

## Bukti Korespondensi

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**Penulis Pertama**

paper Ratmono



**dwi ratmono** <dwi.ratmono2@gmail.com>

Tue, Dec 22, 2020,  
3:24 PM

to jwlee119

Here is attached, I send a manuscript of my article to be published in The Journal of Asian Finance, Economics and Business.

Attachments area

Decision of Editor-in-Chief JAFEB Re: paper Ratmono

Inbox

Prof. Lee, Jung Wan <jwlee119@yahoo.com>

Attachments

Sat, Dec 26, 2020, 10:39 AM

to me

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- Jung Wan LEE at Email: [jwlee119@Yahoo.com](mailto:jwlee119@Yahoo.com).

Thank you for your interest in and support for success of the journal.

Jung Wan LEE, Ph.D.

Editor-in-Chief

**Journal of Asian Finance, Economics and Business (JAFEB)**

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**Professor Lee, Jung Wan (Lee, J.W.) Ph.D.**

School of International Economics and Trade

Anhui University of Finance and Economics (AUFE)

962 Caoshan Road, Bengbu City, Anhui Province, China 233030

安徽财经大学/安徽财经大学教职工

安徽省蚌埠市曹山路962号

Email: [jwlee119@bu.edu](mailto:jwlee119@bu.edu); [jwlee119@qq.com](mailto:jwlee119@qq.com); [jungwan.lee@aufe.edu.cn](mailto:jungwan.lee@aufe.edu.cn)

Skype ID: jungwan.lee

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	<p>For example, Prof. Lee Jung Wan in the Asian name format (i.e., Jung Wan Lee in a U.S. form) should be indicated as Jung Wan LEE; accordingly, [Jung Wan LEE] will be indexed as of [Lee, J. W.] in Clarivate Analytics' Web of Science and Scopus).</p> <p>Lee, J.W., &amp; Xuan, Y. (2019). Effects of Technology and Innovation Management and Total Factor Productivity on the Economic Growth of China. <i>Journal of Asian Finance, Economics and Business</i>, 6(2), 63-73.  <a href="https://doi.org/10.13106/jafeb.2019.vol6.no2.63">https://doi.org/10.13106/jafeb.2019.vol6.no2.63</a></p> <p>Another example, Professors Ha Hong Hanh and Nguyen Huu Anh in the Asian name format should be indicated as Hanh Hong HA, Anh Huu NGUYEN; accordingly the two names will be indexed as of [Ha, H. H.; Nguyen, A. H.].</p> <p>Ha, H. H., &amp; Nguyen, A. H. (2020). Determinants of voluntary audit of small and medium sized enterprises: Evidence from Vietnam. <i>Journal of Asian Finance, Economics and Business</i>, 7(5), 41-50.  <a href="https://doi.org/10.13106/jafeb.2020.vol7.no5.041">https://doi.org/10.13106/jafeb.2020.vol7.no5.041</a></p> <p><b>[Important! Single name author]</b></p> <p>There are many cases of a single name from Indonesia and India and others. However, JAFEB articles adopt APA style format in references and citations and also indexing purpose in Web of Science and Scopus etc.</p> <p>For this purpose, all names must be presented at least two words (if the full name is "Thomson", i.e., T. THOMSON or Thomson THOMSON) so that this format will be indexed as "Thomson, T." in Scopus and Web of Science.</p> <p>It is such a pity that we have to adopt the APA format inevitably and keep consistency of the name format to promote large readership across international academic community. In conclusion, for publication purpose the two name format will be used.</p>	
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**Edited book:** Burton, R. R. (1982). Diagnosing bugs in a simple procedure skill. In: D. H. Sleeman, & J. S. Brown (Eds.), *Intelligent Tutoring Systems* (pp.120-135), London, UK: Academic Press.

**Conference proceedings:** Lee, J. W., & Kim, Y. E. (2017). Green distribution and its economic impact on the distribution industry. In: *Proceedings of the Second International Conference of KODISA* (pp.12-32). Ho Chi Minh City, Vietnam, July 6-8. Seoul, Korea: KODISA Publishing.

**Internet resources:** Kim, D. H., & Youn, M. K. (2012). What is about distribution knowledge, research, and journal?. *KODISA Newsletter*. Retrieved October 30, 2019 (actual access date), from [http://kodisa.org/index.php?mid=Conferences&document\\_srl=8862](http://kodisa.org/index.php?mid=Conferences&document_srl=8862).

	<b>Reviewer's Requirements and Recommendations</b>	<b>Responses and Comments or Rebuttals</b> [The author(s) MUST provide some answers for EACH item]
	<b>1. Review of Previous Research</b> The manuscript does not describe the empirical evidence of previous research for the Indonesian case.	
	<b>2. Contribution of the Study</b> The manuscript does not explain why the topic of the effect of GCG on CSR is still important to be researched in the Indonesian context	
	<b>3. Theory</b> The theoretical basis has not yet described the role of GCG in reducing information asymmetry	
	<b>4. Research Method</b> Measurement of variables is not based on established proxies in previous research.	
	<b>5. Limitation and Future Research</b> The manuscript does not describe suggestions / future research agendas for measuring CSR disclosure using the GRI index.	

Re: Decision of Editor-in-Chief JAFEB Re: paper Ratmono ➤



**dwi ratmono** <dwi.ratmono2@gmail.com>  
to Jung ▾

Mon, Dec 28, 2020, 10:16 AM

I hereby attach the requirements for the revision of my paper.  
Thank you very much

Dwi Ratmono  
Universitas Diponegoro, Indonesia

## **The Effect of Corporate Governance on Corporate Social Responsibility Disclosure and Performance**

**Dwi RATMONO<sup>1\*</sup>, Dian Essa NUGRAHINI<sup>2</sup>, Nur CAHYONOWATI<sup>3</sup>**

<sup>1</sup>First Author and Corresponding Author. Department of Accounting, Faculty of Economics and Business, Universitas Diponegoro, Indonesia [Postal Address: Jl. Prof. Sudarto No.13, Tembalang, Kec. Tembalang, Kota Semarang, Jawa Tengah 50275, Indonesia] Email: dwi.ratmono2@gmail.com

