

The Value Relevance of Corporate Social Disclosures and the Role of Good Corporate Governance: Evidence in Indonesia

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Abstract

Our study aims to investigate the value relevance of corporate social disclosures (CSD) and the role of good corporate governance. For fulfilling the objectives, we analyze the CSD's content of firm listed on the Indonesian stock exchange during 2013-2016, and used descriptive and regression analysis. The content analysis revealed that each type of industry has a different broad of social disclosure. Each of firm focuses on disclosing social responsibilities according to its characteristics of business activities, which also the responsibilities are regulated by government. Based on these preliminary findings, we examine whether the value relevance of each aspect of CSD differ. We document empirical findings to current debate on the relationship between environmental disclosure and shareholder value. The result is CSD has value relevance, either to the firm's value and its financial performance. Another finding is each of CSD's aspect has different of value relevance. The most disclosing aspect is labor-related. The firm with wider disclosure on labor-related has higher firm value and better future financial performance. Another finding is good corporate governance has a role to strengthen the relevance of CSD. The presence of foreign commissioners positively influences the value of the firm, as well as audit committees and majority ownership and managerial ownership.

Keywords: Value Relevance, Corporate Social Disclosure, Good Corporate Governance.

1. Introduction

In the economic principle, the firm operates for profit. The firm's operational activities are focused on achieving maximum results with the ultimate goal of maximizing owners' wealth. However, according to the global economic order, companies are required to balance the profitability by taking into account the welfare of society and environmental sustainability. This concept comes with the term people-profit-planet, also known as the Triple Bottom Line (TBL) [1]. The concept of TBL implies that the firm should prioritize the interests of stakeholders (all parties involved and affected by the activities of the firm) rather than the interests of shareholders.

In this concept, planet means managing well the use of energy especially on non-renewable natural resources. The firm is required to considering environmental sustainability, where the use of environmental resources is not used up to pursue profit, but also consider the environmental reserve in the present and future. Reducing waste products and recycling into safe waste for the environment, reducing CO₂ emissions or energy use, is a common practice by companies that have adopted this concept. The current impact of business activities on the natural resources is the responsibility of the firm by rehabilitating nature and the environment. The second aspect, people, is related to the equality of quality of life between the rich and the poor. People emphasize the importance of a company's business practices that support the interests of the workforce and society where the firm operates. More specifically this concept protects the interests of labor by opposing explorations that employ minors, reasonable wage payments, safe

working environments and tolerable working hours. Not only that, the concept also asks the company to pay attention to health and education for the workforce. Third, profit here is more than a profit. Profit here means creating fair trade and ethical trade in business.

Indonesian Government has issued a series of rules related to corporate social responsibility. Law no. 40 of 2007 on Corporation, Chapter V article 74 specifically regulates corporate responsibility on social and environmental responsibility. The article stipulates that a firm that carries out its business activities in the field and/or related to natural resources is obliged to carry out Social and Environmental Responsibility. Corporate social responsibility is re-emphasized by Government Regulation no. 47 year 2012, where each of firm whose business activities in the field and or related to natural resources, shall prepare and stipulate an activity plan to carry out its social responsibility. In addition, the firm is required to disclose the implementation of social and environmental responsibility in the firm's annual report and be accountable to the General Meeting of Shareholders.

Indonesian firms provide an interesting CSR research background. Based on the results of content analysis on firm's CSD, we document the following results. *First*, CSR activity in Indonesia is more likely to meet compliance to the rules of government, rather than emerging from internal awareness of the firm. This has an impact on CSR activities that focus on environmental and community care activities. Even CSR activity is more just philanthropic and part of marketing to raise the firm's image. *Second*, corporate social disclosure (CSD) has not been set with clear and sufficient rules, where the substance of disclosure is not specifically regulated and also the extent of disclosure depends on the volun-

tary disclosure of each firm. The extent of CSR disclosure in Indonesia varies, and many companies only emphasize on certain aspects of CSR. Companies that have substantial operational impacts on the environment and communities, such as mining companies and agriculture, are more emphasizing CSR disclosure on environmental and community empowerment aspects, while finance firms, disclose at least their CSR activities. *Third*, firm values of companies with extensive CSR disclosures, such as mining and agriculture, have the smallest firm value. The largest value is obtained by consumer goods firms, such as food and beverage, cigarette, pharmaceutical, cosmetics and household utensils, whereas their CSR disclosure is not too big. The same result also shows that the firm's financial performance, as measured by Return on Assets (ROA) and return on equity (ROE) of consumer goods industry is the largest in the period of observation that is 2013-2016. While ROA and ROE of mining industry was the lowest in the same period.

