

## Enhancing Corporate Social Responsibility (CSR) Transparency: The Role of Corporate Governance in Indonesia Mining Sector

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### ABSTRACT

This study aims to analyze the impact of corporate governance on corporate social responsibility disclosure (CSRD) in Indonesia's mining sector during the 2014-2018 period. The study focused on 60 companies, selecting 30 through purposive sampling, resulting in 150 observations. Panel data regression was employed for analysis. Key findings include: First, board size (BSIZE) positively and significantly influences CSRD, suggesting that a larger board enhances diversity and improves oversight, aligning with agency theory. Second, board independence (IND) also positively impacts CSRD, indicating that independent directors encourage greater transparency in social and environmental responsibility disclosures, ensuring alignment with shareholder interests. Conversely, gender diversity on the board (DIV) and the audit committee (AC) do not significantly affect CSRD. The findings imply that the audit committee's focus on financial matters may limit its oversight of CSR activities. This study contributes to corporate governance and CSR literature in the mining sector, offering practical insights for companies to enhance CSR disclosure.

**Keywords:** Corporate Governance, Corporate Social Disclosure, Mining Industry, Agency Theory, Legitimacy Theory.

### INTRODUCTION

In recent times, there has been a notable surge in the recognition of corporate governance (CG) structures, indicating a widespread adoption (Khan, 2010). As such, the business landscape is increasingly placing emphasis on crucial elements such as corporate governance, CSR disclosure (CSR), stakeholder management, and business ethics (Fassin & Van Rossem, 2009). It is imperative for companies to comprehend the interconnectedness between corporate governance (CG) structures and corporate social responsibility (CSR) policies, as this greatly influences the company's strategic direction (Tibiletti et al., 2021). Often, organizations find it necessary to incorporate CSR-related corporate governance into their operations to meet the expectations of specific stakeholders. Corporate governance mainly deals with resolving conflicts of interest between managers and shareholders, while CSR disclosure broadens its scope to consider the interests of stakeholders beyond just shareholders. This allows for a more comprehensive approach to addressing issues related to responsibility and accountability within the corporate world (Kamal, 2021; Pekovic & Vogt, 2021).

One of the main drivers behind increased corporate scrutiny is companies' quest for profit, sometimes at the expense of limited resources, without considering adverse social consequences (Habbash, 2016). The proven effectiveness of corporate governance mechanisms plays an important role in preventing or promoting the individualistic pursuit of managerial interests in making CSR-related decisions (Chijoke-Mgbame et al., 2020). The responsibility for ensuring the appropriateness of actions, particularly those related to risk management, including potential environmental and social responsibilities, lies with top management (Said et al., 2009). Companies are required to provide information on the social and environmental impacts of their business practices when reporting on CSR disclosure (CSR).

CSR, as indicated by Rouf & Hossan (2021), denotes the inherent obligation of a business towards its surroundings, society, and stakeholders. In essence, CSR encompasses corporate endeavors that go beyond legal requirements, serving the welfare of individuals, communities and the environment (Shu & Chiang, 2020). The adoption of CSR strategies assists firms in harmonizing their social and economic objectives while optimizing the utilization of scarce resources (Ullah et al., 2019). Organizations can manifest their commitment to social responsibility by adhering to ethical principles and standards in their interactions with various business stakeholders, including suppliers and consumers (Ali et al., 2020). The fundamental rationale behind CSR lies in evaluating the extent of an organization's contributions to the betterment of its surroundings (Chijoke-Mgbame et al., 2020). Corporate practices that are deemed unethical or socially irresponsible have the potential to erode a company's reputation, escalate costs, and diminish shareholder value, as discussed by Nikolić & Zlatanović (2018). This constitutes the foundation of CSR, which serves as a framework through which companies engage with the external environment, encompassing endeavors such as delivering high-quality products and services and engaging in philanthropic activities (Ruangviset et al., 2014).

Therefore, the relationship between CSR achievements and carefully structured corporate governance is closely linked (Kamal, 2021). Effective corporate governance also fosters investor confidence, with indications supporting the idea that the adoption of good governance approaches correlates with increased share prices (Welford, 2007). Companies are under the expectation to perpetuate profit generation while upholding high internal governance standards (Jamali et al., 2008). The CSR reporting domain has evolved into an important aspect of corporate governance, reflecting the increased emphasis on addressing social responsibility (Sharif & Rashid, 2014). Based on previous studies examining corporate governance traits in CSR disclosure reports, such as board size (Rouf & Hossan, 2021; Said et al., 2009; Zaid et al., 2019), board independence (Garas & ElMassah, 2018; Jizi et al., 2014; Ullah et al., 2019), gender diversity on the board (Fahad & Rahman, 2020; Rouf & Hossan, 2021) and audit committee (Chintrakarn et al., 2016; Dwekat et al., 2022; Musallam, 2020). However, it should be noted that the results of previous studies are mixed. This study investigates the impact of corporate governance practices on CSR disclosure in the Indonesian mining sector, particularly in companies listed on the Indonesia Stock Exchange (IDX).

