissioners has a role in supervisory activities. The composition of the Board of Commissioners will determine the company's policies, including CSR practices and disclosures. Independent Commissioner is a

commissioner who is not a member of management, majority shareholder, official or in other ways dealing directly or indirectly with the majority shareholder of a company that oversees the company's management (Surya and Yustivandana, 2006). Therefore, Indonesia has provisions that govern the existence of an independent board of commissioners. The provision is Bapepam Provisions and Indonesia Stock Exchange Regulation No. 1-A dated July 14, 2004.

This provision influences the control and supervision of management in the company's operations, including the CSR disclosure. Thus, the company's goal to gain legitimacy from stakeholders by disclosing social responsibility will be obtained because an independent board of commissioners will provide control and supervision. Research on the relationship between the independent Board of commissioners and the CSR disclosure practice by Waryanto (2010) found that the independent Board of commissioners affects the CRS disclosure practice. Research conducted by Fuente et al., (2017) and Giannarakis (2014) did not confirm the relationship between board size and CSR disclosure. Independent Commissioners are needed to increase the independence of the Board from management. Thus, the researcher proposes the following hypothesis:

H2: Independent Board of Commissioners has a positive effect on CSR disclosure.

Influence of the Audit Committee on CSR Disclosure.

The audit committee can also be a supervisor that can improve the quality of information flow between company owners and managers, especially in environmental and financial reports where both have different levels of information. The existence of the audit committee as corporate governance can increase the relevance and reliability of corporate information disclosure. As an integral part of corporate governance, the audit committee is expected to increase accountability and transparency in implementing and disclosing social responsibility information in the company's annual report.

The research of Inge Andhitya Rahmawati et al., (2017) did not find the impact of the audit committee on CSR. Wright (1996) in Said et al. (2009) found that the composition of the audit committee is strongly related to the quality of financial statements. McCullen and Raghunandan (1996) in Said et al. (2009) support these findings that an audit can produce higher quality financial reporting. Ho and Wong (2001) in Said et al. (2009) also found a positive relationship between audit committee independence and CSR disclosure. Based on the description above, the third hypothesis to be tested in this study is:

H3: The independence of the Audit Committee has a positive effect on CSR disclosure.

The Effect of Financial Performance on CSR Disclosure.

Stakeholder theory can be used to answer the relationship between financial performance and corporate social responsibility. The stakeholder theory explains that stakeholders have power that can control or have the ability to influence the use of economic resources used by the company. Power includes limiting the use of economic resources (capital and labor) to influence the consumption of goods or services produced by the company (Deegan, 2000; Ghozali and Chariri, 2007). Therefore, when the company's stakeholders begin to control critical economic resources for the company, the company will respond by satisfying the stakeholders' wishes (Ullman 1985; Ghozali and Chariri, 2007).

One way a company can respond to satisfy the stakeholders is by providing good financial performance. As one of the company's stakeholders, investors will see the financial performance, for example the company's profitability. Therefore, when profitability shows good financial performance (profit), it can be a consideration for investors to continue to provide funds for the company. Thus, the funds owed by the company will be available, and the company can do so.

H4: Financial Performance has a positive effect on CSR disclosure.

RESEARCH METHOD

POPULATION AND SAMPLE

Population refers to all groups of people, events, or interesting things that researchers want to investigate and then draw conclusions (Sekaran & Bougie, 2016). The population in this study were all mining companies listed on

the Indonesia Stock Exchange in the 2018 – 2019 period.

The sample is a subset of the population. By studying the sample, the researcher can draw conclusions that can be generalized to the desired population (Sekaran & Bougie, 2016). The sample in this study was determined using the purposive sampling method, namely the selection of samples according to certain criteria. The object of this research was a mining company with the consideration that companies in this industry often damage the environment. This study used the 2018 - 2019 period because in this period, the economic and social conditions were stable in terms of inflation, recession, and no critical economy before the Covid-19 Pandemic around the world which had an impact on the stability of the company's profit. As stated previously, this study used a purposive sampling technique with the following criteria, Companies in the mining sector listed on the Indonesia Stock Exchange in 2018 – 2019 period. Companies that have complete data according to the needs of the research sample, namely financial statements and company commissioners, the independence of the audit committee and financial performance, and. CSR disclosure. The 2018-2019 period was chosen because it is the latest data that are not affected by the Covid-19, so it is hoped that economic conditions will remain relatively stable

DATA ANALYSIS

Corporate Social Responsibility (CSR)

This study used multiple methods to measure the dependent variable, namely CSR disclosure.