Previous literature suggest that CSD will create corporate shared value and also increase the firms' value in the view of its stakeholders. Our research is motivated by the recommendation of the capital market authority, which assumes that environmental information has value relevance, since it is likely to affect the expected future earnings of listed companies. From economic perspective, the firm will reveal an information if the information would increase the value of firm [2]. This indicates that companies that disclose CSR implementation activities expect a positive response by market participants. If an announcement contains information, it will be reflected by an abnormal return received by the investor. Firms will gain social legitimacy and maximize their financial strength in the long run through implementation of CSR [3].

However, several studies on the relevance of social and environmental disclosure have shown mixed results. A number of studies have shown a positive relationship between CSR and financial performance (Hillman and Keim, 2001; Orlitzky et al. 2003; Klassen and McLaughlin, 1996; Waddock and Graves, 1997; Gunawan, 2007; Fauzi, 2007). But, other studies show reverse results, where CSD has no significant effect on profitability and market value of the firm ([4] and [5]).

Based on these various results, it motivates us to explore the relevance of CSD values and examine other factors that also affect value relevance, i.e. corporate governance. The issue of corporate governance arises because of the separation between ownership and control of the firm. This separation is based on agency theory, which in this case management tends to increase personal profit rather than firm goals. In addition to having a good financial performance the firm is also expected to have good governance. Herawati (2007) conducted research with the title role of practice corporate governance as moderating variable of earning effect management on the value of companies listed on the Jakarta Stock Exchange with the study period from 2004 to 2006. The results prove that independent commissioners, audit quality and ownership institutional is the moderating variable between earnings management and value companies, while managerial ownership is not a variable moderator [6].

The content analysis results are as follows. Mining and agricultural industry disclose wider/more CSD, but it has the lowest firm value. The companies which low CSD disclosure, consumer goods industry has a high firm value. So, we do more detailed analysis of CSR disclosures by looking at aspects of social and environmental responsibility under the Global Reporting Initiative (GRI) guidelines. Content analysis extends to aspects that include the environment, community empowerment, energy, work safety, product responsibility and health. The results show that each of firm has a various CSD aspect. The operational type of the firm greatly influences the CSD aspect. Other results indicate that CSR disclosure has value relevance, both to firm value and firm's financial performance in the future. In addition, good corporate governance has a strong role, either directly or as a moderator of the relevance of CSR values.

2. Literature Review

2.1. Corporate Social Responsibility

Corporate social responsibility is defined as commitment from the firm to behave ethically and contribute to sustain economic development improves the quality of life employees and their families, local communities and the wider community [7]. Corporate Social Responsibility (CSR) is a decision-making process companies that are associated with ethical values, fulfill the rule of law and legal decisions and respect for people, society and environment. Some of the things included in this CSR include the order like corporate (corporate governance), corporate concern toward environment, workplace conditions and standards for employees, relationships firm-community, and corporate social investment. So, social responsibility companies not only in the field of social and economic development but also in terms of the environment.

The firm's relationship with its social environment demands the fulfillment of corporate social responsibility. With CSR the firm is expected to increase attention to environment, workplace conditions, corporate community relations, social investment firm, and corporate image in the public eye to be good, improve performance corporate finance and capital access. In its activities every firm will be interact with its social environment. The consequences of that interaction demand it reciprocity between the firm and its social environment that it implies the incidence of social impacts on the operations of the firm on the environment. As long as the firm uses human resources and existing communities, then the firm has the responsibility to generate profit and return some of the profit to the community.

In general, Corporate Social Responsibility is an improvement quality of life in which human capabilities as and members society can respond to existing social circumstances, and can enjoy, utilize and maintain the environment or can is said to be an important process in setting the cost incurred and business benefits from stakeholders both internally (workers, shareholders and investors) or external (institutional general arrangements, community members, civil society groups and other companies). Corporate social responsibility is a business commitment to act ethically, operate legally and contribute to economic improvement along with improved quality of life from employees and their families, local communities and communities more broad. Corporate Social Responsibility refers to all relationships between a firm and all stakeholders, including customers, employees, communities, owners or investors, governments, suppliers and even competitors.

2.2 Firm Value

Firm value is defined as the investor's perception of the level the success of the firm that is associated with the stock price [8]. High stock prices make the firm's value also high. High corporate value will make the market believe it is not only on the firm's current performance but also on the firm's prospects. Based on previous research, there are several factors that can affect firm value, including funding decision, dividend policy, decision investment, firm growth, and firm size. These factors have a relationship and influence on inconsistent corporate values [8] [9].

