THE INFLUENCE OF CORPORATE CHARACTERISTICS ON SOCIAL RESPONSIBILITY DISCLOSURE

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ABSTRACT

The purpose of this study is to provide an overview of social responsibility disclosure practices carried out by property and real estate companies in Indonesia and determine the influence of company characteristics (size, leverage, profitability, and age) on social responsibility disclosure. This type of data uses quantitative research with a descriptive approach. The study encompasses the entire population of property and real estate companies listed on the Indonesia Stock Exchange, as outlined by ICMD 2007. According to the ICMD, there are a total of 33 listed property and real estate companies. data were analyzed using multiple regression analysis. Simultaneous test results show that company size, leverage, profitability, and company age collectively have a large influence. The influence is 93.5% on social responsibility. Meanwhile, partially only company size has a significant effect, while the other three variables do not affect social responsibility.

Keywords: Social Responsibility Disclosure, Size, Leverage, Profitability, and Age

INTRODUCTION

The Industrial Revolution's advent in the 18th century is associated with the ascendancy of capital as a powerful force. Capital is portrayed as the driving factor behind the extensive exploitation of natural resources and societal elements. As a result, environmental damage has a negative impact that must be suffered by the community. Accounting, which plays an important role as a means of accountability and control of the activities of each business unit, is accused of being one of the causes of this damage. This is because accounting has so far only sided with stockholders (mainstream accounting or conventional accounting).

The onset of the Industrial Revolution in the 18th century marked a transformative period closely linked with the rise of capital as a formidable force. Capital is depicted as the driving catalyst behind the widespread exploitation of natural resources and societal components. Consequently, this extensive exploitation has led to environmental damage, imposing a negative impact that communities must endure. The accountability and control of the activities of each business unit, vital for managing the repercussions of industrialization, fall under the purview of accounting. However, accounting is criticized for allegedly contributing to the environmental harm. The accusation stems from the observation that accounting practices, particularly mainstream or conventional accounting, have traditionally aligned themselves predominantly with the interests of stockholders. This alignment implies a focus on financial performance and shareholder value, often at the expense of broader considerations such as environmental sustainability and social responsibility. By prioritizing financial indicators, accounting systems may inadvertently encourage business practices that prioritize short-term economic gains over long-term environmental and societal well-being. As a result, critics argue that the prevailing accounting frameworks not adequately capture the true costs of industrial activities on the environment and society. They contend that accounting, as it stands, could be complicit in facilitating or perpetuating environmentally harmful practices by not fully reflecting the externalities and long-term consequences of certain business decisions. As a result, critics argue that the prevailing accounting frameworks may not adequately capture the true costs of industrial activities on the environment and society. They contend that accounting, as it stands, could be complicit in facilitating or perpetuating environmentally harmful practices by not fully reflecting the externalities and long-term consequences of certain business decisions.

The evolving societal awareness of the importance of nature's sustainability for human survival has prompted a significant shift in the traditional accounting concept. In the contemporary landscape, there is a growing emphasis on financial considerations and social and environmental factors. This transformation is particularly evident in corporate practices, where organizations increasingly recognize their responsibility to contribute positively to society and the environment. Companies are seen as having a social responsibility toward the communities in which they operate. By adopting CSR, companies aim to make a positive contribution to society, including supporting social, educational, or health projects (Manurung, 2015). The importance of understanding the influence of company characteristics on social responsibility disclosure is becoming increasingly urgent. With the increasing awareness of the public, investors, and other stakeholders regarding the importance of sustainability and social responsibility, research regarding this phenomenon is still limited, especially in Indonesia. Apart from that, even though someone has done research, they have had different findings. This is caused by changes in research models, time, and inconsistent measurements (Belkaoui and Karpik, 1989).