<sup>2</sup>Faculty of Economics and Business, Universitas Diponegoro, Indonesia. Email: dianessan@gmail.com

<sup>3</sup>Department of Accounting, Faculty of Economics and Business, Universitas Diponegoro, Indonesia. Email: nurcahyonowati@gmail.com

### **Abstract**

This research aims to test the effect of corporate governance factors on corporate social responsibility (CSR) disclosure and its impact on a company's financial performance. The factors of corporate governance referred to in this research are foreign ownership, state ownership, number of board of commissioners, the proportion of independent commissioners, and educational background of **commissioners'** board. Based on the purposive sampling method, 194 companies were selected with a total of 582 observations. The data analysis used in this study was the

Structural Equation Model (SEM) approach by using the alternative Partial Least Square (PLS) method. The results of this research indicated that state ownership, number of board of commissioners, and the proportion of independent commissioners had a significant positive effect on CSR disclosure. While the foreign ownership and the educational background of the commissioners' board have had an insignificant effect on CSR disclosure. Then, CSR disclosure had a significant positive effect on the companies' financial performance. The findings of this study suggest that the positive effect of the CSR disclosure on performance is because the disclosure is able to improve the company's reputation; the more social activities are carried out will improve the customers' loyalty as well as the support from other stakeholders which in turns will improve the company's performance.

**Keywords:** Corporate Governance, CSR Disclosure, Financial Performance

**JEL Classification Code:** M41, M14, L25

## 1. Introduction

Based on the principles of sustainable development, an organization must create decisions not only based on economic or financial factors but also based on long-term social and environmental consequences. The main purpose of a company to gain profit only is increasingly left-behind. On the contrary, the triple bottom line (profit, planet, and people) concept is increasingly penetrating the mainstream business ethics. The concept states that business is not just looking for *profit*, but also the welfare of *people*, and ensuring the survival of the environment (*planet*).

Both theoretical and empirical research that examined the impact of CSR disclosure on the company's financial performance has shown the evidence; however, these results are ambiguous. Research that showed a positive effect of CSR disclosure on the company's financial performance includes Russo and Fouts (1997), Surroca et al. (2010), Tang et al. (2012), DiSegni et al. (2015), Eldomiaty et al. (2016), Famiyeh (2017), and Kabir and Thai (2017). Whereas, a negative effect was found by Lee et al. (2009) and insignificant influence was found by McWilliams and Siegel (2000), Nelling and Webb (2009), and Chtourou and Triki (2017). Meanwhile, the study from Barnett and Salomon (2012) showed a U-Curve pattern.

Reviewing empirical studies about CSR disclosure effect and financial performance, Lu et al. (2014) had observed several studies' results which indicated negative effect (6 studies), positive effect (38 studies), insignificant effect (21 studies), and U-curve pattern (18 studies). The positive effect of CSR disclosure on financial performance is found in the samples of companies in developed countries (Wang et al., 2015) and developing countries (Cahan et al., 2015; Ghoul et al., 2016). According to Huang and Watson (2015), the findings of positive effects must be handled carefully because these studies vary on key factors such as period, measurement of CSR disclosure, measurement of financial performance, failure to control variables or other methodological problems.

For the Indonesian case, Kurnia et al. (2020) found that firms should implement higher carbon emission disclosure and good corporate governance to increase financial performance and firm value. Endiana et al. (2020) indicated that manufacturing companies in Indonesia are able to implement green accounting by allocating appropriate environmental costs by earmarking a portion to carry corporate sustainability management system (CSMS) implementation to improve financial performance. The result of Saraswati et al. (2020) showed that CSR disclosure was greater in government-owned companies but lower in companies that have politically connected board members. Machmuddah et al. (2020) showed that the disclosure of CSR has a positive and significant effect on firm value, and profitability moderates the effect of CSR disclosure on firm value

Most CSR practices in developing countries in Asia come from Western thought, which practices different types of corporate governance, business systems, institutions, and cultures from Asian countries. Besides, many developing countries in Asia face other challenges such as poverty and wealth inequality, education disparities, vulnerability to natural disasters, and so on (Kabir & Thai, 2017). Indonesia is a developing country where many companies have recently developed international trade and manufacturing relations with their counterparts from developed Western countries. Besides, Indonesia is a very attractive country for its unique political and legal environment. Therefore, it is quite interesting to study corporate CSR from developing countries, especially in Indonesia. Different from previous studies, this research measures CSR disclosure in aggregate, that is all aspects of CSR disclosure, which is expected to explain more thoroughly about CSR. The determinants of CSR disclosure have been extensively investigated but still, show inconsistent results. This research aims to study the effect of corporate governance factors on corporate social responsibility (CSR) disclosure and its impact on the company's financial performance. Factors of corporate governance studied in this research are ownership identity (foreign and state ownership) and the characteristics of board of commissioners (number of board of commissioners, board of commissioners' independence, and educational background of board of commissioners).

## 2. Literature Review and Hypotheses Development

The separation of ownership and control in a company creates the agency problem (Jensen & Meckling, 1976). Managers who involve in daily operations have better information than shareholders. Shareholders also do not have the ability to observe the managers directly. This information asymmetry creates problems if the managers' goals are not in accordance with the shareholders' goals. To minimize information asymmetry in the principal-agent relationship, besides corporate governance, companies can use the annual report (company information disclosure). The annual report usually includes financial statements and management reports that contain their achievements and performance in one year. Furthermore, the company can also carry out CSR disclosure. In agency theory, CSR and corporate governance mechanisms are one way to reduce agency conflicts, resulting in reduced agency costs and information asymmetry. It is expected that the better and more transparent CSR disclosures can reduce the agency problems faced by the company.