Firm value is measured by Tobin's Q. The value of Tobin's Q describes a condition of investment opportunity owned firm or growth potential firm. The value of Tobin's Q is generated by comparison between market value of equity and debt, with total assets. Market value of equity is the number of shares which are outstanding at the reporting date multiplied with stock prices on the date reporting [10].

2.3 Good Corporate Governance

Good Corporate governance is relationship among stakeholders that is used to determine and control the strategic direction and

performance of organization. From the above understanding can be concluded that Good Corporate governance is a system of corporate governance to become better and can increase the value of the firm by promoting justice for all stakeholders, transparency regarding the condition of the firm as part of external environment. The purpose of corporate governance in general is to create value added to all interested parties, which is explicitly global corporate governance is becoming an important issue of the world. Organization has a key role to play in improving economic development social. Good Governance is the engine of global growth, provider accountability, public and private services, procurement of goods and services and infrastructure. Today, the efficiency of organizational accountability does not matter whether the organization is public or private. Good governance has become an international agenda.

The Indonesian institute for corporate governance (IICG) revealed goals of Good corporate governance: a) Reach back the confidence of national and international investors and creditors. b) Meet the demands of global standards. c) Minimize costs of loss and prevention costs for abuse management authority. d) Minimize cost of capital by minimizing the risks faced by creditors. e) Increase the value of the firm's shares. f) Raising the firm's image in the public view [11].

2.4 Hypothesis Development

2.4.1 Corporate Social Disclosure (CSD) Influence on Firm Value

CSR information is the key element that company can use to manage or respond to various stakeholders (governments, investors, creditors, consumers, suppliers, etc.) to get their support. CSR information, such as environmental issue, becomes prominent concern for stakeholders.

CSD disclosure is a voluntary disclosure that reflects the company's added value. Some stakeholders are interested in financial performance but are also partly interested in corporate social action. The sustainability of a company is a central issue of business. Information sustainability is crucial information where the company adopts environment-friendly industrial practices. The disclosure of corporate environmental policies in the annual report allows investors and interested parties to be informed about the manager's sustainability and actions [12]. High quality disclosure is a signal of transparency that will boost the company's social reputation.

By disclosing their social activities, managers try to reduce information asymmetry, thereby reducing risk and uncertainty, thereby increasing firm valuation [13].

Therefore we propose the hypothesis of CSD disclosure influences firm value.

H₁: Corporate Social Disclosure (CSD) influences firm value

2.4.2 Good Corporate Governance Strengthens the Relation CSD and Firm Value

GCG is relationship among stakeholders that is used to determine and control the strategic directions and performance organization. The existence of GCG mechanism would ensure that managers act in the best interest of shareholders and adopt environmental-friendly policy. The existence of independent commissioners, non-executive directors, managerial ownership, ownership dispersion, are positively related to environmental reporting [14].

In addition to using CSR disclosure, researchers also use GCG as a moderating variable. Researchers use managerial ownership as proxy of GCG. It is based on the thought that management is with control large holdings have lower incentives for self-serving behavior that does not increase the value of the company and may have more many tendencies to implement conservatism accounting policies to improve earnings quality.

H₂: Good corporate governance strengthens the relation CSD and firm value

3. Research Design

3.1. Sample and Population

We observed all listed firms in Indonesian Stock Exchange (IDX) during 2013-2016. This study focuses on CSR disclosure in firms in Indonesia. The data used are sourced from annual reports, sustainability reports and also firm financial statements. In Indonesia, the capital market authority, Indonesian stock Exchange (IDX), classifies companies into 9 (nine) industrial sectors, where each firm is classified based on the respective industry character. In table 1, we performed 1,002 observations on all companies that met the required data completeness requirements. Each industry classification has a different operating character, including in corporate social responsibility. Agricultural and mining sectors have direct operational properties related to natural resource management with significant destructive power. The Indonesian government has issued many regulations to burden the firm with responsibility to the environment and the communities in which it operates.

Table 1. The Sample Firms from Indonesian Stock Exchange

Firm Classification	Description	Numbers of Observation (during 2013-2015)
Sector 1	Agriculture	48
Sector 2	Mining	78
Sector 3	Basic Industry and Chemicals	130
Sector 4	Miscellaneous Industry	74
Sector 5	Goods Consumption Industry	66
Sector 6	Property, Real Estate and Construction	127
Sector 7	Infrastructure, Utility and Transportation	90
Sector 8	Finance	155
Sector 9	Trade, Service and Investment	234
Total		1,002

We use technical content analysis to describe the dimensions of CSR disclosure. There are 6 dimensions of CSD, namely environment, energy, labor, health, product responsibility and community empowerment. This dimension is based on Global Reporting Initiatives (GRI). Using each of these CSR disclosure dimensions, we expect to evaluate which dimensions have value relevance to firm value or to financial performance. The content analysis includes 76 items of disclosure, of which 16 environmental items, 16 energy items, 25 items of labor, 20 health items, 20 items of product responsibility and 15 items of empowerment society. Each firm is analyzed its CSR disclosure using the disclosure content.