The findings from previous research, as highlighted by Sinclair (2001), suggest that the size of a company is not inherently linked to its level of social responsibility disclosure. In other words, the extent to which a company discloses its social responsibility activities does not necessarily correspond to its size. However, it is important to note that this lack of correlation is not universal across all categories of social responsibility. Sembiring (2005) further emphasizes this point by indicating that the correlation between company size and social responsibility disclosure only manifests in specific categories within the broader spectrum of social responsibility. This implies that the relationship between company size and social disclosure is nuanced, with certain aspects of social responsibility being more influenced by company size than others. On a contrasting note, the study conducted by Suda and Kokobu (1994) yielded different results. Their findings did not establish a clear and direct relationship between leverage (the use of debt to finance operations) and social disclosure. This suggests that, according to their research, the financial leverage of a company does not necessarily impact the extent to which it discloses its social responsibility initiatives. In contrast to the results of Suda and Kokobu, Robert's research in 1992 presented an alternative perspective. Robert's findings concluded that there is indeed a relationship between financial leverage and social disclosure. This implies that as companies increase their leverage, there is a corresponding increase in the disclosure of their social responsibility activities, according to Robert's study. In summary, the relationship between company size, financial leverage, and social responsibility disclosure appears to be complex and context-dependent. The nuances in these findings highlight the importance of considering specific categories of social responsibility and the diverse factors that may influence the disclosure practices of companies in different ways.

Apart from that, research by Bowman and Haire (1976) found that there was a significant relationship, while Gray R., Javad, Power, and Sinclair (2001) found that this relationship was variable. This research is interesting considering the results of previous research, which show conflicting results, and the lack of research that focuses on the disclosure of social responsibility in Indonesia. The main objective of this research is to determine the extent to which companies in Indonesia demonstrate their social responsibility by disclosing social information in their annual financial reports. Based on this background, it is necessary to carry out further research so that it can be assessed to what extent previous findings can be applied or understood in the context of companies in Indonesia.

Hypothesis

Socioeconomic accounting is an approach in the field of accounting that recognizes and assesses the economic impact of a decision or policy on the social structure and welfare of society. In this context, accounting is not only seen as a tool for recording economic transactions and producing financial reports but also as an instrument that allows a deeper understanding of the social consequences of economic activities. The socioeconomic accounting approach emphasizes the importance of taking into account social, cultural, and environmental factors in the financial measurement and reporting process (Belkaoui,1986). According to Harahap (1993), the emergence of social responsibility accounting is caused by: (1) the tendency towards social welfare, (2) the tendency towards environmental awareness, (3) ecosystem perspectives, and (4) economization versus socialization.

Utomo's (2002) research on 84 samples of companies listed on the JSE in 1988 found that in Indonesia disclosure of social responsibility still tends to be low. This study also found that high-profile companies carry out better social disclosures than low-profile companies. Several previous studies show that several factors influence social responsibility disclosure, such as leverage, size, profitability, and company age.

Leverage

Companies exhibiting a high leverage ratio, as posited by Hidayat (2007), tend to engage in more extensive social responsibility disclosures. This propensity stems from the fundamental premise that companies carrying substantial debt burdens find it imperative to broaden their disclosures to address the information requirements of their creditors. The dynamic between leverage and the depth of social responsibility disclosure can be dissected through several key facets.Companies reliant on external financing, especially through debt, for their operational and expansionary needs are acutely aware of the vested interests of their creditors. These creditors seek a comprehensive understanding of the financial health and sustainability of the companies to which they extend financial support. Consequently, companies with high leverage recognize the heightened information needs of their creditors. In response, they opt for more extensive social responsibility disclosures, using these disclosures to assure creditors of their commitment to responsible business practices and long-term sustainability. Moreover, higher levels of financial leverage within a company can lead to increased agency costs, signifying a greater likelihood of transferring wealth from long-term creditors to shareholders and managers. To mitigate this risk and maintain a balanced relationship with creditors, companies adopt a strategic approach of making thorough social responsibility disclosures. Through these disclosures, they aim to showcase transparency, ethical conduct, and a steadfast commitment to the long-term well-being of stakeholders, including creditors.

H1: There is an influence between the company's leverage and social responsibility disclosure policy.

Size

The company's size is a crucial factor in shaping the level of trust investors place in it. This correlation arises from several interconnected factors. Firstly, larger companies tend to enjoy greater public recognition, making them more accessible to the public eye. Consequently, these companies become subject to heightened scrutiny and experience a heightened demand for information from the public. This increased visibility and demand for transparency create an environment where larger companies are more inclined to disclose a substantial amount of information. This is in stark contrast to smaller companies that may not attract the same level of public attention.

