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The Role of Company Size on CSR Commitment, the Existence of Female's Board, Managerial Ownership, Board Size to Disclosure of Corporate Social Responsibility in Islamic Banking

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Abstract

Information on disclosure of corporate social responsibility is information on a company's social responsibility to parties outside the company. This disclosure is disclosed in the company's annual report and corporate governance report. The purpose of this study was to analyze the effect of corporate governance and the size of the company on the disclosure of Islamic banking in Indonesia and to analyze the effect of moderating variables on disclosure of corporate social responsibility. The number of data took in this study was 48 data that had been processed. The data used in this study were the annual Islamic banking reports, financial statements, and corporate governance reports respectively. This test used regression tests and moderating variables. The results obtained that CSR commitment has positive correlation to CSR disclosure and the existence of female's board, managerial ownership has negative correlation to CSR disclosure, meanwhile, board size does not affect the CSR disclosure. After applied the moderation variable, it increased the disclosure of corporate social responsibility.

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1. Introduction

The development of the Islamic economy in Indonesia in the past few years, both at the conceptual level, as an academic discourse, and at the practical level, especially in financial institutions of banks and non-bank financial institutions, is very rapid. The presence of Islamic economic law or often called the term "sharia economy", is a necessity of the wider community (Islam) due to the existence of benefits in the welfare of society. The economic position of sharia does not conflict with the basic philosophy

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of the State of Indonesia, namely Pancasila, especially the first and fifth precepts (Purwadi, 2014).

Sharia economy is very much in line with the 1945 Constitution as the Indonesian state constitution, which in its opening stated "... by realizing a social justice for all the people of Indonesia". One of sharia economic activities is a Sharia Bank or Sharia Banking which is based on sharia principles (Sjahdeini, 1999). In Law Number 21 of 2008 concerning Sharia Banking, it is affirmed that a Sharia Bank is a Bank that runs its business activities based on sharia principles and according to its type consists of Sharia Commercial Banks and Sharia People Financing Banks (Awaluddin, 2016). Matters concerning Islamic banking contained in the Law includes corporate social responsibility. Nevertheless, there are several Islamic banks that do not disclose their corporate social responsibility. Amran et al. (2017) revealed that the development of sharia banking CSR in Indonesia reached 58% in 2011 and as time went on it was estimated to be 30% but then declined. This result was not far from Darmadi (2013) that overall sharia banking CSR in Indonesia reached 0.60%. Whereas CSR disclosure in Indonesia related to corporate governance is around 75% (Kriyantono, 2015).

The disclosure of CSR in Bangladesh conventional banking was around 42.53% (Khan, 2010). In China, CSR reports are as much as 79% related to corporate social responsibility (Gao, 2011) while in the USA countries CSR disclosures with ESGDS proxy are 21.3% (Giannarakis, 2014).

Previous research that has examined corporate governance and corporate social responsibility from various banking sectors and manufacturing companies in various countries (Khan, 2010; Aribi & Gao, 2011; Darmadi, 2013; Giannarakis, 2014; Amran et al., 2017). The results of research on corporate social responsibility in various countries and various sectors vary. From the Islamic banking sector in Indonesia, the disclosure is relatively low because it is less than 70%, while conventional banking in Indonesia is classified as high, reaching 75%.

There are several factors that influence the CSR disclosure. Board size influences CSR disclosure (Siregar & Bachtiar, 2010; Esa & Ghazali, 2012) whereas Giannarakis (2014); Said et al. (2009) found that board size did not influence CSR disclosure. Another factor is CSR commitment, Giannarakis (2014) found that CSR Commitments influence the disclosure of CSR measured using the UNGC standard. Firm size proxied with total assets influences CSR (Siregar & Bachtiar, 2010; Giannarakis, 2014) whereas Ehsan & Kaleem (2012) found that firm size has no effect on CSR disclosure. The Women's Council has an effect on CSR disclosure (Giannarakis et al., 2014) whereas Giannarakis (2014); Khan (2010) has no effect on CSR disclosure.

Some differences in this study compared to previous research, the first difference in this study wanted to find out how strong or weak the moderating variables affect the disclosure of corporate social responsibility. The moderating variable in this study is the size of the company. Previous research did not use moderating variables. The second difference, Giannarakis (2014) measures CSR commitment by using UNGC but this study uses a dummy variable if in the annual report it is committed to disclosing CSR it will be given a value of 1 and vice versa 0. The third difference, measurement of variables in this study uses social responsibility index because the used contains religious elements,

namely Islamic banking. The fourth difference, previous research took samples in foreign countries such as USA, Bangladesh, Kuwait. This research took Indonesia.

Considering the differences in previous research and disclosure of CSR in Islamic banking which is still relatively low, then in this study proposed two questions, they are: 1) Is there any effect of CSR commitment, the existence of the board, the size of the company on the disclosure of corporate social responsibility? 2) Can the variable size of the company as a moderating variable strengthen CSR commitment, the existence of the board, the size of the company, and the size of the board on disclosure of corporate social responsibility?