3.2. Research Model

We develop a research model that based on some previous research that focused on firm value. Firm value is an important concept for investors, because it is an indicator for the market to assess the firm as a whole. The value of a firm is a reflection of the addition of the firm's equity amount to its debt. There are several factors that affect the value of the firm, namely: funding decisions, dividend policy, investment decisions, capital structure, firm' growth, firm' size. In addition to these factors, we add the CSR disclosure factor, in which CSR disclosure in annual reports or on separate reports, has relevance to firm value in the following year (FirmValue_{t+1}). Measuring a relevance of CSR disclosure, we also use firm's financial performance represented by ROA_{t+1} and ROE_{t+1}. In this study, it is using changes of ROA_{t+1} (dROA) to examine the sensitivity analysis.

Firm Value is measured using Tobins-Q, which measures the investor's reaction as measured by the ratio of the stock market price

to the book value of equity. Firm value used is the value of the firm in subsequent year (t + 1) considering the publication of the current year financial statements made at the beginning of the following year. CSD is measured using content analysis consisting of 76 items of disclosure. Environmental disclosure consisted 13 items, energy 7 items, health and work safety of 8 items, labor 29 items, product responsibility 10, and society empowerment 9 items. We do check list of all items for each firm, so get the number of items in each CSR disclosure dimension that becomes independent variable. As a control variable, we use Return on Assets (ROA), Size and Leverage. Corporate value is influenced not only by CSD, but also by profitability (ROA), firm size (Size) and debt to total leverage ratio.

The research model that we proposed in this research is following:

$$\text{FirmValue}_{t+1} = \alpha + \text{CSD}_{it} + \text{Size}_{it} + \text{ROA}_{it} + \text{LEV}_{it} + \varepsilon \quad (1)$$

In addition to using firm value to measure the value relevance of CSD, we also use the profitability of the firm in the next period and also the change in profitability in the next period. CSD has value relevance when CSD_{it} disclosure can increase profit in the next period (ROA_{it+1}). We expect CSD to have a positive value relevance to the firm's profitability in the future. So the expectation mark on β₁ is positively significant.

$$\text{ROA}_{t+1} = \theta + \beta_1 \cdot \text{CSD}_{it} + \beta_2 \cdot \text{Size}_{it} + \beta_3 \cdot \text{ROA}_{it} + \beta_4 \cdot \text{LEV}_{it} + \varepsilon \quad (2)$$

$$\text{dROA}_{t+1} = \omega + \lambda_1 \cdot \text{CSD}_{it} + \lambda_2 \cdot \text{Size}_{it} + \lambda_3 \cdot \text{ROA}_{it} + \lambda_4 \cdot \text{LEV}_{it} + \varepsilon \quad (3)$$

Then we include elements of corporate governance as a variable that strengthens corporate CSR disclosure. We use the 4 dimensions of corporate governance, namely foreign commissioners (ForComm), audit committees (AudComm), majority ownership (MAJOR) and managerial ownership (MANAG). We include the element of corporate governance as a quasi-moderating variable, in which we want to evaluate whether CG is a direct explanatory variable to firm value or financial performance, or as a variable that reinforces CSD on firm value.

$$\text{FirmValue}_{t+1} = \alpha + \text{CSD}_{it} + \text{ForComm}_{it} + \text{AudComm}_{it} + \text{MAJOR}_{it} + \text{MANAG}_{it} + \text{Size}_{it} + \text{ROA}_{it} + \text{LEV}_{it} + \varepsilon \quad (4)$$

$$\text{FirmValue}_{t+1} = \alpha + \text{CSD}_{it} + \text{ForComm}_{it} + \text{AudComm}_{it} + \text{MAJOR}_{it} + \text{MANAG}_{it} + \text{CSD} * \text{ForComm} + \text{CSD} * \text{AudComm} + \text{CSD} * \text{MAJOR} + \text{CSD} * \text{MANAG} + \text{Size}_{it} + \text{ROA}_{it} + \text{LEV}_{it} + \varepsilon \quad (5)$$