The first approach used to measure CSR Disclosure in this study was the G4 indicator developed by the Global Reporting Initiative (GRI), which is a corporate reporting guide to support sustainable development. Content analysis to see the disclosure of Corporate Social Responsibility (CSR) in the annual report used a score of 1 if the specified information item is disclosed and a score of 0 if it is not disclosed.

In GRI version G4, there are 2 (two) types of disclosures, namely general standard disclosures and special standard disclosures. Researchers used specific standard disclosures with a management approach (DMA) that provide opportunities for organizations to manage material economic, environmental or social impacts (aspects), thus providing an overview of the approach to sustainability issues. The specific standard disclosures with a management approach (DMA) cover 91 items consisting of economic (EC), environment (EN), human rights (HR), labor (LA), society

$$CSRI_j = \frac{\sum X_{ij}}{n_j}$$

(SO), and product responsibility (PR). (Source: www.globalreporting.org).

The GRI-G4 is designed to be universally applicable to all organizations worldwide either large or small. The calculation of the Corporate Social Responsibility Disclosure Index (CSRDI) is formulated as follows:

In addition to the content analysis approach, this research used a multidimensional financial approach to measure CSR activities. The multidimensional financial approach has also been used in Sadaf Ehsan et al., (2018).

In this approach, the company's CSR monetary expenditure ratio (CSR-MSR) is calculated. For this purpose, financial data on companies' monetary expenditures in millions of Rupiah for the three dimensions of CSR—donations, employee welfare, and research and development—were drawn from the annual reports. After collecting data on each CSR dimension, the company's total CSR expenditure was calculated by integrating all amounts spent in all three dimensions. Then, the compa’y's monetary expenditure ratio was calculated by dividing the total CSR expenditure in these three dimensions by the income after the amount of taxes in accordance with Sadaf Ehsan (2018). The selection of these three dimensions is limited based on data available in the annual reports of companies listed on the Indonesia Stock Exchange.

Board of Directors

The Board of directors in a company will determine the policies to be taken both in the short and long term (Bodroastuti, 2009). The Board of directors in this study was measured using the number of the Board of directors.

Increasing the size of the Board of directors will provide benefits for the company because the creation of a network with outside parties ensures the company and the availability of resources (Pearce and Zahra, 1992). This is in line with Hapsoro (2008) and Maryanah and Amilin (2011) that the size of the Board of directors has a positive effect on the company's financial performance. Moreover, Gil and Obradovich (2012) reveal that the number of boards of directors has a negative effect on the company's financial performance.

A smaller board of directors will result in better communication among directors, more effective coordination, and quicker action in solving problems. Bayrakdaroglu et al. (2012) state that the size of the Board of directors does not affect financial performance. This is in line with Wulandari (2006) and Romano et al. (2012) that the optimal number of boards of directors depends on each company. The Board of Directors, as the company's organ, is legally responsible for managing the company. The size of the Board of directors is measured by using the number of members of the Board of directors in a company.

Board of Directors = Total Number of Board of Directors -
Independent Board of Commissioner

The independence of the Board of commissioners used in this study was assessed based on the independent commissioner in a company's Board of commissioners.

The independence of the Board of commissioners was measured by the ratio or percentage (%) between the number of members of the Independent Commissioner compared to the total number of members of the Board of Commissioners. The formula can be seen below:

The Proportion of the Board of commissioners =
(Number of independent commissioners)
(Total members of Board Commissioners)

Independence of the Audit Committee

The audit committee is a committee appointed by the company as a liaison between the Board of directors and external auditors, internal auditors and independent members, which has the task of providing audit supervision, ensuring that management takes appropriate corrective actions against laws and regulations (Jati, 2009).

This study used the Independence of the Audit Committee. Referring to Marga Anugerah and Totok Dewayanto (2011), the indicator used to measure independence was measured by the percentage of the number of independent audit committees with the total number of audit committee members.

Independence of the Audit Committee is a member who is outside the issuer or company. The existence of the independence of the Audit Committee is a useful system to be able to carry out the work of the Board of commissioners in more detail by focusing the attention of the Board of commissioners on specific areas of the company or good management methods. The measurement scale for the independence of the audit committee was the ratio scale, which was measured by counting the number of independent members of the audit committee compared to the total number of members of the audit committee.

