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The Effect of Corporate Social Responsibility Disclosure and Board Remuneration on Financial Performance with the Presence of Woman in the Good Corporate Governance Structure

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ABSTRACT: The purpose of this study was to examine the effect of CSR disclosure and board remuneration on financial performance with the presence of women in the GCG structure as a moderating variable. This research was conducted in manufacturing companies listed on the Indonesia Stock Exchange for 2016-2018 with a population of 162 companies. The sample was taken by purposive sampling method, and ten companies were selected as samples, so there will be 30 observations. The data analysis technique used is multiple linear regression and moderated regression analysis. The results showed that the presence of women in the GCG structure positively affected financial performance. Still, the company of women in the GCG structure could not moderate the relationship of CSR disclosure to financial performance. CSR disclosure and board remuneration do not have a significant effect on financial performance.
Keywords*:Financial performance, CSR, Remuneration, Gender*

I. INTRODUCTION

The company carries out its business activities to make a profit and create excellent financial performance. Companies can obtain good financial performance through good cooperation between stakeholders and shareholders. One of the things that companies can do to establish a harmonious relationship with stakeholders is by implementing social responsibility[1].Under the theory of legitimacy, companies are expected to carry out business activities under applicable norms to support the community to affect its financial performance. However, there are still some companies that harm society and the environment.

Companies that carry out social responsibility have positively impacted society and the environment to affect all company dimensions, including financial performance[2].Following the research ofGiannarakis et al.(2016) andMaqbool & Zameer(2018), social responsibility disclosure has a positive effect on financial performance.Research results fromMalik & Kanwal(2018) also state that CSR disclosure has a positive impact on financial performance. Different research results obtained byOyewumi et al.(2018) andMercuri et al.(2019)state that CSR disclosure negatively affects financial performance.

Based on the research results, it is suspected that other variables can affect financial performance, namely board remuneration and women's presence in the GCG structure. The amount of remuneration given by each company is different, according to the conditions and company policies. However, remuneration has the same objective: to motivate and increase productivity(Itri et al., 2018). Boards can manage and supervise company activities, so it is essential to research the amount of remuneration given whether it affects company performance.Apart from board remuneration, women in the GCG structure also need to be tested for their impact on financial performance. That is because the percentage of women on the board of directors, commissioners, and audit committees in the company is tiny compared to the rate of the male gender. However, some studies support women's existence in companies because women tend to be more conscientious and avoid the risks of making decisions to affect company performance[9]. The presence of women in the GCG structure will also be used as a moderating variable in the relationship of CSR disclosure to financial performance because no research has tested this before.

II. LITERATURE REVIEW

Stakeholder theory explains that companiesrunning their business and achieving good financial performance should pay attention to shareholders and stakeholders' interests by implementing CSR. Legitimacy theory also states that companies must gain the community's trust by conducting business activities by following applicable norms and positively impacting society.That is because support from the community is essential to maintain the continuity and development of company performance. That is following the research ofHidayat & Meiranto(2017) andWijayanti(2016), which found that CSR disclosure has a positive effect on financial performance as proxied by Return on Assets (ROA). Based on the explanations, the research hypothesis can be formulated as:

H_1:CSR disclosure has a positive effect on financial performance

Gender diversity is thought to improve company performance because it provides equal opportunities to hold positions on companies' board. After all, women who tend to avoid risk compared to men who tend to take risks will make more accurate and low-risk decisions[12]. Decisions taken correctly will affect company performance, which is by the research ofAluy et al.(2017), Dewi & Dewi(2016), andAhmadi et al.(2018), states that the presence of women affects the company's financial performance. Based on the explanations, the research hypothesis can be formulated as:

H_2:The presence of women in the GCG structure has a positive effect on financial performance

Agency theory states that there are differences in interests between management as agents and company owners as principal, and one way to overcome this is by giving bonuses[16].Rewards are part of the company's remuneration to manage and supervise its activities to create a sound financial performance.The remuneration provided by each company is different, even though it has the same goal. Research conducted byPangestu et al.(2019)regarding remuneration on financial performance results in positive results. This research is also supported byIbrahim & Ahmed(2020), which states that compensation has a positive effect on financial performance.Based on the explanations, the research hypothesis can be formulated as:

H_3:Board remuneration has a positive effect on financial performance

Feminism theory is classified as a critical accounting theory that explains gender diversity behavior and its effect on company performance. The percentage of women in management is still small when compared to the male gender. However, several studies have shown that the role of women affects financial performance.Research byFathonah(2018) states that the presence of women affects financial performance. In addition to affecting financial performance, some studies say that women's presencepositively affects CSR disclosure[20]. Based on this, it is assumed that the presence of women can be a moderating variable of the effect of CSR disclosure on financial performance, and the research hypothesis can be formulated as:

H_4:The presence of women in the GCG structure strengthens CSR disclosure's positive influence on financial performance.