Foreign ownership is usually considered as a better monitoring signal in the developing countries, which could influence both the implementation and the disclosure of CSR activities. Foreign stakeholders are important stakeholders of the company. In line with the agency theory,

foreign board members and cross-listing help companies to raise their accountability through increased CSR disclosure. That is, foreign shareholders, increase the disclosure of CSR by reducing information asymmetry. Investing in other countries causes the risk of increasing information asymmetry. It occurs especially if one invests in developing countries where they have a different rule of law. On the contrary, CSR investment could decrease the information asymmetry, because it is a way for a company to **differentiate** themselves and to provide the signal of trust (Siegel & Vitaliano, 2007). Therefore, investing in a **socially responsible company** is a way to reduce the risk of **foreign investments**. Foreign ownership was found to be positively associated with CSR ratings. Foreign investors are also likely to be long-term oriented, given the fact that most of them are institutional investors. **Foreign investors will pressure firms to adopt socially responsible practices because of their desire to signal to their clients that these investors are reliable and responsible firms** (Oh et al., 2011). Empirical studies suggesting the positive influence of foreign ownership on the disclosure of CSR are Oh et al. (2011), Khan et al. (2013), and Haniffa and Cooke (2005). Therefore, the hypothesis is formulated as follows:

***H1a: Foreign ownership has a positive effect on the disclosure of CSR.***

Intervention from the government might produce some pressure on the company to disclose additional information since the government is the trusted board by the public. Eng and Mak (2003) found that the government's ownership is related to increasing self-disclosure. **Lower managerial ownership and significant government ownership are associated with increased disclosure.** Mohammed and Abdullah (2004) Governments in many emerging markets control critical resources and increasingly play a significant role in setting rules to create norms for the CSR behavior of organizations. The institutional theory views governments as societal institutions with coercive power to regulate the behavior of organizations through laws and regulations. Government shareholders have a strong incentive to push for high social performance since enhancing financial performance might not be their primary objective

Besides, there is a close relationship between the manager, BUMN (State Owned Company), and the government authority. As the owner of BUMN, government tends to provide special rights in allocating the resources to BUMN. Companies in which the directors hold a higher proportion of equity shares (owner-managed companies) disclosed significantly less CSR information, while companies in which the government is a substantial shareholder disclosed significantly more CSR information in their annual reports. The previous working relationship also encourages public officials to deal with BUMN in a better way. BUMN managers tend to have more opportunities to approach and engage with the public officials to obtain the better condition for the growth and the development of the company. To do that, the managers could use CSR disclosure to develop the company's positive image (Kabir & Thai, 2017). Therefore, it is hypothesized as:

***H1b: The ownership of the government has a positive effect on CSR disclosure.***

The board of commissioners plays a role in preventing managers to take opportunistic actions to encourage their personal interests. The board of commissioners also supports the manager in formulating strategies and their implementation. The members of the board of commissioners contribute to strategic decision-making by providing **access to resources** that have become the mainstay of the company (Hillman & Dalziel, 2003). It is expected that the

contribution of the board of commissioners in making strategic decisions also considers the interests of all stakeholders (Tran et al., 2020). The role of the board of commissioners is not only for the interest of the shareholders but also for other stakeholders. CSR disclosure influences the stakeholder in different ways and it has different objectives. The decision of the bigger board of commissioner could pay more attention to the demand of the stakeholders than a smaller number of board of commissioners. With more resources provided for the role of consultation and monitoring, which in this case is the board of commissioners, it is expected that the CSR could run more effectively and the CSR disclosure could be better. Hence, a hypothesis about the number of board of commissioners is formulated as follows:

***H2a: The number of board of commissioners has a positive effect on CSR disclosure***

The independence of the board of commissioners affects the CSR disclosure through the increasing quality of monitoring (Gardazi et al., 2020). It is mainly because the independent commissioners (or externals) are not involved in the daily management of the company, it eventually helps them to provide more objective recommendations. They do not have a financial interest in the company (Coffey & Wang, 1998). Compared to the board of directors who usually pay more attention to the short-term objectives of the economy, an independent commissioner rather has a different incentive, value, and time horizon (Donnelly & Mulcahy, 2008; Post et al., 2011). They tend to take longer-term perspectives and pursue sustainable development. Therefore, it is expected that the independent commissioners pay more attention to the CSR disclosure and the long-term benefits.

***H2b: The proportion of independent commissioner has a positive effect on CSR disclosure.***

The function of an effective board of commissioners needs adequately qualified individuals, high intellectual capacity, and sufficient experience. The members of the board with higher qualifications could provide rich innovative sources of ideas to develop policy initiative with deep analysis and thoroughness needed to offer unique perspectives on strategic issues (Singh & Deeksha, 2015). Based on the sustainable development principles, it is understood that an organization must make a decision not only based on the factor of economy or finance but also based on the consequence of the social and sustainable environment. Board of commissioners with higher educational background, especially in the field of economy and business are highly aware of the importance of sustainable development principles and the importance of implementing the activities of CSR. Those with an educational background in economy and business are also aware of the importance of the disclosure of CSR activities which will create a positive image that encourages the pursuit of achieving good corporate financial performance. With such awareness, the board of commissioners would encourage the managers or directors to pay more attention to the importance of CSR activities and their disclosure.

In the research conducted by Esa and Zahari (2016), it is found that the educational background of the board of commissioners and the directors have a significant relationship with the disclosure of CSR. Golec (1996) found that managers and CEOs holding an MBA degree are significantly better than those who do not possess such a degree. Therefore, based on this perspective, it is stated a hypothesis that:



***H2c:** Educational background of the board of commissioners has a positive effect on CSR disclosure.*

For shareholders, CSR disclosure may increase the reputation of the company and its short-term competitiveness (McWilliams & Siegel, 2001) or even in the long term, such as investment in the wealth of the employees and high-quality products (Greening & Turban, 2000; Surroca et al., 2010). The company could also decrease the cost of legal expenses by maintaining the relationship with the government as well as with the community. Increasing corporate reputation by increasing CSR disclosure might create a good relationship and make the company receive better treatment from the government. It is because the government has a motivation to promote the CSR policy to fulfill their social objective. Research that has shown the positive effect of the CSR disclosure towards corporate financial performance include Russo and Fouts (1997), Surroca et al. (2010), Aguinis and Glavas (2012), Tang et al. (2012), Di Segni et al. (2015), Eldomiaty et al. (2016), Famiyeh (2017), and Kabir and Thai (2017). The positive influence of CSR disclosure on the corporate financial performance is found in the sample of the company in developing countries (Wang et al., 2015) and developed countries (Cahan et al., 2015; Ghoul et al., 2016).