4. Results and Discussion

4.1. Descriptive Statistic Results

Descriptive analysis shows in 1,002 observations during the period 2013-2015. Table 2 shows the average number of each dependent variable is firm value, ROA_{it+1} and DROA. All numbers indicate a positive number, except change in ROA (DROA) which has a negative (-0.0036). This indicates that many firms in the sample did not show an increasing profit in the observation period. In addition, some variables have a standard deviation greater than 1.6, i.e. firm value, total disclosure, and some other items. CSD has the largest standard deviation, which is 8.818. Since the number of corporate disclosures varies from a minimum number of 2 and a maximum number of 50. This allows for considerable deviation. In more detail, the dimensions of CSD have varying disclosure variations. The greatest deviation is the disclosure of the Labor dimension, and the smallest is energy. According to the GRI disclosure dimension, labor disclosure does get the largest portion of items, 29 of 76 items. While energy as much as 7 items.

Table 2. Descriptive Statistics

Variables	Obs	Mean	Std. Dev	Min	Max
Firm Value _{t+1}	1,002	1.6537	1.9605	0.19	19.82
ROA _{t+1}	1,002	0.0318	0.1257	-0.829	2.192
DROA	1,002	-0.0036	0.122	-0.806	2.092
ROE _{t+1}	1,002	0.0647	0.359	-2.639	7.972
Disc_Total	1,002	19.485	8.8118	2	50
ENV.	1,002	2.2236	2.8	0	11
Energy	1,002	0.6407	1.2558	0	6
Health	1,002	1.995	1.8977	0	8
Labor	1,002	5.1297	3.152	0	16
RESP.	1,002	1.4092	1.9169	0	10
Society	1,002	2.3892	1.3283	0	7
Forcomm	1,002	0.2345	0.4239	0	1
AudComm	1,002	3.1208	0.4921	2	6
MAJOR	1,002	0.5092	0.2089	0.031	1
MANAG	1,002	0.0328	0.1093	0	0.797
SIZE	1,002	7.8995	1.8545	0.416	13.721
LEV	1,002	0.5764	0.6778	0	9.5721
ROA	1,002	0.0354	0.1157	-1.2	0.751
ROE	1,002	0.0883	0.4086	-2.639	7.972

In the next discussion we evaluate the descriptive statistics of each variable based on type of industry in Indonesia stock exchange. Table 3 shows the analysis result of each items. The highest firm value was obtained by the firm in sector 5 Consumption Goods Industry, with an average value of 3.0313. The second largest is the firm on sector 9 Trade Service and Investment. The lowest firm value in the firm sector 3 Basic Industry and Chemicals with a value of 1.1820.

Table 3.: Firm Value, ROA_{t+1}, dROA, CSR Disclosure and Dimensions of CSR Disclosure

	Firm Value _{t+1}	ROA _{t+1}	ROE _{t+1}	CSR Disc	Env.	Energy	Health	Labor	Product Resp.	Society
Agriculture (1)	1.4803	0.0144	0.0112	20.5625	4.6042	0.9167	2.8958	5.75	2.2708	3.125
Mining (2)	1.4119	-0.0006	-0.0432	23.9103	3.7051	0.6667	2.9487	6.0512	1.3462	3.1923
Basic Industry and Chemicals (3)	1.1820	0.0231	0.0261	18.8615	3.9692	0.8846	2.6615	4.4692	2.4615	2.3769
Miscellaneous Industry (4)	1.4223	0.0261	0.0235	20.5676	2.5676	0.8784	2.3243	4.0405	1.4189	2.3378
Goods Consumption Industry (5)	3.0313	0.1082	0.2603	16.6970	2.7727	0.5757	2.0000	4.3485	1.4242	2.3030
Property, Real Estate and Construction (6)	1.3962	0.0554	0.1089	22.5984	2.2441	0.4567	2.0000	6.0709	1.4724	2.3464
Infrastructure, Utility and Transportation (7)	1.7673	0.0292	-0.0346	19.1889	2.0111	0.7000	2.2111	5.8111	1.1111	2.2444
Finance (8)	1.2970	0.0183	0.0855	15.5548	0.8645	0.6452	1.1871	5.4129	1.0645	2.3806
Trade, Service & Investment (9)	2.0489	0.0283	0.0887	19.6068	0.9786	0.4573	1.4658	4.6667	0.9701	2.1026

The mining industry has the highest CSD index, and followed by the real estate industry, miscellaneous industry and agriculture. The lowest CSD is owned by the financial industry. The largest disclosure aspect of CSD is the labor-related aspect, in which almost all industries disclose the dominant of labor-related than the others. The lowest disclosure is energy-related aspect and product responsibility, respectively.