There are several reasons that support the importance of this research. Indonesia is known to have large oil and natural gas reserves and is the world's largest exporter of steam coal (Dutu, 2016). Nonetheless, the vast impact of industrial mining on the environment and socio-economy cannot be ignored (Domínguez-Gómez & González-Gómez, 2021). Sethi & Emelianova (2006) argue that due to the risks associated with mining activities, the industry has long been in the public spotlight at large. Furthermore, Resosudarmo et al. (2009) emphasize that mining activities frequently lead to conflicts with adverse consequences for local communities and the environment. It is widely acknowledged that the mining sector operates within an environment characterized by a substantial "reputational risk" (Jones et al., 2007). Therefore, many mining companies make CSR-related disclosures, covering various aspects such as social and environmental performance, health and safety, ethics, and overall social and environmental behavior (Jenkins & Yakovleva, 2006).

The second rationale stems from the existing dearth of research within Indonesia that focuses on mining-related investigations concerning the interplay between corporate governance and CSR disclosure. For instance, an inquiry carried out by Nuswantara & Pramesti (2020) delved into the factors influencing CSR, encompassing foreign ownership, firm size, leverage, and the board of commissioners within mining firms operating in Indonesia. Another research endeavor by Asmeri et al. (2017) scrutinized the influences affecting CSR

disclosure, specifically delving into profitability and environmental performance in Indonesian mining companies. Shafira et al. (2021) Conducted a study delved into the impact of corporate governance on CSR disclosure in the mining sector. Focused on various factors including board size, board of commissioners, institutional ownership, and managerial ownership. Unlike previous studies, our research differs by evaluating the effect of corporate governance through unique variables such as board size, board independence, board gender diversity, and audit committee.

Amidst this broad framework, it is interesting to focus on the relationship between corporate governance structures and CSR policies. This analysis seeks to explain the viewpoints held by firms regarding CSR disclosure (CSRD) in relation to board size, board independence, board diversity, and audit committee. We analyze this from the perspective of agency theory and legitimacy theory, highlighting the implementation and incorporation of CSR initiatives into the organizational structure under the leadership of senior management (Pasko et al., 2022). Comprehending how the quality of the corporate governance system influences CSR practices is of paramount importance. This is underscored by the assertion that robust corporate governance can serve as an enabler for CSR. It's worth noting that the extant research on corporate governance predominantly accentuates the affirmative aspects of effective governance while sparingly considering the merits of averting potential losses and their associated costs (Arora & Dharwadkar, 2011). Effective governance holds significance across various domains, encompassing the corporate realm, the broader public sphere, and the political milieu (Aras & Crowther, 2008). According to the findings of Chan et al. (2014), derived from an examination of the Australian Stock Exchange (ASX), indicate that the advocacy of high-quality corporate governance practices is apt to yield favorable outcomes in terms of providing CSR disclosures. It is imperative for mining enterprises to deliberate upon the societal benefits and associated costs if they aspire to be socially responsible entities (Lin et al., 2015).

## **LITERATURE REVIEW**

### **1.1 Agency Theory**

Corporate governance is a response to agency problems arising from the separation of ownership and management (Beltratti, 2005). According to Jensen & Meckling (1976), explain that the relationship between shareholders and company managers is an example of a pure agency relationship. The main challenge in this situation is that principals (shareholders) cannot always be sure whether agents (managers) have acted in their best interests (Eisenhardt, 1989). In light of this, agency theory underpins the implementation of various governance mechanisms aimed at monitoring and controlling the actions of agents in companies owned by multiple parties (Panda & Leepsa, 2017). Moreover, agency theory posits that an agency relationship materializes when shareholders (principals) appoint managers (agents) to act as decision-makers within the corporation (Ruangviset et al., 2014). It explicitly employs the central tenets of agency theory, which involve aligning incentives, curbing self-interested behavior among managers, and mitigating agency costs (Shapiro, 2005). However, the prevailing trend suggests that contemporary corporate boards are increasingly tasked with considering not only financial aspects but also social concerns when defining corporate objectives (Janggu et al., 2014).

According to agency theory, the self-interest of managers can significantly impact their engagement in CSR initiatives (Jizi et al., 2014; Zaid et al., 2019). In the context of CSR disclosure, it is expected that the varying interests of managers, shareholders and other stakeholders will influence how corporate governance structures impact business behavior (Jizi et al., 2014). This divergence often leads to shareholders prioritizing short term enhancement of value while neglecting objectives, like promoting social responsibility towards employees, society and the environment (Ali Gull et al., 2022). Therefore, corporate governance is believed to play a role, in mitigating the likelihood of managers gaining advantages (García-Sánchez et al., 2022).