III. RESEARCH METHODS

This research was conducted on companies listed on the Indonesia Stock Exchange (IDX) because it provides complete financial statement information and can be accessed through the official website or the respective companies' websites. The population in this study are manufacturing companies listed on the IDX. This study's sample was manufacturing companies listed on the IDX for the 2016-2018 period, selected through a purposive sampling technique. One of the criteria for determining the sample was publishing a sustainability report for three consecutive years.Financial performance variables in this study are proxied by Return on Assets (ROA). ROA aims to measure the success of management in generating profits. It is under the objectives of this study, namely to examine the effect of remuneration received by the board of ranks on the achievements and impact on company performance.Financial performance was formulated as followPermadiswara & Sujana(2018):

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}} \text{x } 100\%$$

This study's CSR disclosure variableis measured using an index from the Global Reporting Initiative (GRI). The companies that are the samples of this study use the GRI version of the G4 and the GRI Standards. Each category of CSR disclosure information in the research instrument is given a score of 1 if the information disclosed is in the sustainability report and 0 if the information category is not disclosed in the sustainability report. The scores in each category of sustainability report are added to obtain an overall score for each company. CSR disclosure was formulated as followAwuy et al.(2016):

$$\text{CSRDI}_\text{j} = \frac{\Sigma X_{ij}}{N_{i,j}}$$

CSRDIj = Corporate Social Responsibility Index of the company j

ΣX_{ij} = Number of dummy variables in company j, 1 if disclosed and 0 if not disclosed,

$N_{i,j}$ = Number of disclosure indicators that companies should disclose

The variable of women's presence in the GCG structure in this study is measured using the percentage of the boards of directors, boards of commissioners, and women audit committees in companies. The presence of the woman in the GCG Structure was formulated as followSeptianingsih & Muslih(2019):

$$WOMAN = \frac{Total\ of\ women\ as\ boards\ of\ directors, commissioners, and\ audit\ committees}{Total\ of\ boards\ of\ directors, commissioners, and\ audit\ committees} x\ 100\%$$

Remuneration is a reward given by the company and one factor that affects morale[24]. The variable of board remuneration in this study is measured using the company's amount of remuneration for the board of directors and the board of commissioners. Board remuneration was formulated as followAndoko & Lisdiono(2016):

$$Remuneration = \sum the\ board's\ annual\ remuneration$$

The data in this study were collected using non-participant observation methods. The data were processed using multiple linear regression analysis techniques and moderated regression analysis (MRA). MRA is a particular application in multiple linear regression analysis where the regression equation contains elements of interaction with the equation formula as follows:

$$\mathrm{Y} = \alpha + \beta_1 X_1 + \beta_2 \mathrm{M} + \beta_3 \mathrm{X}_1 \mathrm{M} + \varepsilon$$

Y : Financial performance
α : Constants
$\beta_1 \beta_2 \beta_3$: Coefficient of regression for independent variables
X_1 : CSR disclosure
M : The presence of the woman in the GCG structure
X_1M : Interaction between CSR disclosure and the presence of the woman in the GCG structure
ε : Error term

IV. RESULTS AND DISCUSSION

There were 30 samples used in this research, and the results of multiple linear regression analysis in this study are as follow:

Table 1. Multiple Linear Regression Output

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4.837	7,334		-0,660	0,515
	CSR Disclosure	0,096	0,116	0,137	0,829	0,415
	Woman	1,052	0,301	0,561	3,494	0,002
	Board Remuneration	1.345E-12	0,000	0,025	0,149	0,883
a. Dependent Variable: Financial Performance						

Source: Secondary data processed, 2020

Testing the first hypothesis regarding CSR disclosure on financial performance shows a significance value of 0.415. This value is more significant than α = 0.05. Therefore, the first hypothesis in this study is rejected. This study indicates that CSR disclosure has no significant effect on the company's financial performance. In general, the public gives a positive appreciation to companies that carry out social responsibility described in the legitimacy theory, but this does not always motivate people to become consumers of company products. CSR disclosure in this study does not have a significant effect on financial performance.This study's results are per research fromSudaryanti & Riana(2017), which states that financial performance is not influenced by CSR disclosure. Research conducted by Krisdamayanti & Retnani(2020) is also under the results of this study, where CSR disclosure does not affectthe company’s financial performance.