4.1 Regression Result

By using regression analysis, all the models in the study were examined. *First*, we evaluate that the model meets the best linear unbiased estimator (BLUE) assumption. The results show that residual did not meet the normality, because the results of the test of Kolmogorov-Smirnov obtained Prob. < 5%. Since our data is

large enough, the abnormal effects can be ignored. Then the multicollinearity and auto correlation test are met, where our model is freed from multicollinearity and there is no correlation between independent variables. On the contrary, our model does not meet the heteroscedasticity test, thus we were transforming and using seemingly unrelated regression (Sur Regression) with Stata 14. Second, after overcoming the problem of classical assumptions, we perform regression analysis of the models in equations (1), (2) and (3). Regression results are shown in table 4. Model (1), which is proposed to evaluate the value relevance of CSD, either to the firm's value or changes in the firm's financial performance. In Model (1), the independent variables are CSD and control variables, Size, ROA and Leverage (Lev).

Table 4. The Value Relevance of CSD

Variables	Model 1			Model 2			Model 3		
	Firm Value _{t+1}	ROA _{t+1}	ROE _{t+1}	Firm Value _{t+1}	ROA _{t+1}	ROE _{t+1}	Firm Value _{t+1}	ROA _{t+1}	ROE _{t+1}
CSD_Total	0.01529 (0.021) ^b	0.0007 (0.106)	0.0026 (0.05) ^b	0.01443 (0.031) ^b	0.0017 (0.117) ^c	0.0024 (0.071) ^c			
- Environment							-0.012 (0.657)	0.0013 (0.446)	-0.004 (0.433)
- Energy							0.004 (0.929)	-0.001 (0.780)	0.023 (0.024) ^b
- Health							0.0036 (0.925)	-0.002 (0.437)	-0.0086 (0.254)
- Labor							0.0559 (0.007) ^a	0.0017 (0.183)	0.0085 (0.035) ^b
- Responsibility							-0.006 (0.864)	0.0025 (0.531)	0.0097 (0.161)
- Society							-0.0198 (0.683)	-0.002 (0.531)	-0.0128 (0.18)
Foreign comm				0.2641 (0.04) ^b	0.0081 (0.322)	0.0758 (0.003)	0.3059 (0.019) ^b	0.008 (0.308)	0.0839 (0.001) ^a
Audit Comm				0.0381 (0.745)	-0.00403 (0.863)	-0.001 (0.918)	0.0223 (0.850)	-0.001 (0.844)	-0.0107 (0.645)
MAJOR				0.1664 (0.520)	0.0216 (0.668)	0.0135 (0.408)	0.2123 (0.414)	0.014 (0.387)	0.0322 (0.523)
MANAG				-0.4463 (0.368)	-0.0892 (0.346)	-0.032 (0.310)	-0.3654 (0.464)	-0.030 (0.341)	-0.0654 (0.492)
SIZE	-0.1617 (0.00) ^a	-0.002 (0.261)	0.0028 (0.663)	-0.1750 (0.000) ^a	0.0002 (0.976)	0.0026 (0.211)	-0.1707 (0.000) ^a	-0.002 (0.286)	0.0012 (0.863)
LEV	1.3295 (0.00) ^a	0.0343 (0.00) ^a	0.00149 (0.926)	1.3154 (0.000) ^a	0.0009 (0.954)	0.0337 (0.000) ^a	1.3182 (0.000) ^a	0.034 (0.00) ^a	0.00153 (0.923)
ROA	5.0764 (0.00) ^a	0.5865 (0.00) ^a	0.2400 (0.000) ^a	4.8590 (0.00) ^a	0.235 (0.000) ^a	-0.4238 (0.00) ^a	4.8241 (0.00) ^a	0.574 (0.00) ^a	0.231 (0.000) ^a
Constanta	1.6865 (0.00) ^a	-0.004 (0.783)	-0.0271 (0.576)	1.5741 (0.00) ^a	-0.0149 (0.847)	-0.0057 (0.815)	1.619 (0.000) ^a	0.000 (0.993)	0.0209 (0.79)
R-sq	0.2523	0.2761	0.0882	0.2563	0.0967	0.2337	0.2589	0.2797	0.1063
P	0.000 ^a	0.000 ^a	0.000 ^a	0.000 ^a	0.000 ^a	0.000 ^a	0.000 ^a	0.000 ^a	0.000 ^a

Additional information: a= significant at 1%, b=significant at 5%, c= significant at 10%

The regression results of model 1 show that CSD has value relevance on firm value and financial performance (ROE_{it+1}). This is documented by P-value of 0.021 and 0.05, respectively and regression coefficient 0.0159 and 0.0026. It means CSD has a positively significant effect on firm value and financial performance (ROE_{it+1}). However, this result does not apply if the dependent variable is replaced by ROA_{it+1}. The results of this model show that P-value > 10%, ie.10.6%. It was implied that CSD does not influence future firm's financial performance or CSD does not increase ROA_{it+1}, but increase future financial performance in the side of shareholders, ROE_{it+1}.