### **1.2 Legitimacy Theory**

According to Burlea-schiopoiu & Popa (2013), legitimacy theory represents the framework through which organizations institute and cultivate voluntary disclosures concerning their social and environmental activities. These disclosures serve the purpose of upholding their social contract, which is essential for gaining recognition of their mission and ensuring their survival, particularly in dynamic and uncertain environments.

This theory hinges on the concept that businesses function within a social contract with society, receiving approval for their objectives and other benefits in exchange for their operations (Guthrie & Parker, 1989). Legitimacy theory posits that companies encounter pressures due to the social contract established with the communities they operate in, compelling them to align with the expectations of institutional investors and labor market requirements (Wu et al., 2022). As argued by Lau et al. (2016), legitimacy can serve as a strategic resource to secure approval and support from various stakeholders, including local governments, communities, and international entities. Legitimacy theory suggests that, in response to growing public awareness and concerns, companies will proactively take measures to ensure that their activities and performance align with societal standards (Wilmschurst & Frostr, 2000). A fundamental tenet of legitimacy theory is the emphasis on organizations prioritizing the consideration of the broader public's rights, rather than concentrating solely on the rights of their investors (Yusoff & Alhaji, 2012).

The concept of legitimacy acts as a driving force for management, compelling them to meticulously assess and disclose actions that may have significant social and environmental ramifications (Nurhayati et al., 2016). The theoretical literature underscores the interconnected nature of corporate governance (CG) and corporate social responsibility (CSR) (Garas & ElMassah, 2018). As such, Khan et al. (2012) Assume that corporate governance, specifically internal governance structures, are expected to have a significant impact in bridging the legitimacy gap by facilitating the development of comprehensive CSR disclosures. This internal governance structure includes ownership and board composition.

### **1.3 Corporate Governance and CSR Disclosure**

Shareholders frequently offer insights to a company's board of directors on two fundamental aspects: corporate governance and CSR disclosure (Starks, 2009). Corporate governance encompasses the cultivation of value-driven relationships with various stakeholders, encompassing society and the broader environment (Welford, 2007). According to Arora & Dharwadkar (2011), the relationship between effective governance and favorable CSR is somewhat intricate, primarily because positive CSR carries fewer immediate benefits for firm performance and tends to be more long-term in nature. It is plausible that this strategic approach involves ethical considerations, as the sustainability of organizations hinges on the creation of pertinent value for all stakeholders (Mason & Simmons, 2014). This becomes a matter of particular concern due to the potential competing interests among shareholders, other stakeholders, and the larger society (Jizi et al., 2014). Consequently, companies characterized by robust corporate governance are expected to exhibit a higher degree of corporate citizenship and greater social and environmental responsibility compared to companies with weaker corporate governance (Chan et al., 2014). The fusion of corporate governance and CSR disclosure has added a fresh dimension to the comprehension and analysis of corporate regulations and policies (Sharif & Rashid, 2014).

Furthermore, when an organization revises its CSR principles and actions in response to such feedback from stakeholders, it demonstrates the impact of ethical stakeholder engagement. This, in turn, can enhance the company's reputation and brand, boost employee morale, and potentially lead to increased stock prices (Mason & Simmons, 2014; Young & Thyil, 2014). Agreeing with the opinion of Lau et al. (2016), that a well-structured governance framework should translate into both financial and social performance, it follows that companies should align their operations with ethical standards, legal requirements, and societal expectations (Jamali et al., 2008). In a broader sense, good corporate governance and CSR are mutually reinforcing. In practice, companies that institute effective corporate governance often exhibit a strong commitment to social responsibility. Consequently, corporate governance exerts a substantial influence on the CSR disclosure endeavors of organizations (Wise & Ali, 2008). In the subsequent section, we present arguments elucidating the reasons and mechanisms through which board size, board independence, board gender diversity, and the audit committee may impact CSR disclosure.

### **Board Size and CSR Disclosure**

The board of directors represents a pivotal element in the realm of corporate governance, assuming a critical role in supervising the effective management of a company's operations (Said et al., 2009). Through its

oversight function, the board of directors stands as a paramount internal corporate governance mechanism for aligning the interests of managerial personnel with those of stakeholders (Ali Gull et al., 2022). An additional factor that affects the efficiency of board operations is board size, which, in turn, has implications for various facets concerning the dissemination of CSR information (Fuente et al., 2017). Board meetings serve as a platform for monitoring the actions of the company and making decisions, encompassing those pertinent to CSR activities (Aboud & Yang, 2022). It is imperative for the board to ensure the comprehensive integration of CSR considerations into the company's strategic framework and to possess a profound understanding of the risks associated with CSR, ensuring their effective management by the organization. Board size pertains to the magnitude of the board, signifying the number of board members within a company.