***H3:** The disclosure of corporate social responsibility (CSR) has a positive effect on financial performance.*

### **3. Research Method**

#### **3.1. Types and Data Collection Methods**

This research took the non-financial company listed on the Indonesian Stock Exchange (IDX) from 2015 to 2017 as the research objects. The population of the research was 408 companies. The sample in this study was selected using the purposive sampling method. The criteria were companies listed on the IDX and their shares actively traded during 2015-2017 and they issued annual reports during the 2015-2017 periods. The companies should provide complete information needed to measure each variable.

#### **3.2. Research Variables**

The variables used in this study consisted of endogenous variables and exogenous variables. The endogenous variables in this study were the corporate's financial performance and the disclosure of corporate social responsibility (CSR) while the exogenous variables were factors of corporate governance. This study applied controlled variables such as company size, leverage, and industry type to control the factors that systematically affect the company's financial performance. To measure company performance, this study applied several proxies based on Kabir and Thai (2017), namely return on equity (ROE), return on assets (ROA), return on sales (ROS), Tobin's Q and stock returns (RET). All proxies were measured in the t year.

The measurement of CSR disclosure in this study was based on the research of Raar (2002) and Gunawan (2010) to measure the quantity and quality of CSR disclosures in financial statements. For measurement of quantity (how much), this study provided a score between 1 to 5. For quality measurement (how to express), this study provided a score between 1 to 7, depending



on how the companies describe the CSR information. All data was taken from the annual reports which explicitly mention the CSR report section. This study applied t-1 data for CSR disclosure variables.

The factors of corporate governance in this study were foreign ownership, state ownership, the number of board of commissioners, the independence of the board of commissioners, and the educational background of the board of commissioners measured using t-1 data. This study used the percentage of foreign shareholder equity as a proxy for foreign ownership (Douma et al., 2006; Khan et al., 2013; Kabir & Thai, 2017). The percentage of ownership share by the state was used as a proxy for state ownership (Boubakri et al., 2009; Xu et al., 2014; Kabir & Thai, 2017). The number of commissioners owned by the company was used as a proxy for the number of board of commissioners. Board of commissioners' independence was measured by the proportion of independent commissioners on the board of commissioners (Liu et al., 2015; Khan, 2013; Lima & Sanvicente, 2013; Kabir & Thai, 2017). Regarding the educational background of the board of commissioners, this study applied a proxy for educational background in finance. The educational background of the board of commissioners was measured by the proportion of board members who hold a degree in finance (Darmadi, 2013; Esa & Zahari, 2016).

## 4. Results and Discussion

### 4.1. Descriptive Statistics

Based on the result of statistic descriptive analysis, it could be recognized that the variable of foreign ownership measured by the percentage of the equity of the foreign shareholder shows a minimum value of 0% (zero percent) and a maximum of 99.78%. The mean value of the foreign ownership variable is 31.09% and its standard deviation is 30.87%. The value that occurs quite frequently (modus) in this variable is 0%. It means that many of the companies in Indonesia do not have foreign shareholders. With the median value of 20%, it shows that half of the sample companies only have a percentage of foreign shareholders less than 20%.

**Table 1:** Descriptive Statistics

Variables	n	Minimum	Maximum	Mean	Std. Deviation
FO	582	0	99.78	31.09	30.87
SO	582	0	90.03	5	17.58
NC	582	2	10	4.49	1.72
IC	582	0.25	1	0,4	0.1
EC	582	0	1	0.54	0.25
ROE	582	-0.57	0.66	0.07	0.14
ROA	582	-0.21	0.43	0.04	0.08
ROS	582	-3.8	1.32	0.04	0.37
Q	582	0	8262.49	18.44	343.01
RET	582	-1	72	2.22	8.3
SIZE	582	22.21	32.92	28.86	1.57
LEV	582	0.01	1,98	0.45	0.21

*FO: Foreign ownership; SO: State ownership; NC: The number of board of commissioners*

*IC: Proportion of independent commissioners; EC: Educational background of the board of commissioners; ROE: Return on equity; ROA: Return on assets; ROS: Return on sales; Q: Tobin's Q; RET: Return on share; SIZE: Size of the company; LEV: Leverage*

## 4.2. Result of hypothesis testing

To test the hypothesis about the relationship developed in this model, the value of *p-value* becomes the basis of the significance of the relationship between the exogenous and endogenous variables. This research applies the level of significance of 5%. *p-value* < 0.05 is said to be significant on the alpha 5% which means the hypothesis is supported on the alpha of 5%. The number of Path coefficients and P-value of this research, using WarpPLS 5.0 for hypothesis 1 through 6 is seen on the output Path Coefficients and P-value that can be seen in the following Table 2.

**Table 2:** Result of Hypothesis Testing

Hypothesis	Path coefficients	P-value	Conclusion
<b>H1a:</b> The effect of the foreign ownership on the <i>Corporate Social Responsibility</i> (CSR) disclosure	-0.090	0.055	Not supported
<b>H1b:</b> The effect of the state ownership on the <i>Corporate Social Responsibility</i> (CSR) disclosure	0.154	<0.001	supported
<b>H2a:</b> The effect of the number of the commissionaire board on the <i>Corporate Social Responsibility</i> (CSR) disclosure	0.282	<0.001	supported
<b>H2b:</b> The effect of the proportion of the commissionaire board on the <i>Corporate Social Responsibility</i> (CSR) disclosure	0.119	<0.001	supported
<b>H2c:</b> The effect of the educational background of the commissionaire board on the <i>Corporate Social Responsibility</i> (CSR) disclosure	-0.080	0.080	Not supported
<b>H3:</b> The effect of the <i>Corporate Social Responsibility</i> (CSR) disclosure on the performance of corporate finance	0.094	0.026	supported

The test result on the beta parameter coefficient on the relationship between foreign ownership and CSR disclosure shows a negative coefficient of -0.090 with a *p-value* of 0,055 (*p-value* ≥ 0,05) which means insignificant at alpha 5%. The test result of this hypothesis indicates that foreign ownership has an insignificant effect on CSR disclosure and H1a which suggests that foreign ownership has a positive effect on CSR disclosure is not supported. The result of the test in this research is not in line with agency theory where foreign ownership is usually regarded as a monitoring signal that may affect both the implementation and disclosure of CSR activities.