In model 2, we include elements of Corporate Governance (CG) as independent variables. CG elements are foreign commissioners (ForComm), audit committees (AudComm), majority ownership (MAJOR) and managerial ownership (MANAG). By adding CG elements in model 2, we expect different results from the regressions in Model 1. The results of model 2 show a little difference in

outcomes if compared to model 1. CSD still has value relevance on firm value, with significance level down slightly, from p-value 0.021 to p-value 0.031. Neither with the regression coefficient, from 0.0159 to 0.01443. CG elements that have significant effect are foreign commissioners. Other CG elements have no effect on firm value. The results on model 2 also show CSD and CG partially have no effect on the firm's financial performance in the future. This result implies that the presence of foreign commissioners is believed to increase the value of the firm from the point of view of its shareholders.

In model 3, we are detailing CSD into 6 (six) dimensions of CSR, namely environment, energy, health, labor and work safety, product responsibility and society empowerment. We want to know which exactly dimension of CSD have value relevant. Table 4 show that labor and work safety (labor) have significant influence to firm value and ROE_{it+1}. And also energy dimension has positive significant effect on ROE_{it+1}. The same result is provided by for-

eign commissioner, which has positive effect to Firm Value and ROE_{it+1} .

In the next section, we examine the effect of CSD dimensions for each industry sector. Generally, each industry has a different character in CSR disclosure. In the firm's high profile in their CSR activities, such as agriculture and mining companies, provide much more disclosures in environmental, labor and work safety, energy and society empowerment aspects. The broadest disclosure aspect of product responsibility has taken by Basic Industry and Chemicals (sector 3).

Table 5 shows the results of regression analysis, where disclosure of CSR aspects in each sector shows different results. Sector 1 (agriculture), where the CSR aspect has no value relevance, which is measured by the relevance to firm value. As in the previous discussion, the value of sector 1 firms is 1.4803, lower than that of the 5 Goods Consumption Industry whose firm value is 3.0313, whereas firms in sector 1 have the largest CSR disclosure in environmental and energy aspects, and places the second position in disclosure of health, labor and work safety, product responsibility and society empowerment. However, other findings in analysis of Agricultural firms are partially of CG elements proven to strengthen the influence of CSR disclosure on firm value. Managerial ownership strengthens the influence of labor and work safety disclosure on firm value. Further, the presence of foreign commissioners also strengthens the influence of environmental aspects and society empowerment on the value of the firm. While majority ownership also affects the firm value, with p-value 0.025 (below than 5%).

The test results in mining firms documented that Prob. > 0.05, so the model is declared invalid. So we decided not to discuss further on the test results in mining firms. In sector 3 (basic industry and chemicals), disclosure of environmental aspects and labor and work safety have a significant positive effect on firm value. As well as majority ownership and managerial ownership have a significant positive effect on firm value. Foreign commissioners strengthen the influence of environmental disclosure on firm value. In sector 4 (miscellaneous industry), the disclosure of labor and work safety aspects have a significant positive effect on firm value. CG aspect, managerial ownership strengthen the influence of labor and work safety aspects have a significant positive effect to firm value. Foreign commissioners strengthen the influence of society empowerment disclosure on firm value.

Companies in the 5 sector group have the largest firm value compared to other industry sectors. From analysis, we found that labor-work safety and society empowerment have an effect on firm value. The CG aspect of the presence of foreign commissioners, audit committees and majority ownership also have a significant positive effect on firm value. The audit committee has a role as an independent variable as well as a moderating variable that reinforces the influence of labor-safety, product responsibility and society empowerment disclosures on firm value. Similarly, majority ownership strengthens the influence of environmental disclosure affecting firm value. If we look at the statistical descriptive data in table 3 indicating that companies in sector 5 have 7 foreign commissioners, the highest average majority ownership, the average number of audit committees of 3 (as regulated by the Indonesian government).