Financial Performance (Y)

Return on Assets (ROA) is used to measure how effective and efficient the company is in generating profits with its assets. The formula used to calculate Return on Assets (ROA) is as follows:

$$\textbf{Return on Equity (ROE)} = \frac{\textbf{Net Income}}{\textbf{Total Equity}} \times \mathbf{100}\%$$

ANALYSIS AND DISCUSSION

The object of this study is a mining company listed on the Indonesia Stock Exchange (IDX) in the 2018 – 2019 period. This study used a purposive sampling technique. This section will discuss the results of the analysis of the obtained data based on financial statements. Data covered Board of Directors, Independent Board of Commissioners, Independence of the Audit Committee, Financial Performance and CSR had financial data related to CSR. Disclosure. Then, the analysis was followed by inferential analysis using multiple linear regression analysis.

Of the total population as many as 47 companies. From two years of observation, the total population should be 94 observations that can be sampled. Of these, only 86 observations

or 43 companies have annual reports that can be accessed by researchers. Of the 43 companies, 38 companies (76 observations) had financial data related to CSR activities and from 76 these 3 data were outliers so they were excluded from the sample and the final sample used to test the research hypothesis was 73 observations. The results of this research data collection in detail are described in the following table:

TABEL 1. RESULT RESERCHING DATA COLLECTION

Information	Total Company	Total Observation (2018 - 2019)
1. Population of miningcompanies listed in IDX	47	94
2. Companies whose annual reports can be accessed by researcher	43	86
3. The company does not disclose the amount of moneyfor CSR activities	(5)	(10)
Data Outlier	(2)	(3)
Final Sample	37	73

Descriptive Statistic of Research Variables

Descriptive analysis is used to provide an overview of the research variables descriptively. This analysis includes the mean value, standard deviation, maximum value and minimum value of each variable. Table 4.2 describes the characteristics of the Proportion of the Board of Directors (X1), Independent Board of Commissioners (X2), Independence of the Audit Committee (X3), Return on Equity (X4) and CSR Disclosure (Y). The results of the descriptive statistical analysis test in this study are as follows:

TABEL 2. DESCRIPTIVE STATISTIC

	X1	X2	X3	X4	X5
Mean	4.00	.4356	.7705	.3668	.1523
Std. Deviation	1.00	.14658	.29686	1.01807	.09511
Median	4.00	.4000	.7500	.1000	.1000
Minimum	2.00	.20	.20	-2.90	.07
Maximum	7.00	1.00	1.50	3.78	.35

Based on table 2, it can be seen that:

The mean value of the Proportion of the Board of Directors (X1) is 4. This shows that the total number of boards of directors in mining companies listed on the Indonesia Stock Exchange (IDX) in the 2018 – 2019 period is an average of 4 people with a total a minimum of 2 people and a maximum of 7 people.

The mean value of the Board of Independent Commissioners (X2) is 0.4356. This shows that the ratio of the number of boards of commissioners from outside compared to the total number of members of the board of commissioners in mining companies listed on the Indonesia Stock Exchange (IDX) in the 2018 – 2019 period is only 0.4356 or 43%. The lowest value is 0.20 or 20%. This means some companies have external members of the board of commissioners by 20%. Then, the highest value is 1 or 100% which

means that there are companies that have all members of the board of commissioners from outside. The standard deviation value is 0.14658 or 1.5%. The standard deviation value is lower than the mean value, indicating that the data for the independent board of commissioners are not varied or the distance between the data is not large.

The mean value of the Independence of the Audit Committee (X3) is 0.7705. This shows that the ratio of the number of audit committee members from outside compared to the total number of audit committees in mining companies listed on the Indonesia Stock Exchange (IDX) in the 2018 – 2019 period is 0.7705 or 77%. The lowest value is 0.20 or 20%, which means that there are companies that only have an external audit committee of 20%. The highest value is 1.50 or 150%, which means that there are companies that all have external audit committees and the standard deviation value is 1.01807. The standard deviation value is lower than the mean value indicating that the audit committee data are not varied or the distance between the data is not large.

The mean value of Return on Equity (X4) is 0.3668. This shows that the ratio between profit after tax and the total equity of mining companies listed on the Indonesia Stock Exchange (IDX) in the 2018 – 2019 period is 0.3668 or 36%. The lowest value of -2.90 or - 290% means that there are companies that generate profits of -290%. The highest value is and the standard deviation value is 1.01807 or 101%. The standard deviation value is higher than the mean value, indicating that the profitability data are very varied or the distance between the data is too large.

The mean value on the Social Responsibility Disclosure Index (Y) is 0.1523 or 15%. This shows that the average area of social responsibility disclosure of mining companies listed on the Indonesia Stock Exchange (IDX) in the 2018 – 2019 period is 15%. This indicates that the level of awareness of social responsibility disclosure of mining companies listed on the Indonesia Stock Exchange (IDX) in the 2018 – 2019 period is still low because it is less than 50%. The standard deviation value is 0.095. The lowest and highest value of CSR disclosure is 0.07 and 0.35 respectively.