2. Methods

The sample of this study was Islamic banking in Indonesia with a 6 year observation year (2010–2015). The data was taken from the corporate governance reports, sharia banking annual reports and Islamic banking financial reports in Indonesia. The sample selection by means of purposive sampling, namely by using several criteria. The several criteria used were as follows: 1) Islamic banking registered with Indonesian banks in 2010–2015; 2) Islamic banking that issues financial reports, annual reports, and corporate governance reports for 2010–2015.

The dependent variable in this study was the disclosure of corporate social responsibility. The measurement of the disclosure of corporate social responsibility in Islamic banking in Indonesia in this study was done by using the Social Responsibility Index which consists of 43 items of disclosure. Below is the formula to measure the dependent variable:

$$CSR D = \text{The number of item score disclosed} / \text{The number of maximum score}$$

The independent variables in this study were CSR commitment, the existence of a women's board, managerial composition, company size, and board size. Meanwhile, the moderating variable in this study was the size of the company. The following is a table of Independent variable measurements.

Table 1 The Measurement of Independent and Moderating Variable

Variable	Measurement
CSR commitment	When disclosing 1, conversely 0
The existence of female's board	The number of female's board on Islamic banking
Managerial ownership	The percentage of shares held by directors to outstanding shares
Board size	The number of board in Islamic banking
Company size	Total asset of the Islamic banking

This study has purpose to examine the effect of corporate governance and firm size on corporate social responsibility disclosure and analyze whether the presence of moderating variables reinforces disclosure of corporate social responsibility. The following are the regression equations in this study:

$$CSR D = \alpha + \beta_1 KCSR + \beta_2 KDP + \beta_3 KM + \beta_4 UD + \beta_5 SIZE + \epsilon \dots (1)$$

$$CSR D = \alpha + \beta_1 KCSR + \beta_2 KDP + \beta_3 KM + \beta_4 UD + \beta_5 KCSR * SIZE + \beta_6 KDP * SIZE + \beta_7 KM * SIZE + \beta_8 UD * SIZE + \epsilon \dots (2)$$

Where:

CSR D = The social responsibility of company

KCSR = CSR commitment

KDP = The **existence of female's board**

KM = Managerial ownership

UD = Board size

SIZE = Company size

ϵ = Error

3. Results and Discussion

Table 2 is a table of descriptive statistics for variables. Disclosure of social responsibility is at an average of 57% and the highest is 69%. CSR commitment uses dummy variables. The existence of a women's council in Islamic banking in Indonesia is very small compared to the male council. The women's board of Islamic banking in Indonesia in 2010–2015 only reached 33% of the highest number. The percentage of shares held by managers in Islamic banking does not exceed 5% and managerial ownership held only reaches 2.5%. The average number of sharia banking boards in 2010–2015 amounted to 10 people, the highest 15 people, and at least 7 councilors.

Table 2 Descriptive Statistics

Variable	Mean	Median	Maximum	Minimum
CSR D	0.570	0.581	0.698	0.279
KCSR	0.896	1.000	1.000	0.000
KDP	0.121	0.091	0.333	0.000
KM	0.224	0.000	2.533	0.000
SIZE	1.84E+10	7.65E+09	7.04E+10	4.59E+08
UD	10.250	10.000	15.000	7.000

Table 3 and Table 4 are the results of regression testing. Table 3 results of regression tests before using moderating variables. This research is normal data because the value of J-B is $1.0429 < 2$ (Table 3). This study was not heterocedasticity and not autocorrelation. The D-W test shows a value of 1.566 (Table 3) which means that there is no autocorrelation. Heterocedasticity test using the Harvey method (Table 3) shows a probability value greater than 5% ($0.11 > 0.05$) which means that there is no heterocedasticity in this study. The adjusted R^2 value before with the moderation variable is 81%. This result is high (Amran & Devi, 2008). The results showed that CSR commitment (KCSR). The existence of a female's board (KDP) and managerial ownership (KM) is significant at 0.01 and has a negative coefficient value while the board size (UD) is not significant at 10%.

Table 4 is the result of the regression test after applying the moderating variable. Adjusted R² is 85%. Value values increase than before using the moderating variable, this indicated that the size of the company strengthens the disclosure of corporate social responsibility. The existence of a female's board (KDP), managerial ownership (KM) and CSR commitment (KCSR) is significant at 10%. The existence of a women's board and managerial ownership has a positive coefficient which means that the size of the company strengthens managerial ownership and the existence of a female's board in disclosing corporate social responsibility. While CSR commitment has a negative coefficient value which means that the size of the company weakens CSR commitment in disclosing corporate social responsibility. Company size cannot moderate the size of the board in disclosing corporate social responsibility.