The test result on the beta parameter coefficient on the relationship between state ownership and CSR disclosure shows a positive effect of 0.154 with a *p-value*<0.001 (*p-value* <0.05) which means significant at alpha 5%. The test result of this hypothesis indicates that state ownership has a positive effect on CSR disclosure, and thus H1b which proposes that state ownership has a positive effect on CSR disclosure is supported. This finding is in line with Lau et al. (2014) who confirmed that state ownership has a positive effect on CSR disclosure. The result of the test on the beta parameter coefficient on the relationship between the number of board of commissionaires and CSR disclosure shows a positive effect of 0.282 with a *p-value* <0.001 (*p-value* <0,05) which means significant at alpha 5%. The test result indicates that the number of board of commissionaires has a positive influence on CSR disclosure, and thus H2a which states that the number of board of commissionaires has a positive effect on CSR disclosure is supported. This finding is in line with Esa and Ghazali (2012), Siregar and Bachtiar (2010), and Said et al. (2009) who confirmed that the number of board of commissionaires gives a positive influence on CSR disclosure.

The test result on the beta parameter coefficient of the relationship between independent commissioners' proportion and CSR disclosure shows a positive influence of 0.119 with a *p-value* < 0.001 (*p-value* < 0.05) which means significant at alpha 5%. The test result of this hypothesis indicates that the proportion of independent commissioners has a positive influence on CSR disclosure, and thus H2b which states that independent commissioners proportion has a positive effect on CSR disclosure is supported. This research finding is in line with Khan et al. (2010) who discovered that a company that has a proportion of independent commissioners is able to improve the disclosure of CSR to maintain the reputation and to realize the sustainable development of the company.

The result of the test on the beta parameter coefficient on the relationship between the educational background of the board of commissioners and CSR disclosure indicates a negative impact of -0.080 with a *p-value* of 0.080 (*p-value* ≥ 0.05) which means insignificant at 5%. The test result of this hypothesis shows that the educational background of the board of commissioners does not have an effect on CSR disclosure, and thus H2c which states that the educational background of the board of commissioners has a positive effect on CSR disclosure is not supported. This test result is not in line with agency theory. However, the result supports research done by Haniffa and Cooke (2005). The more diverse educational background of the board of commissioners will tend to produce more innovative problem-solving. The differences in the educational background will lead the board of commissioners to see problems from various perspectives based on their knowledge.

The result of the test on the beta parameter coefficient on the relationship between CSR disclosure and financial performance of the companies shows a positive effect of 0.094 with a *p-value* of 0.026 (*p-value* < 0.05) which means significant at alpha 5%. The test result of this hypothesis indicates that CSR disclosure positively affects the company's financial performance, and thus H3 which states that CSR disclosure has a positive effect on the company's financial performance is supported. This finding is in line with Siregar and Bachtiar (2010).

## 5. Conclusion

Based on the analysis results of data obtained, conclusions that can be drawn from this research are:

Foreign ownership does not have a significant effect on CSR disclosure. It is due to the lower level of foreign ownership resulting in the inability of the foreign investors to carry out greater monitoring. The foreign shareholders are also unable to influence both the implementation and disclosure of CSR activities done by the management.

State ownership has a significant and positive influence on CSR disclosure. It is because the companies that have an association with the government (companies with high state ownership) tend to pursue social and political goals and maximize profits. The disclosure of CSR is used to pursue the goals; where in addition to realizing their social purposes, companies will also be able to experience the benefits of CSR in the forms of either short-term or long-term benefits.

The number of board of commissioners has a significant and positive effect on CSR disclosure. The larger number of the board of commissioners will make the monitoring process (including the monitoring of CSR disclosure in the annual report) better. However, if the number of the board of commissioners is overly large, the monitoring process will be ineffective. A larger

board of commissioners may also contribute to broader and beneficial discussions on CSR and its long-term benefits.

The proportion of independent commissioners has a significant and positive influence on CSR disclosure. Companies with a proportion of independent commissioners are capable of improving the CSR disclosure to maintain their reputation and to realize the companies' sustainable development. It is mainly because independent commissioners tend to provide recommendations that aim not only for short-term objectives but also for the long-term.

The educational background of the board of commissioners has an insignificant effect on CSR disclosure. It is possibly due to this research only defines the educational background specifically on business and economy (finance), whereas there are possibilities that the educational background of the board of commissioners which is relevant to the companies' type of industry is more required to support the companies' business viability.

Disclosure of CSR provides a significant and positive effect on a company's financial performance. The positive effect of the CSR disclosure on performance is because CSR disclosure is able to improve the company's reputation; when more social activities are carried out will improve the customers' loyalty as well as the support from other stakeholders (including the investors) which in turns will improve the company's performance.

There are several limitations to this research, they are:

The limited availability of annual reports since the period of observation is considered as new, 2017, that many companies have not uploaded their annual reports yet, into either the IDX website or the companies' websites.

This research employs the quality of CSR disclosure as one of the measuring instruments of CSR disclosure which applies a limited scoring system in accordance with the previous studies.

Several suggestions for future research are:

For future research, it is expected to use a broader measurement of CSR disclosure, such as based on GRI 4.

It is expected for future research to add more independent variables that possibly affect the CSR disclosure such as audit committee as the complementary of the monitoring function and media exposure in regard to the current digitalization era.