The ease with which information can be obtained about a company is a critical determinant in boosting investor confidence and reducing uncertainty. Larger companies, due to their prominence and scrutiny, are expected to provide more extensive information, thereby offering investors a clearer understanding of their operations, financial health, and social responsibility initiatives. Company size, often measured by total assets, can influence the extent of social responsibility disclosure. Larger companies typically experience fewer competitive disadvantages than their smaller counterparts. They often possess a pool of skilled employees who can effectively communicate and present a wide range of financial statements, including those related to social responsibility. This advantageous position contributes to a greater willingness and ability to disclose information comprehensively. In addition, larger companies usually have greater resources, both in terms of finance and personnel. This abundance of resources allows them to invest in social responsibility initiatives and facilitates the creation of dedicated teams or departments to manage these initiatives. As a result, large companies often have more to say about their social responsibility efforts.

H2: There is an influence between the size of the company and the disclosure policy of social responsibility.

Profitability

Company profitability serves as a pivotal indicator of a business's efficacy and triumph in generating profits in proportion to the resources invested, be it assets or capital. Essentially, profitability reflects a company's ability to yield earnings over a defined period. The intricate connection between profitability and the disclosure of social information holds significant implications. A heightened level of profitability suggests the company's proficiency in translating its resources into profits, showcasing operational efficiency. This efficiency, in turn, frequently establishes a positive correlation with the extent to which a company discloses social information. In other words, when a business excels in its profitability, it often demonstrates a heightened commitment to transparently communicating its social responsibilities, practices, and impacts. This correlation underscores the role of financial success in fostering a company's dedication to social disclosure, contributing to a more comprehensive understanding of corporate behavior and responsibility (Hidayat, 2007).

Donovan and Gibson (2001) present legitimacy theory as a framework for understanding the interaction between a company's profitability and its commitment to social responsibility. The essence of this theory is that companies with high profitability perceive their economic success as sufficient to maintain their legitimacy, thereby potentially reducing the need for proactive involvement in social responsibility initiatives. (Sembiring, 2005). When a company is highly profitable, there may be a tendency for management to report only those aspects that have the potential to hinder or distort information about the company's financial success. In other words, when profits are high, there may be a focus on presenting information that does not jeopardize the positive narrative surrounding the company's financial performance. In contrast, when profitability levels are low, this section implies that there may be hope for companies to highlight "good news" in areas unrelated to financial performance, particularly in the social area. This can be seen as an attempt to attract and convince investors by showcasing the positive aspects of the company beyond its financial metrics. The goal here is to maintain or increase investor confidence and encourage continued investment in the company, even in the face of financial challenges.

H3: There is an influence between profitability and social responsibility disclosure.

Company Age

The age of a company, measured from its establishment, serves as a significant metric that reflects the company's longevity and persistence in the business landscape. This temporal factor provides insights into the company's ability to not only survive but also compete in the market over an extended period. The relationship between the age of a company and its financial statements is substantial, as it is intricately linked to the developmental trajectory and the overall growth of the business. As a company continues to operate over the years, its financial statements become a historical record of its economic activities, showcasing the evolution of its operations, financial health, and market presence. The age of the company, in this context, becomes a proxy for experience and resilience. Older companies, having weathered various economic climates and market dynamics, may be perceived as more stable and established. Generally, the longer a business has been in operation, the higher the likelihood of it disclosing information related to its social responsibility initiatives.

H4: There is an influence between the age of the company and the disclosure of social responsibility.

METHOD, DATA, AND ANALYSIS

Research Methods

The research population is the financial reports of property and real estate companies listed on the Indonesia Stock Exchange (BEI) in 2007. Based on data obtained from PRPM (Capital Market Reference Center) Pekanbaru, the number is currently 48 companies. The chosen sampling approach is the judgment random sampling method, which involves a non-random selection of samples based on specific considerations.
Sample criteria:

1. The property and real estate industry released complete financial reports on the IDX until 2007
2. The company reports CSR activities.

RESULT AND DISCUSSION

Variabel Depend

The dependent variable in this research is disclosure of corporate social responsibility which is measured by the social disclosure index which includes five categories, namely: social themes, employment, consumers and products, environment.