The size of the board can exhibit considerable variation, spanning from minimal to substantial, contingent upon the organizational structure and the specific corporate governance in place. As posited by Jizi et al. (2014), it is often contended that smaller boards possess a heightened efficacy in terms of overseeing and regulating management in comparison to their larger counterparts. This, in turn, can yield favorable implications for CSR practices, as it enables companies to respond more swiftly to societal concerns and implement efficacious CSR policies. Albitar et al. (2022) operate within the framework of agency theory and propose that a large board of directors tends to exert less efficient control over the company's activities, impeding the enhancement of voluntary information quality. Giannarakis (2014) further suggests that with the augmentation of board size, the effectiveness of the monitoring process experiences a decline.

#### **Board Independence and CSR Disclosure**

The board's responsibility towards stakeholders is contingent upon its composition, with the level of authority and control it wields varying accordingly (Fahad & Rahman, 2020). The board of directors' effectiveness as a supervisory mechanism over the management hinges on its non-executive and independent character (Karim et al., 2020). Independent boards tend to render more impartial decisions by virtue of their lack of direct vested interests in the company. Independent board members serve as a "balancing mechanism" that safeguards the interests of both the company's shareholders and other stakeholders (El-Bassiouny & El-Bassiouny, 2019). Through the lens of agency theory, non-executive directors on boards are more inclined to encourage managers to partake in social activities and furnish high-quality CSR disclosures, given their freedom from the constraints of short-term financial objectives that might be adversely impacted by such endeavors (Garas & ElMassah, 2018; Pekovic & Vogt, 2021; Zaid et al., 2019). Nonetheless, the board's dominion and governance authority are contingent on its specific composition (Fahad & Rahman, 2020).

The quantity of independent directors is anticipated to affect the efficacy of the board (Albitar et al., 2022). The impact of independent boards on CSR depends on their commitment and ability to carry out their duties and responsibilities effectively. In the realm of corporate governance, the addition of independent directors to corporate boards has the potential to enhance the credibility of corporate activities (Ullah et al., 2019). This is predominantly realized through their capacity to sway management conduct, thereby promoting the disclosure of information pertaining to CSR.

#### **Board Gender Diversity and CSR Disclosure**

Enhancing board diversity has the potential to augment a company's ability to recognize and address the demands and concerns of various stakeholder groups, formulate optimal strategies that align with these concerns, and adeptly manage potential conflicts that may emerge among stakeholders (Harjoto et al., 2015). Among the myriad facets of board diversity, gender diversity stands out as the most extensively deliberated element. Cabeza-García et al. (2018) show that the inclusion of women on boards can influence the information considered during decision-making and the overall decision-making approach. In addition, the presence of higher levels of expertise and experience among female directors, and recognition of these qualities, can enhance the positive impact of female directors on board processes and outcomes (Wu et al., 2022). Issa & Fang (2019) contend that women tend to make decisions that are more attuned to social considerations in comparison to men.

Hence, women demonstrate a heightened level of concern for the well-being of others (Manita et al., 2018). Consistent with the findings of a study conducted by Yasser et al. (2017), research shows that a higher presence of women on corporate boards is associated with a greater focus on CSR disclosure initiatives. As such, they can effectively communicate important messages to potential investors, ultimately improving the company's reputation and overall success. Research has shown that having women on boards has a positive impact on well-being-related initiatives, increasing the likelihood of boards being transparent about these efforts to the public. (Binti et al., 2018). Therefore, it is reasonable to posit that women directors possess the capability to proactively assume leadership roles in upholding corporate legitimacy through active engagement in CSR initiatives (Ullah et al., 2019).

### **Audit Committee and CSR Disclosure**

According to agency theory, a larger audit committee size has the potential to enhance the expertise and diversity within the committee (Jensen, 1993). The primary role of the audit committee is to facilitate the review of the company's financial data production process and internal control mechanisms (Said et al., 2009). Consequently, this committee holds a crucial position in ensuring the production of highly accurate and reliable financial statements. The size of the audit committee stands as a pivotal factor in determining its effectiveness, given that larger committees typically comprise more efficient and seasoned members (Fahad & Rahman, 2020). The existence of information asymmetry between principals and agents further underscores the importance of the audit committee in addressing market failures.