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<b>Corresponding Author's Name and Contact Details</b>	Dwi RATMONO, dwi.ratmono2@gmail.com	
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<b>S1. Page Setting</b>  Please set up Default <b>Page Layout</b> : Page Columns in <b>One column</b> , Page Size in <b>Letter size</b> (8.5 x 11 inch). <b>NO A4 size</b> , Page Orientation in <b>Portrait</b> , Page Margins <b>Top (1 inch) Bottom (1 inch) Left (0.8 inch) Right (0.75 inch)</b> .  Please set up Default <b>Paragraph</b> panel: Tabs stop <b>0.5 inch left</b> for each paragraph, Line Spacing in <b>Single line</b> (before 0 and after 0 spacing snapped), Alignment in <b>Justified alignment</b> , Outline Level in <b>Body text</b> .  Please set up Default <b>Font</b> panel:  <b>For Headings and Subheadings: Font in Times New Roman, Font Size in 12 size and Bold, Capitalize Each Word</b>  <b>For Main Text: Font in Times New Roman, Font Size in 12 size</b>  <b>For Tables and Appendixes: Font in Arial, Font Size in 9 size (8 minimum)</b>  Please <b>do not apply any style</b> for Headings and body text for the entire document	<b>Has been revised</b>	
<b>S2. Author's Name Presentation by APA</b>  The authors' full name must be appeared in order of First name, Given name (if any), and LAST NAME (=FAMILY NAME = SURNAME) for its indexing purpose correctly according to the APA format.	<b>Has been revised</b>	



<p>Please indicate the authors' SURNAME (FAMILY NAME) in ALL CAPITAL letters.</p> <p>For example, Prof. Lee Jung Wan in the Asian name format (i.e., Jung Wan Lee in a U.S. form) should be indicated as Jung Wan LEE; accordingly, [Jung Wan LEE] will be indexed as of [Lee, J. W.] in Clarivate Analytics' Web of Science and Scopus).</p> <p>Lee, J.W., &amp; Xuan, Y. (2019). Effects of Technology and Innovation Management and Total Factor Productivity on the Economic Growth of China. <i>Journal of Asian Finance, Economics and Business</i>, 6(2), 63-73.  <a href="https://doi.org/10.13106/jafeb.2019.vol6.no2.63">https://doi.org/10.13106/jafeb.2019.vol6.no2.63</a></p> <p>Another example, Professors Ha Hong Hanh and Nguyen Huu Anh in the Asian name format should be indicated as Hanh Hong HA, Anh Huu NGUYEN; accordingly the two names will be indexed as of [Ha, H. H.; Nguyen, A. H.].</p> <p>Ha, H. H., &amp; Nguyen, A. H. (2020). Determinants of voluntary audit of small and medium sized enterprises: Evidence from Vietnam. <i>Journal of Asian Finance, Economics and Business</i>, 7(5), 41-50.  <a href="https://doi.org/10.13106/jafeb.2020.vol7.no5.041">https://doi.org/10.13106/jafeb.2020.vol7.no5.041</a></p> <p><b>[Important! Single name author]</b></p> <p>There are many cases of a single name from Indonesia and India and others. However, JAFEB articles adopt APA style format in references and citations and also indexing purpose in Web of Science and Scopus etc. For this purpose, all names must be presented at least two words (if the full name is "Thomson", i.e., T. THOMSON or Thomson THOMSON) so that this format will be indexed as "Thomson, T." in Scopus and Web of Science.</p> <p>It is such a pity that we have to adopt the APA format inevitably and keep consistency of the name format to promote large readership across international academic community. In conclusion, for publication purpose the two name format will be used.</p>	
<p><b>S3. Self-Citation Restriction Policy</b></p> <p>The self-citation refers to when an author refers to the previous works written by him/her alone or in co-authorship and cites them. Self-cites are used to compare current results of the research with earlier findings when continuing to study the same subject. It seems that the only reasonable solution for the issues of self-plagiarism, research integrity, and</p>	<p><b>Has been revised</b></p>

<p>originality is to limit the amount of self-citations. JAFEB Self-Citation Restriction Policy regulates that <b>the self-citation level should not exceed 10% for authors and 20% for co-authors together and 15% for JAFEB. Please rewrite and remove any outnumbered self-citations, if any corrections required in your case.</b></p> <p><b>If the reference checker (software) finds that the author(s) break the rules, then the manuscript will be automatically rejected by the Desk Editor without further review.</b></p>	
<p><b>1. JAFEB Engagement:</b></p> <p>If the literature current, relevant, and broad enough to set the context for the research, you should engage with the style and the discussions published in JAFEB. The work in the journal evolved considerably as you can see on <a href="#">JAFEB Archive</a>. To fully contribute to the subject, you will need to engage with JAFEB. To do so: you should <b>include at least 3 - 5 relevant references in JAFEB</b>. Your paper should reflect the cutting edge thinking of relevant literature in JAFEB.</p> <p><b>If the manuscript does not include at least THREE citations/references from JAFEB, the manuscript would be stopped/rejected by the Desk Editor without further review.</b></p>	<p>Has been revised</p>
<p><b>2. Abstract</b></p> <p>Abstract must adhere to the following: A concise and factual abstract is required. <b>Please rewrite abstract to reach about 200 words in total</b> for this purpose. The abstract should describe the following items in order of: <b>1) the purpose of the research</b> (for example. The study investigates/examines..., but NO research background statements/problem statements at the beginning), <b>2) data, materials, and methodology</b> (for example. This study employs samples/survey data/time series data of ....), <b>3) the results</b> (for example, The results show/reveal that .....), and <b>4) major findings</b> (for example, The findings of this study suggest that ..., but NO suggestions/recommendations/implications) in <b>an unstructured manner</b>. An abstract is often presented</p>	<p>Has been revised</p>

