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“Entrepreneurship on Global Economics Development in the Era of Society 5.0”

**Corporate Social Responsibility in the Indonesian Commercial Banks:
The Role of Board of Director’s Characteristics****Annisa Puji Apriliana¹, Afriatun Khasanah¹, Hesti Dianawati¹, Zahra Firdaus Auliya¹, Helena Ali Tahara¹, Bima Cinintya Pratama^{1*}**¹Universitas Muhammadiyah Purwokerto

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***Email:** pratamabima@gmail.com**ABSTRACT**

This study aims to examine the effect of the number of directors, educational background, and gender of directors on the Corporate Social Responsibility of banking companies in Indonesia. The sampling technique used was the purposive sampling method, the population used in this study were banking companies that were established from 2017 to 2021. So that a total of 41 banking companies met the criteria and 205 sample data were obtained. The results of this study indicate that the variable size of the board of directors is detrimental to Corporate Social Responsibility in banking companies in Indonesia in 2017-2021. Variable The director's educational background does not affect Corporate Social Responsibility in banking companies in Indonesia for the 2017-2021 period. Meanwhile, the type of direction has a positive effect on the disclosure of Corporate Social Responsibility in banking companies in Indonesia for the 2017-2021 period.

Keywords: Disclosure of Corporate Social Responsibility, Size of the board of directors, Background of the board of directors, Gender of the board of directors

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INTRODUCTION

Lately, many companies are required to be able to compete and implement the agreed corporate strategy. One of the efforts made by the company is to carry out various activities that provide benefits not only for the company, but also have a positive impact on society as part of the stakeholders. An example of a positive impact on a company is when the company carries out Corporate Social Responsibility activities. Which is that in running a business or business, of course, CSR is very important to be known by companies, governments, and academics (Maulindatur, 2022) Today's business activities are not only based on financial considerations but also pay attention to social aspects. Since the development of the issue of corporate responsibility, the main focus of the company has been on its role in the environment (Pare et al., 2017)

There are still many cases where it shows that companies are negligent in taking responsibility for their obligations to Corporate Social Responsibility (Setiawan et al, 2018) One of the most well-known cases of environmental damage is the Lapindo mudflow case in Sidoarjo because this environmental damage forced the local community to move to another place. This is evidence of the company's low attention to the impact of a company on environmental damage according to (Jafar 2006). In addition, the case of misuse of CSR funds that occurred at Bank Sulteng, Tolitoli Branch, amounting to Rp. 1 billion more is also a violation of CSR which is quoted from a copy of the BPK RI Inspection Report (LHP) for Central Sulawesi which states that funds worth RP. The 1,017,400,456 should have been distributed for basic food assistance to the poor which was channeled through the Regional General Cash Account (RKUD) <https://radarsulteng.id>.

CSR is not only carried out by the mining industry or processing industry, financing institutions including banking companies also play a role in implementing social responsibility (Pare et al., 2017). Banking is one of the pillars of the Indonesian economy because banks have an important role in efforts to channel funds for interests that are directly related to various environmental communities. Banking has an obligation not only to carry out its duties in banking but is required to provide evidence of concern for the community that is directly related to its operational activities. One form of concern is the implementation of the Corporate Social Responsibility program. A bank is considered healthy if it can operate perfectly. The report shows one of the indicators assessing the stability of the bank's annual report (Pare et al., 2017)

The mechanism for implementing good CSR is by strengthening the implementation of corporate governance in the company (Setiawan et al, 2018) In Law No. 40 of 2007, it is explained that Indonesia is a country that has a company board structure that adheres to a two-tier system, which separates the roles or responsibilities between the board of directors and the board of commissioners. According to their role, the board of directors must run the management of the company while the board of commissioners has a role to carry out supervision according to Sulaiman (2015) (Razak & Helmy, 2020). The board of directors is a component of corporate governance (Setiawan et al, 2018)

Corporate social responsibility (CSR) can be explained by the availability of financial and non-financial information on organizational interactions with the physical and social environment (Setiawati et al., 2013). Disseminating open information about the company is very important for public companies. This is done as a form of transparency and administrative accountability for stakeholders who need the company. The transfer of company information is used as material in decision-making (Trisnawati, 2014).