Independent Variables

a. Size used the total assets of the company as a measure (Hackston and Milne, 1996).
b. Profitability, namely the ratio of profit to assets (Sembiring, 2005)
c. Leverage uses the debt-to-equity ratio (Anggraini, 2006)
d. The age of the company examines how long a company has been established and can survive against competition.

Hypothesis Testing

The data analysis tool used to test hypotheses is multiple linear regression. The regression analysis model in testing this hypothesis is formulated as follows:

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + e$$

Where:

Y	=	Social Responsibility Disclosure
X1	=	Leverage Level (Debt/Equity Ratio)
X2	=	Size (Total Company Assets)
X3	=	Company Profitability (profit/assets)
X4	=	Age of the company
α	=	Konstanta
β1-4	=	Constant Regressions
and	=	Error

Results of Descriptive Statistical

Analysis

Data analysis was conducted on 33 selected samples. Data processing is carried out on the company's social disclosure index in the *annual report*. Descriptive statistics of research variables can be seen in the following table:

Descriptive Statistics

	N	Min	Max	Mean	Std. Dev
Size	33	12170	10533372	1877001.91	2148455.609
Leverage	33	.0050	1.2900	.440348	.2752309
Profitabilitas	33	-.0842	.1103	.017633	.0338045
Age	33	7	40	24.03	7.832
Valid N (listwise)	33				

Sumber : Data Primer, 2023

Hypothesis Test Results

The summary of the test results is as in Table 4.2 below:

Hypothesis Test Results

Hypothesis	B	t	Say	Information
H1: There is an influence between the *size of the* company and the social responsibility disclosure policy.	0,00005961	20,880	0,000	H1 accepted
H2: There is an influence between the company's leverage and social responsibility disclosure policy.	- 0,015	- 0,707	0,486	H2 rejected
H3: There is an influence between profitability and corporate social responsibility disclosure.	0,035	0,188	0,853	H3 rejected

H4: There is an influence between the age of the company and the disclosure of corporate social responsibility.	0,000	0,363	0,720	H4 rejected

Adjusted R2 = 0,935 R = 0.971 Fhit = 1,603 Ftabel = 115,741 Fsig = 0,458

Sumber: Data Olahan

Based on Table 4.2 above, the formulation for multiple linear analysis in this study is as follows:

CSR = 0.018 + 0.00005961 *Size* – *0.015* Leverage + *0.035 Profit* + *0.000* Age + *ε*

From the regression results, an Adjusted R2 value of 0.935 is obtained, which means that only 93.5% of corporate social responsibility disclosure is influenced by variables such as size, leverage, profitability and age, while the other 6.5% is the result of other variables not studied in this research.

The simultaneous influence seen from the comparison of Fcount with Ftable is seen at a significant level of 0.458, the Fcount value is 160.372, while for Ftable it is 115.741 or Fcount> Ftable so it can be concluded that simultaneously the amount of social responsibility disclosure is influenced by the variables Size, Leverage, Profitability and Age.

The following are the results of simultaneous hypothesis testing:

The size variable has a significant value of 0.000, this indicating a substantial influence on corporate social responsibility disclosure at the 0.05 significance level, thereby accepting Hypothesis 1 (H1). This discovery aligns with the insights derived from Sembiring's (2005) research, which suggests that a larger number of company assets correspond to a broader scope of corporate social responsibility disclosure. The influence of company size on CSR disclosure can be explained by several factors. Firstly, larger companies often have more diverse and complex operations, involving various stakeholders and interactions within their organizational structure. As a result, there is an increased demand for transparency in their social and environmental practices, leading to a broader range of CSR disclosure. Secondly, the financial capacity of larger companies allows them to invest more resources in CSR initiatives and reporting. They may have dedicated departments or personnel specifically focused on CSR activities, ensuring a comprehensive and detailed disclosure of their social responsibility efforts. This conclusion aligns with prior research, including the findings of Belkaoui and Karpik (1989), which similarly emphasize the significant impact of company size on the extent of social responsibility disclosure. In essence, the current study not only validates but also extends the existing knowledge in the field, underscoring the pivotal role that company size plays in shaping the depth and breadth of CSR disclosure. Both Sembiring's research and earlier studies collectively establish the prominence of company size as a key determinant influencing the extent of corporate social responsibility disclosure.