RESEARCH RESULT

Hypothesis Testing with Statistical Test

Partial hypothesis tests were used to calculate the effect of each independent variable of the board of directors (X1), independent board of commissioners (X2), audit committee independence (X3) and financial performance (X4) on CSR disclosure (Y). Based on the table below, it can be seen that the direction of the relationship between the Board of Directors and CSR Disclosure is positive (coefficient value of the Board of Directors in column B), namely 0.053. It means that when there is an increase in the Board of Directors, it will increase CSR Disclosure.

Then the author tested the hypothesis using the t-test with the following conditions, If t count > t table, then H0 is in the rejection area, meaning H1 is accepted or there is an influence. If t count < t table, then H0 is in the acceptance area, meaning that H1 is rejected or has no effect.

Hypothesis 1:

H0: $\beta 1=0$: There is no significant influence of the Board of Directors on CSR Disclosure

H1: $\beta 1\neq 0$: There is a significant influence of the Board of Directors on CSR Disclosure

Based on the predetermined conditions, the obtained t-count is 17.773 and degrees of freedom is (n-k-1) or 73-4-1 = 68 with the t-table value of 1.995, so the t-count is higher than the t-table. This means that H0 is rejected and H1 is accepted. It indicates that there is a significant influence between the Board of Directors on CSR Disclosure so hypothesis 1 is accepted.

TABLE 1 BOARD OF DIRECTORS HYPOTHESIS TESTING ON CSR DISCLOSURE

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Corr elati on Zero - order
	B	Std. Error	Beta			
(Constant)	-.142	.020		-7.270	<001	.764
X1	.053	.003	.741	17.773	<001	.134
X2	.037	.027	.057	1.363	.177	.019
X3	.043	.014	.136	3.075	.003	.542
X4	.053	.004	.564	12.378	<001	

Influence of independent board of commissioners on CSR Disclosure

Results of analysis of the effect of the independent board of commissioner's variable (X2) on CSR disclosure (Y) using SPSS software are as follow:

TABEL 2. INDEPENDENT BOARD

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Corre lation Zero-order
	B	Std. Error	Beta			
(Constant)	-.142	.020		-7.270	<001	.764
X1	.053	.003	.741	17.773	<001	.134
X2	.037	.027	.057	1.363	.177	.019
X3	.043	.014	.136	3.075	.003	.542
X4	.053	.004	.564	12.378	<001	

Based on the table above, it can be seen that the direction of the relationship between the independent board of commissioners and CSR disclosure is positive (the coefficient value of the independent board of commissioners is in column B), namely, 0.037. It means that when there is an increase in the independent board of commissioners, it will increase CSR disclosure.

Then the author tested the hypothesis using the t-test with the
following conditions:

If t count > t table, then H0 is in the rejection area, meaning that H1 is accepted or there is an influence. If t count < t table, then H0 is in the acceptance area, meaning that H1 is rejected or has no effect.

Hypothesis 2:

H0: β1=0: There is no significant effect of the Board of Independent Commissioners on CSR Disclosure

H1: β1≠0 : There is a significant influence of the independent board of commissioners on CSR Disclosure

Based on the predetermined conditions, the obtained t-count is 1.363 and degrees of freedom is (n-k-1) or 73-4-1 = 68 with the t- table value of 1.995, so t-count is lower than t- table. This means that H0 is accepted and H1

is rejected so there is no significant effect between the independent board of commissioners on CSR disclosure so that hypothesis 2 is rejected.

Influence of Audit Committee Independence on CSR Disclosure

Results of analysis of the effect of the audit committee independence variable (X3) on CSR disclosure (Y) using SPSS software are as follows:

TABEL 3. ANALYSIS OF THE EFFECT OF THE AUDIT COMMITTEE INDEPENDENCE VARIABLE

Model		Unstandardized Coefficients		Standardized Coefficients			
		B	Std. Error	Beta	t	Sig.	Correlations Zero-order
1	(Constant)	-.142	.020		-7.270	<001	
	X1	.053	.003	.741	17.773	<001	.764
	X2	.037	.027	.057	1.363	.177	.134
	X3	.043	.014	.136	3.075	.003	.019
	X4	.053	.004	.564	12.378	<001	.542

Based on the table above, it can be seen that the direction of the relationship between the independence of the audit committee and CSR disclosure is positive (the coefficient value of the independence of the audit committee is in column B), namely, 0.043. This means that when there is an increase in the independence of the audit committee, it will increase CSR disclosure.