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Wulan et al., (2022) stated that based on statistical tests related to the relationship between the background of the board of directors and Corporate Social Responsibility, it does not have a significant effect. Wulan et al., (2022) also stated in their research that the gender of the board of directors has no significant effect on corporate social responsibility. And research conducted by Ramadhani & Maresti, (2021) stated that the size of the board of directors influences the disclosure of corporate social responsibility. Previous research related to CSR disclosure by a study of the factors influencing the disclosure of Indonesia's social service obligations yielded equally versatile results (Setiawati et al., 2013)

Stakeholder theory claims that the essence of business lies primarily in building relationships and creating value for all stakeholders. Although the composition of stakeholders may vary depending on the company's industry and business model, the most important stakeholders are usually employees, customers, communities, suppliers, and financiers (owners, investors). So that the theory concerned can be explained influencing why companies need to adopt CSR practices while still in business what they are doing (Wulan et al., 2022)

According to signaling theory, good companies send good signals to the public and the market, and the market is also expected to characterize which companies are good and which are not. The signal theory focuses on the importance of the information provided and published by companies because it involves many issues that affect companies (Wulan et al., 2022)

Corporate Social Responsibility can be described as saving for the future, which allows companies to generate profits. The benefits received are not only financial benefits but rather the trust of the surrounding community and members of stakeholders based on the principles of volunteerism and partnership. Social responsibility programs are channeled into various fields such as education, environment, social, arts and culture, and bank education. These matters are carried out as a form of traditional banks' commitment to contribute to sustainable economic development, improve the quality of life and a conducive environment, increase community impact and maintain the sustainability of each traditional bank. (Setiawati et al., 2013)

Board size Directors have two opinions about the effect of disk size on performance: Large board size has a positive effect on board performance, as the number of board members increases experience and expertise, which improves board decisions. Another statement states that having a board that is too large is not good for the company because the decision-making process takes longer and is inefficient (Setiawan et al, 2018)

Educational background greatly influences board decision-making. When it comes to the conflict of representation between shareholders and company management shareholders. So, with a good and good education, the government will use all its capabilities for personal gain, namely getting a large bonus for its performance (Rahayu et al, 2022)

Gender of the Board of Directors having board competence is of course seen as an important issue because the role of the board is to control all company activities. Several previous studies have shown that the female gender plays an increasingly important role in companies, especially in leadership, which usually puts pressure on companies to have female directors (Hanani & Aryani, 2011)

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Hypothesis Development

In a company, the board of directors is tasked with determining the direction and strategy within a company so that the company can run well in the long term. This is in line with the concept of the signal theory which encourages something to make the company run well and attract examples for investors. Research conducted by Setiawan et al, (2018) stated that based on statistical tests related to the relationship between the background of the board of directors and Corporate Social Responsibility, it has a significant positive effect. Based on signal theory and previous research, the hypotheses put forward in this study are:

H1: The size of the Board of Directors has a positive effect on Corporate Social Responsibility

According to signaling theory, good companies send good signals to the public and the market, and the market is also expected to characterize which companies are good and which are not. The signal theory itself explains encouraging a company to attract investors and provide information to be able to invest, then investors or potential investors draw this signal and invest in the company. Educational background greatly influences board decision-making. When it comes to representative conflicts between shareholders and company management shareholders Based on research conducted by Wulan et al., (2022) that educational background has no effect on Corporate Social Responsibility has no effect because of different backgrounds and has not considered educational concentration directors. The relationship between the influence of educational diversity on the disclosure of Corporate Social Responsibility with relevant value is formulated by the following hypothesis:

H2: Educational background does not affect Corporate Social Responsibility

Gender will greatly influence a company's management related to the duties of the board of directors, this can be seen from the differences in the mindset of women and men when making a decision. According to Wulan et al., (2022) the gender influence of the board of directors with corporate social responsibility does not have a significant effect. The relationship between the influence of gender diversity on the disclosure of Corporate Social Responsibility with relevant value is formulated by the following hypothesis:

H3: Gender size has a positive effect on Corporate Social Responsibility

This study aims to analyze the influence of the characteristics of banking companies (size of the board of directors, background of the board of directors, gender of the board of directors) on disclosure of corporate social responsibility, as well as to examine existing problems. All aspects or parties related to CSR disclosure should benefit from this research.

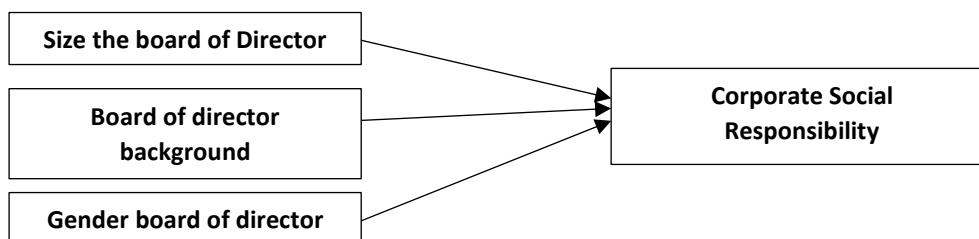


Figure 1. Conceptual Framework

Figure 1. shows that the form of research is related between independent variables or between independent variables consisting of the size of the board of directors, the educational background of the board of directors, and the gender of the board of directors as

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the dependent variable or the dependent variable, namely CSR disclosure. The independent variable is a company characteristic that is closely related to banking companies. Provisions for open publication of information It is very important to implement this as a form of administrative transparency and accountability for stakeholders who need the company.