Audit committees are widely acknowledged as an internal governance mechanism with the objective of diminishing conflicts among stakeholders by efficiently segregating managerial and oversight functions within the control and decision-making processes (Pozzoli et al., 2022). These committees serve the purpose of monitoring principals, thereby reducing the agents' motivations to neglect corporate responsibilities (Garas & ElMassah, 2018). The effectiveness of audit committees in addressing these concerns and their role in supervising and enhancing CSR activities is of paramount importance (Mohammadi et al., 2020). Additionally, in accordance with Fahad & Rahman (2020), it is suggested that a substantial audit committee, comprised of experienced individuals, can be instrumental in overseeing managerial performance, particularly concerning social and environmental endeavors

### **Previous Studies and Hypotesis Develepment**

Numerous prior studies have endeavored to evaluate the connection between corporate governance (CG) and corporate social responsibility (CSR). According to Aboud & Yang (2022), corporate governance exhibits a substantial impact on CSR in China. In contrast, El-Bassiouny & El-Bassiouny (2019), examining the effect of corporate governance on CSR reporting in the United States and Germany suggests an insignificant influence on CSR reporting. Based on research by Jizi et al. (2014) an analysis of the US banking industry shows a clear correlation between the level of board independence and the disclosure of CSR disclosure (CSR) information. Furthermore, it appears that larger boards are more likely to provide more CSR-related information. In the same way, Ullah et al. (2019) found that board independence and the presence of female directors positively influence the extent of CSR disclosure in Bangladesh. According to research by Garas & ElMassah (2018) on GCC nations reveals a strong and favorable correlation between CSR disclosure and many factors such as managerial ownership, ownership structure, independent directors, CEO duality, and the audit committee. In the research of Zaid et al. (2019) in a study in Palestine, board size, board size, board independence, and CEO duality exhibit positive and significant relationships with CSR disclosure. Nevertheless, the presence of women on boards of directors shows a positive but nonsignificant association with CSR disclosure.

Based on research by Chintrakarn et al. (2016) in a study at Institutional Shareholder Services (ISS), the eight governance categories, four of them show a significant negative relationship with CSR, namely board, audit, compensation, and progressive. The results of a study conducted by Said et al. (2009) in Malaysian public companies shows that board size and board independence have no relationship to CSR, but the audit committee

is positively and significantly related to CSR. According to Fahad & Rahman (2020) study in the BSE 500 index, CEO duality, board independence, sustainability committee are positively related to CSR disclosure. However, women directors on board and employee CSR training are negatively related to CSR disclosure and board meetings, directors board meetings and audit committees are not significant to CSR disclosure. The findings of Musallam (2018) show that the audit committee has no effect on CSRD in Palestinian companies. Likewise in the findings of Dwekat et al. (2022) which shows that the audit committee is not significant to CSR in European companies listed on the STOXX 600 index. In addition, a study conducted by Rouf & Hossan (2021) showed that there is a significant relationship between the percentage of female directors and the level of CSR disclosure in listed banking sector companies in Bangladesh. However, the study did not find a significant correlation between board size and CSR disclosure. On the other hand, the study found a strong relationship between the percentage of independent directors and CSR disclosure. Despite the inconsistent empirical evidence in previous studies, we formulate hypotheses based on previous literature as follows:

*H1: Board Size has a positive relationship to CSR disclosure*

*H2: Board Independence has a positive relationship with CSR disclosure*

*H3: Board Gender Diversity has a positive relationship to CSR disclosure*

*H4: Audit Committee has a positive relationship with CSR disclosure*

## **METHODOLOGY**

### **1.4 Sample and Data Collection**

Data collected from the annual reports of companies listed on the Indonesia Stock Exchange from 2014 to 2018 are used in this study, which uses a quantitative approach using panel data as of December 31, the study population consists of 60 different mining industries. These include coal mining, crude oil and natural gas manufacturing, earth and coal mining, metal, and mineral mining. The data screened in this study was processed in a manner comparable to previous studies (Muttakin & Khan, 2014; Ullah et al., 2019; Zaid et al., 2019). Therefore, our final sample consists of 185 observations over the firm's time period. Table 1 shows the specific way to select the sample. The information used in this study was obtained from the Indonesia Stock Exchange (IDX).

**Table 1: Sample selection**

<b>Sample selection</b>	<b>Column A (t)</b>
Coal mining, crude oil and natural gas manufacturing, earth and coal mining, metal, and mineral mining companies listed on the Indonesia Stock Exchange (IDX)	60
Coal mining, crude oil and natural gas manufacturing, earth and coal mining, metal, and mineral mining companies listed on the Indonesia Stock Exchange (IDX) for the 2014 – 2018 period	30
Observation year	5
Total years observations	150

### **Dependen Variabel**

In this study, the assessment of CSR disclosure Disclosure (CSRD) relies on the CSR disclosure index score. CSR disclosure disclosure serves as a type of voluntary reporting adopted by firms for promotional purposes, enhancing their corporate image, and safeguarding against public allegations (Nour et al., 2020). This study uses a binary coding system to quantitatively assess the level of CSR disclosure in annual reports. Items

are coded 1 if the CSR element is disclosed or 0 if it is not disclosed. The final score is calculated by summing the scores of each item. The CSR disclosure model calculates the score for each disclosure item in relation to the maximum possible CSR disclosure score. The expected number of items for mining companies is expected to be around 20 items Following the research of Haniffa & Cooke (2002), Jizi et al. (2014) and Muttakin & Khan (2014).