The second hypothesis results show a significance value of 0.002, which is smaller than α = 0.05 and has a positive regression coefficient of 0.152. That means that the second hypothesis that has been proposed is accepted. Namely, the presence of women in the GCG structure has a positive effect on financial performance. The results of this study are following the results of research byRahmanto & Dara(2020), Song et al.(2020), andGreen & Homroy(2017), which state that gender diversity has a positive effect on financial performance. That means that gender diversity within the company can affect company performance.This study's results are under the theory of feminism, which supports women's roles and equal rights in public life.

The results of testing the third hypothesis show a significance value of 0.883.This value is more significant than α = 0.05, so that the third hypothesis in this study is rejected. That is because remuneration is extrinsic motivators at work, like policies, punishments, and leadership qualities. At the same time, what affects boards and committees' performance is intrinsic motivation, namely the desire to achieve (achievement), feelings of responsibility, appreciation, and participation in decision-making[8]. This statement means that more intrinsic motivation can improve boards and committees' performance to increase company profits. That is consistent with the research conducted byHerzberg(2017), which states that salary is not a strong motivator. This study's results follow the research result ofSitompul & Muslih(2020) andAkter et al.(2020), which states that board remuneration has no significant effect on financial performance.

Table 2. Moderated Regression Analysis Output

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5,425	9,039		0,600	0,554
	CSR Disclosure (X_1)	-0,137	0,184	-0,195	-0,746	0,462
	Woman (M)	0,318	0,558	0,169	0,569	0,574
	X_1.M Interaction	0,016	0,011	0,580	1,525	0,139
a. Dependent Variable: Financial Performance						

Source: Secondary data processed, 2020

Table 2 shows the moderated regression analysis results, which uses the formula below as the regression equation.

$$Y = 5{,}425 - 0{,}137X_1 + 0{,}318\text{M} + 0{,}016X_1\text{M} + \varepsilon$$

Y : Financial performance
α : Constants
$\beta_1\beta_2\beta_3$: Coefficient of regression for independent variables
X_1 : CSR disclosure
M : The presence of the woman in the GCG structure
X_1M : Interaction between CSR disclosure and the presence of the woman in the GCG structure
ε : error term

The moderated regression analysis results in Table 2 show that the moderating variable, namely the interaction of the CSR disclosure variable and the presence of women in the GCG structure, has a significance value of 0.139. This value is more significant than α = 0.05, so it means that the moderating variable has no significant effect on this regression model and cannot moderate the impact of CSR disclosure on financial performance. The results of this study do not support the previously proposed hypotheses. The reason is companies that are the sample in this study have few women on the board of directors, the board of commissioners, and the audit committee. Based on 30 observational data, only 64 women or 12% female gender of the entire board of directors, commissioners, and audit committee, namely 535 people. AlthoughPajaria et al.(2016) stated that women's presence tends to influence CSR disclosure decisions. Still, with a much smaller number of women than the entire boards and committees in this research data, their opinions and thoughts may not influence decision-making. That is following the research byNanda & Rismayani(2019), which states that gender diversity does not affect CSR disclosure. Therefore, the variable of women's presence in the GCG structure cannot moderate CSR disclosure on financial performance.

V. CONCLUSION

Based on the analysis and discussion results, CSR disclosure has no significant effect on financial performance. The presence of women in the GCG structure has a positive impact on financial performance. That explains that gender diversity in company organizations can create excellent financial performance.Board remuneration does not have a significant effect on financial performance.The presence of women in the GCG structure does not significantly affect the relationship between CSR disclosure and financial performance. That explains that the presence of women in the GCG structure cannot moderate CSR disclosure on financial performance.Companies' suggestion is toincrease women's percentage on the board of directors, commissioners, and audit committees. Advice for further researchers is to look for other factors that can affect financial performance, expand the research area's scope, and increase observation.

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