METHOD**Types and Research Samples**

This research was conducted to look at the effect of the size of the board of directors, the background of the board of directors, and the gender of the board of directors on CSR or Corporate Social Responsibility disclosure in conventional banking companies in Indonesia. This research is research that uses quantitative data types and uses a purposive sampling technique, which means that this method takes samples from certain criteria as follows: (1) The companies taken as samples are companies registered with the Financial Services Authority, (2) (3) The company is included in the conventional banking companies in Indonesia. Traditional banking companies publish information about corporate social responsibility activities on company websites and in annual reports. The significance level used in this study is 5%. The population and samples taken are the types of population and samples taken from conventional banking company data from 2017 to 2021. Based on the purposive sampling technique in the 2017 to 2021 study, 41 samples were obtained from registered conventional banks in Indonesia. at the Financial Services Authority.

The dependent variable in the following research is the disclosure of corporate social responsibility carried out by conventional banking companies registered with the Financial Services Authority. This variable is measured using the GRI or Global Reporting Initiative index. The Global Reporting Initiative comprises 121 disclosures on Strategy and Analysis, Organizational Profiles, Parameter Reports, Governance, Engagement and Order, Economics, Environment, Employment and Decent Work Practices, and Human Rights. The responsibility of people, society, and products. Items disclosed in the annual report are given a score of 1, and items not disclosed are given a score of 0.

Corporate Social Responsibility

The dependent variable of this study is the disclosure of social responsibility. GRI measurements are used to calculate this figure, ie. H. The highest total index score is 91. If a company discloses CSR issues, it gets a score of 1, while a company that does not disclose CSR gets a score of 0.

$$CSRDI_j = \frac{\sum X_{ij}}{91}$$

The independent variables in this study include the characteristics of the board of directors of a conventional banking company as follows: the size of the board of directors (X1), the educational background of the board of directors (X2), and the gender of the board of directors (X3). The size variable in a study of the establishment of Corporate Social Responsibility refers to the number of members of the board of directors in the company. The educational background variable in a study of the establishment of Corporate Social Responsibility refers to how influential the corporate educational background is on CSR. The gender variable of the board of directors in this study shows how influential the gender of the board of directors is on CSR. The company is very concerned about the ability of the board of directors which is a matter that influences the board of directors to motivate and supervise all activities ordered by the CEO (Hanani & Aryani, 2011).

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Size of the Board of Directors

The board size in this study is given as follows: board size = several company board members. The quantitative analysis method is used to prove the validity of the hypothesis. Hypothesis testing was carried out using a statistical test tool, namely a multiple linear regression analysis models processed with STATA.

$$BOD = \sum \text{board of directors}$$

Board of Directors Background

According to Kieso et al (2011), auditors also have demographic information supported by education level or educational diversity. The level of education shows how high the level of competence of individuals in their work is. Skills also show how well the model thinks about various individual activities in life. Of course, higher education also influences one's mindset and way of thinking.

$$EDU = \frac{\text{Number of directors with education above or S2}}{\text{Total number of members of the board of directors}}$$

Gender Board of Directors

The sex of the board and the board is based on the gender distribution of the board of directors for the year. In this study, the board is divided into two parts, namely the women's council, and the men's council. Companies with female directors get a score of 1 (one), otherwise a score of 0 (zero).

$$GEN = \frac{\text{Number of Female Directors}}{\text{Total Number of members of the Board of Directors}}$$

RESULT AND DISCUSSION**Data analysis method****1. Descriptive Statistics**

Descriptive statistics can be used to get an overview of the distribution of the main value means. The standard deviation value can be considered an indicator of the spread of data. A smaller standard deviation indicates that the data is close to the average value. (Felicity, 2022)

The CSR (Corporate Social Responsibility) variable has an average value of 0.576252, which means that most banking companies in Indonesia have implemented CSR reinforcement of 57.62% of the total CSR inauguration indicators. Meanwhile, the variable size of the board of directors has an average value of 6.556098. This means that the number of directors in conventional banking companies in Indonesia is good. Based on the OJK rules, part one, membership in article 2, paragraph 1, which contains "The board of directors of an issuer or public company consists of at least 2 (two) directors. Then on the educational background, the directors have an average of 53.77% and the gender variable has an average of 0.1780488. Overall descriptive statistics for each variable can be seen in Table 1

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Table 1. Descriptive Statistics

Variable	Obs	Mean	Std. dev.	min	Max
Csr	205	0.576252	0.208555	0.153846	0.956044
Uk	205	6.556098	2.844504	3	17
lbp	205	0.5377561	0.2164075	0	1
gd	205	0.1780488	0.1784989	0	0.75