### **Control Variabel**

Some considerations in this study are a number of other factors that can affect the quality of CSR performance. These other factors are firm size (FSIZE), leverage (LEV) and firm age (FAGE). Firm size is defined as the non-neutral logarithm of the book value of assets. Following the study conducted by Ullah et al. (2019). Large companies are expected to show more social responsibility (Chintrakarn et al., 2016). Leverage, as described in the study by Chijoke-Mgbame et al. (2020), is calculated by dividing total debt by total assets. Companies with high levels of debt tend to ask their creditors to disclose more information (Fahad & Rahman, 2020). In addition, Firm age (FAGE) is measured by how long the company has been listed on the stock exchange. This measurement method follows research conducted by Chijoke-Mgbame et al. (2020).

### **Model Spesification**

In our study over a five-year period, we applied quantitative methods. We used panel data analysis to evaluate the relationship between CG practices and CSR disclosure. In the process of estimating the panel data analysis model, there are three models used, namely pooled OLS, fixed effect model, and random effect model. F test is used to determine the best model between pooled OLS and fixed effect model. Hausman test is used to choose between fixed effect and random effect models. In addition, the Breusch-Pagan Lagrange multiplier test is used to choose between random effect and pooled OLS models. This approach is in line with the methodology applied in previous studies (Abdelmoula et al., 2022; Kiliç et al., 2015; Kiliç & Kuzey, 2019; Matuszak et al., 2019). To minimize the effect of outliers, all our variables are winsorized at 5 and 95 percent in the regression. We then formulate the model in the panel data analysis:

$$CSRDI_{it}: \beta_0 + \beta_1 BSIZE_{it} + \beta_2 IND_{it} + \beta_3 DIV_{it} + \beta_4 AC_{it} + \beta_5 FSIZE_{it} + \beta_6 LEV_{it} + \beta_7 FAGE_{it} + \epsilon_{it}$$

where: CSRDI represents the CSR disclosure index, which is the model used to calculate the total score of disclosure items. BSIZE refers to the overall aggregate of board members, while IND is a dummy variable that takes the value of 1 if at least one-third of the board consists of independent members. DIV is the percentage of female directors on the board, and FSIZE is defined as the natural logarithm of the book value of assets. LEV, on the other hand, is calculated by dividing total debt by total assets. The variables  $\beta_0$ ,  $\beta_1$  to  $\beta_7$ , and  $\epsilon$  represent the constant, regression coefficient, and error term, respectively. The notation  $i$  denotes the firm, while  $t$  denotes the period.

## **RESULTS AND DISCUSSION**

### **Descriptive Statistics**

According to the data presented in Table 2, the mean value of CSR disclosure (CSRDI) stands at 0.772183, which implies that, on average, the companies in our dataset disclose around 77.21% of the information concerning their CSR disclosure endeavors. This finding indicates that some companies have surpassed mere transparency in their CSR disclosures. The statistical analysis reveals a varying degree of CSR disclosure across the companies under examination, with the majority falling within the range of 20% to 95%. Regarding board size, the mean value of 3.868056 signifies that, on average, the companies in our dataset maintain approximately 3.87 members on their boards of directors. This indicates that the typical board size for these companies typically comprises around 3 to 4 members. The mean value of 0.646667 suggests that, on average, the companies in our dataset have boards where roughly 64.67% of the directors are independent. This



mean value serves as a central point of reference, indicating that a substantial portion of the board members are independent. This is generally viewed as a positive aspect of corporate governance.

The mean value of 0.34 indicates that, on average, the companies in our dataset have boards with approximately 34% of female directors, implying that gender diversity on these boards is relatively limited. The mean value of 2.6 suggests that, on average, the companies in our dataset have audit committees with a mean score of about 2-3. This mean value serves as a central reference point, signifying that, on average, the audit committees demonstrate moderately positive performance and effectiveness. In terms of control variables, the mean firm size of 30.00859 indicates that, on average, the companies in our dataset are of a relatively moderate size. The mean leverage value of 0.408344 implies that, on average, the companies in our dataset maintain a moderate level of leverage. The mean firm age of 12.61765 signifies that, on average, the companies in our dataset are relatively well-established, with an average age of approximately 12.61 years.