Then the author tested the hypothesis using the t-test with the following conditions, If t count > t table, then H0 is in the rejection area, meaning that H1 is accepted or there is an influence. If t count < t table, then H0 is in the acceptance area, meaning that H1 is rejected or has no effect.
Hypothesis 3:
H0: $\beta1=0$: There is no significant effect of audit committee independence on CSR Disclosure
H1: $\beta1\neq0$: There is a significant effect of the independence of the audit committee on CSR Disclosure.

Based on the predetermined conditions, the obtained t-count is 3.075 and degrees of freedom is (n-k-1) or 73-4-1 = 68 with the t- table value of 1.995, so t-count is higher than the t-table. This means that H0 is rejected and H1 is accepted, then there is a significant influence of the independence of the audit committee on CSR disclosure so that hypothesis 3 is accepted.

The Effect of Financial Performance on CSR Disclosure

Results of the analysis of the influence of the financial performance variable (X4) on CSR disclosure (Y) using SPSS software are as follows:

TABEL 4. ANALYSIS OF THE INFLUENCE OF THE FINANCIAL PERFORMANCE VARIABLE

Model		Unstandardized Coefficients		Standardized Coefficients			
		B	Std. Error	Beta	t	Sig.	Correlations Zero-order
1	(Constant)	-.142	.020		-7.270	<001	

X1	.053	.003	.741	17.773	<001	.764
X2	.037	.027	.057	1.363	.177	.134
X3	.043	.014	.136	3.075	.003	.019
X4	.053	.004	.564	12.378	<001	.542

Based on the table above, it can be seen that the direction of the relationship between financial performance and CSR disclosure is positive (coefficient of financial performance in column B), namely, 0.053, meaning that when there is an increase in financial performance, it will increase CSR disclosure. Then the author tested the hypothesis using the t-test with the following conditions, If t count > t table, then H0 is in the rejection area, meaning that H1 is accepted or there is an influence. If t count < t table, then H0 is in the acceptance area, meaning that H1 is rejected or has no effect.

Hypothesis 4:

H0:β1=0 : There is no significant effect of financial performance on CSR Disclosure H1:β1≠0 : There is a significant effect of financial performance on CSR Disclosure Simultaneous Hypothesis

Simultaneous testing was conducted to prove whether the board of directors (X1), independent board of commissioners (X2), audit independence (X3) and financial performance (X4) had a significant effect on CSR disclosure (Y):

Hypothesis 5:

H05 : There is no influence of the board of directors (X1), independent board of commissio ners (X2), audit independe nce (X3) and financial performan ce (X4) on CSR

disclosure. Ha5 :

There is an influence of the board of directors (X1), independent board of commissioners (X2), audit independence (X3) and financial performance (X4) on CSR disclosure.The hypothesis testing was carried out through the F test with the following conditions:

Reject H0 if Fcount is higher than Ftable (Fcount > Ftable)

Accept H0 if Fcount is lower or equal to Ftable (Fcount < Ftable)

The formula for calculating the f test is as follows:

F= (n-k-1)(R^2)/k(1-R^2)

in which n is the number of samples, k is the number of independent variables, and R2 is the value of the coefficient of determination. The results of the SPSS calculation are as follows:

a. Dependent Variable: Y
b. Prediction: (Constant), X4, X1, X2, X3

With a value of R2= 5%; df1= k = 4; df2 = n

– k - 1= 73 – 4 -1= 68, the F table value is 2,507. Based on the results of the calculation, F-count is 127.606 with an F-table value of 2.507. The test condition is "reject Ho if F- count > F-table". As the results of the F-count is 127.606 > F-table of 2.507 at 5%, it is decided to reject H04 so Ha4 is accepted. So based on the test results, it can be concluded that the board of directors (X1), independent board of commissioners (X2), audit independence (X3) and financial performance (X4) have a significant effect on CSR disclosure.

CONCLUSION

There are three individual hypotheses of research variables that are accepted based on individual parameter significance test, namely, 1) Board of Directors have positive effects on CSR disclosure, 2) Independence of the Audit Committee have positive effects on CSR disclosure, and 3) Financial Performance have positive effects on CSR disclosure.

There is only one hypothesis that is rejected based on the test results, namely, the Independent Board of Commissioners has a positive effect on CSR disclosure. Based on the test, the Independent Board of Commissioners does not affect CSR disclosure.

Based on multiple regression testing (ANOVA test), the results show that the Board of Directors, the Independent Board of Commissioners, Audit Independence, and Financial Performance simultaneously affect CSR disclosure.

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