2. Hypothesis Result

Model 1

Table 2. Hypothesis Result

Independen Variabel	Dependen Variabel			
	CSR			
Const	Coeff.	Std.Err.	t	P>t
uk	-0.0239169	0.0017356	-13.78	0.000
Lbp	0.04953331	0.0442993	1.12	0.326
Gd	0.2391166	0.0536622	4.46	0,011
R-Square within	0.0898			
F				
Prob>F	0.0005			
No. observation	205			

DISCUSSION

The influence of the size of the board of directors on CSR

In testing the first hypothesis is shown to test the effect of the size of the board of directors on the strengthening of Corporate Social Responsibility. The results of the disclosure of Corporate Social Responsibility show that the size of the board of directors affects Corporate Social Responsibility. The first hypothesis shows -0.0239169 which means that the size of the board of directors has a negative effect on Corporate Social Responsibility. This research does not support research conducted by (Setiawan et al, 2018) which states that based on statistical tests related to the relationship between the background of the board of directors and Corporate Social Responsibility has a significant positive effect.

The influence of the educational background of the board of directors on CSR

Testing hypothesis 2 shows that educational background capital does not affect Corporate Social Responsibility (CSR) disclosure, with a coefficient of 0.04953331 at a significance level of 5%. This shows that the use of educational background does not affect the disclosure of Corporate Social Responsibility. Therefore, hypothesis 1 which states that there is no effect of educational background reports on disclosure of Corporate Social

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Responsibility, is supported at a significance level = 5%. The results of testing the first hypothesis show that the use of educational background capital does not affect the disclosure of Corporate Social Responsibility.

Educational background variable based on descriptive statistical results in Table 2: Results of Descriptive Statistics Shows an average value (mean) of 0.5377561, which means that according to Kamath (2007) for an average score between 2.5 to 4 including general performance, means that the application of LBP capital in the company is quite good. Based on RBT, in creating value and sustainability the company grows, and IC plays a key role. According to Bray and Howard and Golan as cited by Kusumastuti, et al (2007) said that university education helps someone in advancing his career, whereas someone who has a high education will have a higher and faster career path. The educational background of the board of directors can also affect the knowledge they have, it would be better if the educational background is at least business and economics to make it easier to manage the business world (Oktaviani, 2017). The higher the educational background of the board of directors in the ability to manage the business and the economy (financial), the greater the influence of the board of directors in making decisions to optimize company value. The higher the education taken by the board of directors, the higher the company value generated. The results of testing hypothesis 1 have proven that a higher educational background will lead to an increase in corporate social performance. As explained in the research by Bray and Howard and Golan cited by Kusumastuti, et al (2007).

Gander's influence of the board of directors on CSR

The results of hypothesis 2 show that gender has a positive effect on Corporate Social Responsibility (CSR, with a coefficient of 0.2391166 at a significant level of 5%. The empirical research findings also show that CEO gender has a significant effect on CSR disclosure. The influence of CEO gender is positive so the presence of women as CEOs of a company provides an increase in CSR disclosure. This result is in line with the second hypothesis of this study which expects a positive impact on the presence of women in CEO positions. This shows that women have a positive role in CSR disclosure. These results are in line with Fuente et al., (2017) and Rao and Tilt (2016a, 2016b).

However, there is research that considers gender to have no positive effect. This shows that the existence of diversity and the presence of women on the board of directors does not have a positive impact on company performance. The results of this study are consistent with research conducted by (Abdullah, 2014), (Chapple & Humphrey, 2014), (Ionescu et al., 2018) and (Rafinda et al., 2017) which found that gender diversity is not a benchmark in producing good company performance. Gender diversity within the company itself in Indonesia is currently not regulated in regulations that can determine what percentage of women are in the company's top management. To achieve good diversity within the company, the number of women and men must be balanced, not more or less than each other. In the companies studied by researchers, not all companies have balanced female and male members in top management, some are more and some are less, because as previously explained that gender diversity can balance the detrimental characteristics of women and men. company so that if you are more dominant in men is also not good and more dominant in women is also not good, because each has weaknesses that can harm the company (Abdullah, 2014), (Chapple & Humphrey, 2014), (Dieleman et al., 2015), (Ionescu et al., 2018), and (Rafinda et al., 2017).

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IMPLICATIONS AND CONCLUSION

From the above, it can be concluded from 41 banking companies that: (1) The size of the board of directors has a negative effect on the disclosure of Corporate Social Responsibility because the small number of the board of directors does not affect Corporate Social Responsibility (2) The background of the board of directors has no effect on the disclosure of Corporate Social Responsibility and (3) the gender of the board of directors has a positive effect on the disclosure of Corporate Social Responsibility. Based on this research observation, the reason why the hypothesis cannot be accepted is the lack of variation in the data used in the research. It would be better if future research it focuses more on varied data.

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