**Table 2: Descriptive Statistics**

Variable	Obs	Mean	Std. dev.	Min	Max
CSRDI	142	0.772183	0.116468	0.5	0.95
BSIZE	144	3.868056	1.747112	1	8
IND	150	0.646667	0.479607	0	1
DIV	150	0.340000	0.600112	0	2
AC	145	2.600000	0.767391	1	4
FSIZE	136	30.35547	3.221393	26.35033	36.64593
LEV	136	0.498344	0.205170	0.144861	0.971474
FAGE	136	12.61765	7.059597	3	26

**Correlation Matrix**

Table 3 presents the correlations between the variables examined in this study. As shown in the table, the correlation matrix results indicate a positive relationship between CSR disclosure scores and FAGE ( $r = 0.1467$ ). However, there is a negative correlation between CSRDI and DIV ( $r = -0.1675$ ). The strongest correlations in the independence variable are seen between FAGE and FSIZE ( $r = 0.6048$ ), BSIZE and AC ( $r = 0.5095$ ). Table 4 displays the findings regarding multicollinearity issues in the independent variables. As shown in the table, the variance inflation factor (VIF) values are below 10. Based on the analysis, it is evident that there is no multicollinearity problem among the independent variables.

**Table 3: Correlation matrix**

Variable	CSRDI	BSIZE	IND	DIV	AC	FSIZE	LEV	FAGE
CSRDI	1							
BSIZE	0.0122	1						
IND	0.0211	-0.1984	1					
DIV	-0.1675	0.1069	0.2336	1				
AC	0.0381	0.5095	0.1686	0.1699	1			
FSIZE	-0.0523	-0.2104	-0.3668	0.021	-0.4337	1		
LEV	0.0244	-0.1108	0.3292	0.2959	0.145	-0.3945	1	
FAGE	0.1467	-0.2884	-0.3457	0.0897	-0.3012	0.6048	-0.1512	1

**Table 4: Multicollinearity test**

Variable	VIF	1/VIF
BFSIZE	2.16	0.463509
IND	1.61	0.621931
DIV	1.31	0.762057
AC	1.58	0.633174
FSIZE	2.30	0.435603
LEV	1.31	0.763987
FAGE	2.25	0.444051
Mean VIF	1.79	

### Regression Result

Table 5 presents the results of determining which model estimation is more appropriate between the pooled OLS model, the fixed effect (FE) model and the random effect (RE) model. First, an F-test was conducted to determine the more appropriate model between pooled OLS and FE. The results show that the FE model (14.38;  $p = 0.000$ ) is more appropriate than the pooled OLS model. In addition, determining which model is more appropriate between pooled OLS and RE uses the Breusch-Pagan Lagrangian Multiplier (LM) test. The Breusch-Pagan (LM) test shows that the RE model (82.20;  $p = 0.000$ ) is better than the pooled OLS model. Finally, Hausman test is conducted to determine the more appropriate model between FE model and RE model. The results show that the RE model (5.32;  $p = 0.6211$ ) is more appropriate than the FE model. Therefore, after estimating the most appropriate model, the RE model is the most appropriate one used in this study.

**Table 5: Estimating the panel data analysis model**

Test Summary	F-stat/chi <sup>2</sup> (8)	Prob > F / Prob > chi <sup>2</sup>
F-Test	14.38	0.0000
Breusch-Pagan LM test	82.20	0.0000
Hausman test	5.32	0.6211

Based on table 6, hypothesis testing using the RE model with robust standard errors shows that board size (BFSIZE) has a positive and significant influence ( $\beta = 0.0157$ ;  $p = 0.010$ ) on CSR disclosure. Thus, accepting H1, it can be concluded that the small BFSIZE with an average of 3.868056 indicates that it does have a significant influence on CSR disclosure. We assume that board size does prove to be a significant factor in influencing the extent to which companies publish information on social and environmental responsibility. Therefore, a larger board size may create a diversity of perspectives and more rigorous oversight of CSR disclosure, which may motivate companies to be more active in disclosing their social responsibilities. In the context of agency theory, board size can be an important factor in maintaining a healthy relationship between shareholders and management. Consistent with the study of Chang et al. (2017) on companies in Korea showed that board size has a positive and significant effect on CSR disclosure.

In contrast, board independent (IND) has a positive and significant influence ( $\beta = 0.0521$ ;  $p = 0.001$ ) on CSR disclosure. It can be concluded, accepting H2. With a mean value of 0.646667, the presence of independent directors on a company's board of directors has a positive and significant influence on the level of CSR disclosure. We assume that companies that have an independent board can make decisions have a higher tendency to disclose information about their social and environmental responsibilities. In the context of agency theory, where independent directors may act as agents of shareholders to supervise and ensure that company management acts in accordance with the interests of shareholders. Thus, companies can build their legitimacy in the eyes of stakeholders and society more effectively. In this case, independent boards may encourage companies to make more transparent and comprehensive CSR disclosures. These findings are similar to studies conducted by Ullah et al. (2019) and Rouf & Hossan (2021) in Bangladesh, Zaid et al. (2019) in Palestine and (Fahad &

Rahman, 2020) in India.