In the regression analysis, the leverage variable displays a coefficient value of -0.015 with a significance value of 0.486. This implies that the leverage variable exerts a negative, albeit statistically nonsignificant, effect on social responsibility disclosure at the 0.05 significance level, leading to the rejection of Hypothesis 2 (H2). This outcome aligns with the principles of agency theory, asserting that an elevated level of leverage negatively impacts the disclosure of corporate social responsibility to prevent it from drawing excessive attention from debtholders. According to agency theory, firms with high leverage may be disinclined to emphasize social responsibility to avoid potential conflicts with debtholders, prioritizing financial commitments over social disclosure. The findings of this study corroborate previous research, including the work of Sembiring (2005), which also concluded that leverage does not significantly influence the disclosure of corporate social responsibility. This consistency across studies underscores the notion that, in the realm of corporate finance and disclosure practices, the interplay between leverage and social responsibility disclosure may be more nuanced than previously presumed.

The profitability variable is indicated by a significance value of 0.853. This shows that there is no positive influence on accountability disclosure so hypothesis 3 (H3) is rejected. Several factors may contribute to this unexpected finding. Companies with a primary focus on short-term profit maximization may prioritize financial metrics over CSR disclosure. In such cases, the pursuit of immediate financial gains may not align with the long-term commitment to social responsibility reporting. Highly profitable companies may allocate their resources differently, with a greater emphasis on internal operations, product development, or shareholder returns rather than extensive CSR initiatives. In addition, this resource allocation strategy can limit the extent of social responsibility disclosure.This finding is consistent with the findings of previous research conducted by Sembiring (2003) and Hackston and Milne (1996), who all came to the same conclusion. Alignment of results across research efforts strengthens the robustness of these results. This underscores the consensus in the literature that, contrary to expectations, higher profitability does not necessarily correlate with an increase in a company's propensity to disclose information related to its corporate social responsibility. This different understanding challenges conventional assumptions and encourages a deeper exploration of the complex dynamics between financial performance and the level of social responsibility disclosure in corporate practices.

The age variable, characterized by a significant value of 0.720, signifies that there is no discernible influence of company age on the disclosure of social responsibility, resulting in the rejection of Hypothesis 4 (H4). This implies that the duration of a company's existence does not play a determining role in shaping its commitment to social responsibility disclosure. In other words, the longevity of a company does not necessarily correlate with a greater inclination to disclose information about its corporate social responsibility initiatives. This research outcome aligns with the conclusions drawn by Sembiring (2005), further fortifying the reliability of the findings. The collective evidence suggests that factors beyond the temporal dimension of a company's existence may be more pivotal in understanding and predicting the extent of its social responsibility disclosure practices. This nuanced perspective prompts a reevaluation of assumptions regarding the relationship between organizational age and corporate transparency in social responsibility matters.

CONCLUSION

Company size has an influence on the extent to which the company expresses its social responsibility. However, on the contrary, the company's level of debt (leverage) has no influence on social responsibility disclosure. This means that larger companies tend to provide more information about their social responsibilities, while the level of debt is not a significant factor in such disclosure. Profitability and company age have no influence on the extent to which the company discloses information about its social responsibility. Although companies experience good financial performance, this does not significantly influence their decisions to provide information regarding social responsibility initiatives. By referring to the social responsibility disclosure index, it can be concluded that the most CSR information disclosed in company annual reports is about community themes. In contrast, the least information disclosed in the company's annual report is regarding product themes. This shows the company's focus is more on their initiatives and contributions to society than on information related to the products they produce.

Suggestions

Further research could explore potential moderating factors that might influence the corporate characteristics on social responsibility disclosure relationship, by considering the complex interactions between corporate financial metrics and disclosure practices. The unit of analysis of this study is only limited to the property and real estate sector. Further research is expected to examine other business sectors that may produce different results due to different industry characteristics. It is necessary to examine other non-financial characteristics of companies that may affect the corporate social responsibility disclosure index such as market share, consumer satisfaction, ownership status.

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