Table 3 Regression Test

Variable	Coefficient	Standart Error	t-Statistic	Probability
C	0.433255	0.039764	10.89565	0.0000
KCSR	0.193098	0.022278	8.667712	0.0000***
KDP	-0.227344	0.060506	-3.757378	0.0005***
KM	-0.074012	0.014074	-5.258860	0.0000***
UD	-0.002311	0.003579	-0.645628	0.5220
SIZE	1.72E-12	4.26E-13	4.041469	0.0002
R ²			0.835572	
Adjusted R ²			0.815997	
F-statistic			42.68622	
Prob (F-statistic)			0.000000	
D-W statistic			1.566033	
Heteroskedasticity Test: Harvey			Obs*R ² = 14.28500	
			p = 0.1125	
Jarque-Bera test			JB = 1.042931	
			p = 0.593650	

Notes: *significant at level 0.10; **significant at level 0.05; ***significant at level 0.01

Table 4 Regression Test with Moderated Regression Analysis (MRA)

Variable	Coefficient	Standart Error	t-Statistic	Probability
C	0.417497	0.061725	6.763820	0.0000
KCSR	0.221874	0.028527	7.777682	0.0000***
KDP	-0.218659	0.068446	-3.194605	0.0028***
KM	-0.127643	0.028417	-4.491816	0.0001***
UD	-0.005080	0.005833	-0.870814	0.3893
SIZE	1.19E-11	4.90E-12	2.437325	0.0196
KCSR*SIZE	-9.08E-12	4.68E-12	-1.939930	0.0598*
KDP*SIZE	1.08E-11	5.55E-12	1.939066	0.0599*
KM*SIZE	1.97E-11	8.84E-12	2.226303	0.0320**
UD*SIZE	-1.18E-13	1.74E-13	-0.676981	0.5025
R ²			0.876950	
Adjusted R ²			0.847807	
F-statistic			30.09085	
Prob (F-statistic)			0.000000	

Notes: *significant at level 0.10; **significant at level 0.05; ***significant at level 0.01

CSR commitment has a positive effect on the disclosure of corporate social responsibility. Therefore, the hypothesis 1 (H1) is accepted. This is in line with Giannarakis (2014). Islamic banking is committed to issuing disclosures of corporate

social responsibility in the previous year, meaning that the following year also reveals its corporate social responsibility.

The existence of a female's board negatively affects the disclosure of corporate social responsibility. Therefore, hypothesis 2 (H2) is rejected. The number of women's councils in Islamic banking in Indonesia has a small number compared to the number of male councils. The female's board in Islamic banking has an influence on the disclosure of corporate social responsibility.

Managerial ownership has a negative effect on corporate social responsibility disclosure. Therefore, hypothesis 3 (H3) is accepted. These results support Khan et al. (2013) research which said that managers are not interested in investing in social activities since they are associated with large costs.

Board size does not affect the disclosure of corporate social responsibility. Therefore, hypothesis 4 (H4) is rejected. These results support Ujunwa (2012), however, it does not consistent with Haji (2013); Jizi et al. (2014). The number of boards does not affect the disclosure of corporate social responsibility. Disclosure of corporate social responsibility is something that has been regulated in the Act and explains the legitimacy theory that disclosure of corporate social responsibility is an information that is needed as a means of communication between parties outside the company and the company namely Islamic banking. The company board only gives decisions when the meeting is not for the decision to disclose or not regarding corporate social responsibility.

In this study, company size was taken as a moderating variable. The size of the company directly has a positive effect on corporate social responsibility. These results are in line with Giannarakis (2014); Ghazali (2007); Joshi & Gao (2009). Large companies will be better able to disclose information because it will be beneficial for the company so that it will be better able to be responsible in the company's social activities. The company's size weakens CSR commitment in expressing corporate social responsibility. Hypothesis 5 (H5) is rejected. Islamic banks that have committed themselves to implementing CSR cannot be influenced by other variables in terms of disclosure. The size of the company strengthens the existence of the women's council in expressing corporate social responsibility. In this case hypothesis 6 (H6) is accepted. Company size strengthens the managerial ownership in disclosing the corporate social responsibility. Therefore, hypothesis 7 (H7) is rejected. Board size can not be moderated by company size. Hypothesis 8 (H8) is rejected. Board size before and after moderation is not related to disclosure of corporate social responsibility. Therefore, company size was used as a moderating variable to strengthen the disclosure of corporate social responsibility.

4. Conclusion

CSR commitment has a positive effect on the disclosure of corporate social responsibility. The existence of a female's board and managerial ownership negatively affects the disclosure of corporate social responsibility. Board size does not effect the disclosure of corporate social responsibility. After the presence of moderating variables, company size weakens CSR commitment in expressing corporate social responsibility. However, the size of the company strengthens the existence of female's board and

managerial ownership in expressing corporate social responsibility. The last is the size of the board, company size does not strengthen and weaken the size of the board in expressing corporate social responsibility. So, company size can not moderate the size of the board in disclosing the corporate social responsibility.

This study has several limitations. First, the sample used small. Second, it only focused on annual reports, financial reports, and corporate governance reports. Furthermore, future research can use more samples to various countries. In addition, it also adds methods with interview methods with management related to information on corporate governance and corporate social responsibility in Islamic banking.

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