<p>separately from the article, so <b>it must be able to stand alone. Please provide abstract to reach about 200 (197 ~ 203) words in total.</b></p> <p><b>If the word counter (software) finds more than 5% deviation, the manuscript will be rejected by the Desk Editor without further review.</b></p>	
<p><b>3. Keywords:</b> Please provide Maximum of 5 keywords, separated by comma (,)</p> <p>It is crucial to the appropriate indexing of the papers are to be given. e.g., Financial Economics, Emerging Markets, Technology Acceptance Model</p>	Has been revised
<p><b>4. JEL Classification Code:</b> Please provide 3-5 JEL classification codes, separated by comma (,)</p> <p>These codes will be used for indexing purposes.</p>	Has been revised
<p><b>5. No Footnotes, but Endnotes Acceptable:</b> <b>JAFEB does not accept Footnotes</b> due to technical problems of online XML publication. Please convert all footnotes to endnotes, otherwise please incorporate all footnotes into text at its best.</p>	Have been met
<p><b>6. Word Count:</b></p> <p>While no maximum length for manuscripts is prescribed, authors are encouraged to write concisely and clearly. As a guide, <b>short communications</b> should be between <b>3000 – 5000 words</b> and <b>regular articles</b> should be between <b>5,000 - 7,000 words</b> in length. However, <b>any of full papers should be NO longer than 10 pages in a final print and NO more than 8000 words in total, with all inclusive.</b></p> <p><b>If the word counter (software) finds more than 5% deviation, the manuscript would be stopped/rejected by the Desk Editor without further review.</b></p>	Have been met
<p><b>7. Tables and Figures:</b></p> <p><b>JAFEB accepts Tables/Figures created by the author's own work only. Number Tables/Figures</b></p>	Has been revised

<p>consecutively in accordance with their appearance in the text. Tables must be adjustable. <b>Avoid vertical rules. Extremely large tables that take more than one page print are NOT acceptable.</b> Be sparing in the use of tables and ensure that the data presented in tables do not duplicate results described elsewhere in the article.</p> <p>A paper in JAFEB from now on may include <b>a maximum of six (6) tables/figures/appendixes in total.</b></p> <p>In particular, JAFEB does not accept any figures/artworks borrowed from others (i.e. output of AMOS, charts and reports of Statistics Agency's), if not created by the author's own work.</p> <p><b>If the Desk Editor finds any outsizes, the manuscript will be stopped/rejected by the Desk Editor without further review.</b></p>	
<p><b>8. Citation and Reference Style Guides:</b></p> <p>Authors are expected to adhere to the guidelines of <b>APA 6<sup>th</sup> or 7<sup>th</sup> edition (American Psychological Association).</b> Please provide full information of publications complying with the APA citation and reference styles.</p> <p><b>Please ensure that every reference cited in the text is also present in the reference list (and vice versa).</b></p> <p><b>If the reference checker (software) finds more than THREE unmatched citations/references, then the manuscript will be automatically rejected by the Desk Editor without further review.</b></p> <p><b>[Important! Please translate all references in local languages (i.e. Vietnamese, Indonesian, Malay, Thai, Pakistani, Arabic, Russian, Ukrainian) into English (through Google translator or AI translators) according to APA style guide at its best.</b></p> <p><b>If any references are not translated to English, then the manuscript will be automatically rejected by the Desk Editor without further review. JAFEB publishes all articles in English only].</b></p>	<p>Has been revised</p>

In particular, all citations in the text should refer to: **Two authors: list all authors' surname (family names) with Lee and Nguyen (2020) in the text or (Lee & Nguyen, 2020) in parentheses** separating the two authors and the year of publication.

**Journals:** Lee, J. W., & Nguyen, A. H. (2020).

Citations and reference style guides of APA 6th edition and Asian names. *Journal of Asian Finance, Economics and Business*, 7(1), 2-4.  
<https://doi.org/10.13106/jafeb.2020.vol7.no1.2>

**Book (ISBN):** Greenberg, P. (2001). *CRM at the Speed of Light* (5th ed.). Emeryville, CA: Lycos Press.

**Edited book:** Burton, R. R. (1982). Diagnosing bugs in a simple procedure skill. In: D. H. Sleeman, & J. S. Brown (Eds.), *Intelligent Tutoring Systems* (pp.120-135), London, UK: Academic Press.

**Conference proceedings:** Lee, J. W., & Kim, Y. E. (2017). Green distribution and its economic impact on the distribution industry. In: *Proceedings of the Second International Conference of KODISA* (pp.12-32). Ho Chi Minh City, Vietnam, July 6-8. Seoul, Korea: KODISA Publishing.

**Internet resources:** Kim, D. H., & Youn, M. K. (2012). What is about distribution knowledge, research, and journal?. *KODISA Newsletter*. Retrieved October 30, 2019 (actual access date), from [http://kodisa.org/index.php?mid=Conferences&document\\_srl=8862](http://kodisa.org/index.php?mid=Conferences&document_srl=8862).

**Journal Revision Submission Declaration Statement**

I, the undersigned, hereby attest and confirm:

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2. That this manuscript has not been published previously, that it is not under consideration for publication elsewhere, and that the manuscript is not being simultaneously submitted elsewhere;
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Name of Corresponding Author \_\_\_\_\_ Dwi Ratmono \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

December 28, 2020 \_\_\_\_\_

**JAFEB and KODISA Journals Editorial Board**

	<b>Reviewer's Requirements and Recommendations</b>	<b>Responses and Comments or Rebuttals</b> <b>[The author(s) MUST provide some answers for EACH item]</b>
	<p><b>1. Review of Previous Research</b></p> <p>The manuscript does not describe the empirical evidence of previous research for the Indonesian case.</p>	<p>For the Indonesian case, Kurnia et al. (2020) found that firms should implement higher carbon emission disclosure and good corporate governance to increase financial performance and firm value. Endiana et al. (2020) indicated that manufacturing companies in Indonesia are able to implement green accounting by allocating appropriate environmental costs by earmarking a portion to carry corporate sustainability management system (CSMS) implementation to improve financial performance. The result of Saraswati et al. (2020) showed that CSR disclosure was greater in government-owned companies but lower in companies that have politically connected board members. Machmuddah et al. (2020) showed that the disclosure of CSR has a positive and significant effect on firm value, and profitability moderates the effect of CSR disclosure on firm value</p>
	<p><b>2. Contribution of the Study</b></p> <p>The manuscript does not explain why the topic of the effect of GCG on CSR is still important to be researched in the Indonesian context</p>	<p>Indonesia is a developing country where many companies have recently developed international trade and manufacturing relations with their counterparts from developed Western countries. Besides, Indonesia is a very attractive country for its unique political and</p>