In addition, the findings show that board gender diversity (DIV) has a negative and insignificant influence ( $\beta = -0.0163$ ;  $p = 0.530$ ) on CSR disclosure with a mean value of 0.34. Thus, rejecting H3. We assume that agency theory emphasizes the potential conflict of interest between company management and shareholders. Board gender diversity is intended to bring diverse perspectives to the board of directors, and this is expected to increase CSR disclosure by taking CSR disclosure more into account. However, research results showing a negative effect raise questions about whether the presence of women on boards might lead to conflicts or disagreements in CSR-related decision-making. Legitimacy theory emphasizes the importance of companies meeting societal expectations and norms in order to maintain their legitimacy. Consistent with the study conducted (Zaid et al., 2019), shows women on the board of directors are not significant to CSR disclosure in Palestine.

Finally, audit committee (AC) has a positive and insignificant influence ( $\beta = 0.005$ ;  $p = 0.707$ ) on CSR disclosure with a mean value of 2.6. It can be concluded, rejecting H4. We assume that companies with a greater focus on financial aspects and financial performance may be less likely to encourage the audit committee to closely monitor CSR disclosures. This is inconsistent with agency theory which states the important role of audit committees in overseeing company management and ensuring that shareholders' interests are safeguarded. In addition, based on the findings of previous studies conducted by Musallam (2018) in Palestine dan Dwekat et al. (2022) in showed similar results. In the context of this study, the results of the analysis show that control variables such as leverage (LEV), firm size (FSIZE) and firm age (FAGE) have no significant influence on CSR disclosure.

**Table 6: Influences of corporate governance on CSR disclosure**

Variable	Model 1 OLS	Model 2 FE	Model 3 RE
BSIZE	0.0324***	0.0098*	0.0157***
	3.2104	1.9864	2.5876
IND	0.0897***	0.0446***	0.0521***
	2.9917	2.781	3.2248
DIV	-0.0580***	0.0107	-0.0163
	-2.9158	0.2971	-0.6281
AC	-0.0098	-0.0004	0.0051
	-0.5604	-0.0269	0.3763
FSIZE	-0.0041	-0.0122	-0.0015
	-0.7128	-0.9333	-0.2519
LEV	0.0348	0.0692	0.0514
	0.488	1.1133	0.9407
FAGE	0.0087***	0.0018	0.0038
	3.3177	0.3566	1.4135
CONS	0.6350***	1.0132**	0.6433***
	3.1183	2.4012	3.1986
Obs	94	94	94
R-Square	0.171	0.075	0.1137
F-Stat/Wald Chi <sup>2</sup>	3.6825	3.2138	22.01
Prob>F	0.0016	0.0137	0.0025

## CONCLUSION

In conclusion, the findings of this study shed light on the intricate relationship between corporate governance

and CSR disclosure in the context of the mining sector in Indonesia. Through rigorous analysis and empirical evidence, several key insights have emerged. First, it is evident that board size has a positive and significant effect on CSR disclosure. A larger board can provide more effective oversight of company management. With more members, there are more eyes watching and ensuring that the company carries out socially responsible business practices. Second, the presence of board independence on the board positive enhances CSR disclosure. Their role in ensuring transparency and accountability in corporate decisions is paramount, and this study affirms their positive impact in the Indonesian mining industry. Third, despite expectations, board gender diversity does not exhibit a significant influence on CSR disclosure. Further exploration is needed to uncover the complexities of gender diversity's role in corporate governance within this specific sector. Lastly, the findings indicate that while the audit committee does exert a positive influence on CSR disclosure, this influence is not statistically significant. Nevertheless, the oversight and assurance functions carried out by the audit committee contribute to enhanced transparency in reporting CSR activities.

The importance of these findings lies in their capacity to provide guidance to policymakers, corporate leaders, and researchers aiming to enhance CSR practices within the mining industry. To advance the field further, future investigations should explore additional factors influencing CSR disclosure, both within and beyond the mining sector, and consider potential shifts in dynamics over time. Furthermore, the implications of this study extend beyond Indonesia and the mining sector, offering valuable insights into the broader landscape of corporate governance and CSR practices. This research encourages further exploration and examination of the continually evolving realm of CSR disclosure. The research's implications create opportunities for further inquiry. Potential applications and extensions encompass conducting comparative studies spanning various industries and regions to evaluate variations in the impact of corporate governance on CSR disclosure. Utilizing qualitative research approaches to gain deeper insights into the motivations and challenges confronted by boards when implementing CSR practices. Additionally, this research has the potential to inform policy development in Indonesia and other nations, strengthening the role of corporate governance in promoting CSR practices. Investigating the role of stakeholder engagement and its influence on CSR disclosure in the mining sector and other industries also presents a promising avenue for future research.

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