		legal environment. Therefore, it is quite interesting to study corporate CSR from developing countries, especially in Indonesia.
	<b>3. Theory</b>  The theoretical basis has not yet described the role of GCG in reducing information asymmetry	In agency theory, CSR and corporate governance mechanisms are one way to reduce agency conflicts, resulting in reduced agency costs and information asymmetry. It is expected that the better and more transparent CSR disclosures can reduce the agency problems faced by the company.
	<b>4. Research Method</b>  Measurement of variables is not based on established proxies in previous research.	<p>The measurement of CSR disclosure in this study was based on the research of Raar (2002) and Gunawan (2010) to measure the quantity and quality of CSR disclosures in financial statements.</p> <p>This study used the percentage of foreign shareholder equity as a proxy for foreign ownership (Douma et al., 2006; Khan et al., 2013; Kabir &amp; Thai, 2017). The percentage of ownership share by the state was used as a proxy for state ownership (Boubakri et al., 2009; Xu et al., 2014; Kabir &amp; Thai, 2017). The number of commissioners owned by the company was used as a proxy for the number of board of commissioners. Board of commissioners' independence was measured by the proportion of independent commissioners on the board of commissioners (Liu et al., 2015; Khan, 2013; Lima &amp; Sanvicente, 2013; Kabir &amp; Thai, 2017). Regarding the educational background of the board of commissioners, this study applied a proxy for educational background in finance. The educational background of the board of commissioners was measured by the proportion of board members who hold a degree in finance (Darmadi, 2013; Esa &amp; Zahari, 2016).</p>
	<b>5. Limitation and Future Research</b>  The manuscript does not describe suggestions / future research agendas for measuring CSR disclosure using the GRI index.	For future research, it is expected to use a broader measurement of CSR disclosure, such as based on GRI 4.

On Tue, Jan 5, 2021 at 3:51 PM Prof. Lee, Jung Wan <[jwlee119@yahoo.com](mailto:jwlee119@yahoo.com)> wrote:

Dear Author(s),

Thank you for submitting a **signed JAFEB(APC)-Submission-Consent-Form**, a **signed Manuscript-Revision-Report-Form** and having completed revision of the manuscript meeting an acceptable standard for publication in the *[Journal of Asian Finance, Economics and Business \(JAFEB\)](#)*. We have now received the comments and recommendations about content selection from the Journal's Editorial Executive Board and External Peer Review Board.

**First, Congratulations!** The Editorial Executive Board voted on your revised manuscript in favor of publication and the article has been **"Accepted" in its current form** for publication in the *[Journal of Asian Finance, Economics and Business \(JAFEB\)](#)*. From now on your article will be moving forward to the **production pipeline with a typesetter** so that your article will be published and printed in [JAFEB Volume 8 Issue 2](#) on the date of **February 28, 2021** at the latest with DOI information and printed in hard copy [Open Access Electronic ISSN: 2288-4645]. For your information, [Scopus SciMago](#) **CiteScore2019 (0.5), SJR2019 (Q3; 0.192), and SNIP2019 (1.219) scores of JAFEB has been in place on Scopus and the SciMago website from June 2020** (CiteScore Tracker2020 indicates 2.1 as this date of **December 8, 2020**. It has been a continuous hike every month: 2020 January 1.1 → August 1.5 → September 1.7 → October 1.9 → **November 2.1 → December 2.1**).

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- 1) Check the accuracy of key items such as the title, authors' full name** (must be appeared in order of First name (=Given name) and LAST NAME (=SURNAME, FAMILY NAME) for its indexing purpose correctly according to the APA format. Please indicate the authors' FAMILY NAME (=SURNAME, LAST NAME) in ALL CAPITAL letters. For example, **Prof. Lee Jung Wan in the Asian name format (Jung Wan LEE in a US form) should be indicated as Jung Wan LEE; accordingly, [Jung Wan LEE] will be indexed as of [Lee, J. W.] in Clarivate Analytics' Web of Science and Scopus**).
- 2) Check the acknowledgements or any disclosure statements in place, if any**
- 3) [Important!]** Check carefully citations in the text and reference information. Per missing or incorrect citations and references, **please provide citations in text correctly and full publication information at references complying with the APA format** **[If your article contains the Editor's comments with highlighted in Yellow, this issue MUST be resolved before publication. If any, your publication still requires Editor-in-Chief's final approval. Otherwise, your publication will be postponed until the issue has been resolved]**. Otherwise, delete it (in this case, please make it according to the proof editing instructions above).



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Jung Wan LEE, Ph.D.

Editor-in-Chief

Journal of Asian Finance, Economics and Business (JAFEB)

Re: Congrats! Decision of Editor-in-Chief JAFEB and  
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February 2021 Publication



**dwi ratmono <dwi.ratmono2@gmail.com>**

Jan 7, 2021,  
9:59 AM

to Jung

Dear Prof. Lee,

Herewith I send a Corrected Proof and a signed Publishing-Agreement-Form. Actually there are no more corrections for my paper. As for the payment, I will tell you soon.

Dwi Ratmono

# Confirmation of receipt APC095 and acceptance letter for JAFEB Vol.8 No.2 February 2021 publication

Inbox



**Prof. Lee, Jung Wan <jwlee119@yahoo.com>**

Sat, Jan 9,  
10:54 AM

to me

Dear Author(s),

Attached please find well.

We hereby confirm that the Publisher, Korea Distribution Science Association (KODISA) has received the payment of APC.

You are now all set with the Publishing Agreement Form and APC payment.

From now on your article will be moving forward to next stages of the production process with a typesetter so that your articles will be published and printed in the [\*\*Journal of Asian Finance, Economics and Business \(JAFEB\) Vol.8 No.2\*\*](#) on the date of **February 28, 2021** at the latest with DOI information and printed [Electronic ISSN: 2288-4645 Print ISSN: 2288-4637].

Please be noted that it is not acceptable any further corrections and changes of the authorship and manuscript from this time point today.

Thank you for supporting the journal.

Sincerely,

Jung Wan LEE, Ph.D.

Editor-in-Chief

[\*\*Journal of Asian Finance, Economics and Business \(JAFEB\)\*\*](#)