Table 5. The value relevance of CSD per Sector Industry

Firm Value _{t+1}	Agriculture (1)	Mining (2)	Basic (3)	Miscell. (4)	Goods Consumption (5)	Property (6)	Infrastr. (7)	Finance (8)	Trade (9)
- Environment	0.0456 (0.556)	-0.1850 (0.080)	0.0670 (0.022) ^a	-0.19526 (0.000) ^a	0.2553 (0.142)	-0.0324 (0.429)	-0.0971 (0.038) ^b	-0.1077 (0.174)	-0.8942 (0.374)
- Energy	-0.383 (0.000) ^a	0.0111 (0.950)	-0.0106 (0.799)	0.09255 (0.234)	-0.3074 (0.378)	0.0880 (0.264)	0.006 (0.939)	0.1547 (0.169)	0.1178 (0.433)
- Health	0.1015 (0.187)	-0.0733 (0.499)	-0.0171 (0.619)	-0.0938 (0.187)	-0.3320 (0.034) ^b	0.0226 (0.564)	0.1216 (0.017) ^b	-0.0090 (0.914)	0.284 (0.773)
- Labor	0.0394 (0.429)	0.0007 (0.991)	0.0491 (0.005) ^a	0.0864 (0.052) ^c	0.211 (0.015) ^b	0.0134 (0.665)	-0.0670 (0.090) ^c	0.0406 (0.230)	0.0799 (0.146)
- Responsibility	0.2121 (0.020) ^a	-0.0647 (0.709)	-0.0371 (0.335)	0.0402 (0.605)	-0.37743 (0.062) ^c	0.0283 (0.604)	-0.007 (0.934)	0.0410 (0.637)	-0.0278 (0.813)
- Society	-0.2623 (0.005) ^a	0.4605 (0.023) ^a	-0.0775 (0.071) ^b	-0.0246 (0.778)	0.7771 (0.011) ^b	-0.0623 (0.429)	0.0515 (0.578)	-0.0414 (0.535)	-0.0782 (0.495)
Foreign comm	-4.4151 (0.004) ^a	-0.1073 (0.855)	0.2063 (0.388)	-0.6014 (0.275)	5.240 (0.023) ^b	-0.2876 (-0.543)	0.1319 (0.878)	-0.3516 (0.479)	1.3872 (0.037) ^b
Audit Comm	-0.7971 (0.973)	-1.655 (0.697)	0.5544 (0.224)	32.6111 (0.475)	1189.994 (0.065) ^c	0.2231 (0.383)	0.9255 (0.002) ^a	-0.3119 (0.349)	-0.4226 (0.645)
Majority Own	1.347 (0.025) ^b	1.149 (0.428)	0.6955 (0.005) ^a	0.2034 (0.635)	2.9637 (0.009) ^a	0.1866 (0.600)	-0.8361 (0.072) ^c	-1.0186 (0.032)	0.1126 (0.854)
ManagerialOwn	1.567 (0.166)	-0.590 (0.671)	1.6426 (0.000) ^a	0.8741 (0.153)	-4.5667 (0.381)	-0.6203 (0.663)	-2.8203 (0.021) ^b	-0.7184 (0.393)	0.6713 (0.627)
Forcomm*Env	1.0748 (0.004) ^a	-0.0260 (0.921)	0.1906 (0.021) ^b	-0.2557 (0.336)	-0.2687 (0.659)	-0.0874 (0.697)	-0.2987 (0.437)	0.4900 (0.219)	0.2917 (0.517)
AudComm*Env	15.411 (0.943)	0.1357 (0.578)	-0.2909 (0.002) ^a	17.3842 (0.494)	-162.9908 (0.0640) ^c	0.2789 (0.014) ^b	-0.1280 (0.245)	-0.0263 (0.900)	0.9265 (0.114)
Mayor*Env	-13.971 (0.937)	0.3675 (0.101)	-0.1750 (0.009) ^a	-11.4899 (0.5788)	133.5478 (0.067) ^c	-0.1147 (0.699)	0.9891 (0.462)	-0.3476 (0.557)	-2.9397 (0.000) ^a
Manag*Env	-0.9651 (0.006) ^a	0.3107 (0.578)	-0.2844 (0.003) ^a	-0.2500 (0.405)	0.31544 (0.722)	0.2488 (0.244)	0.1033 (0.731)	-0.2532 (0.534)	-0.1699 (0.747)
Forcomm*Labor	-0.691 (0.130)	0.4461 (0.313)	-0.1451 (0.310)	-0.2744 (0.338)	-1.3897 (0.047)	0.2798 (0.318)	-0.7283 (0.160)	-0.3199 (0.179)	0.4614 (0.190)
AudComm*Labor	7.739 (0.968)	0.2244 (0.478)	0.1956 (0.153)	23.0855 (0.489)	890.7519 (0.066) ^c	-0.3399 (0.008) ^a	0.2312 (0.154)	0.0202 (0.810)	-1.7017 (0.021)
Mayor*Labor	-16.349 (0.916)	-0.1649 (0.628)	-0.097 (0.271)	-20.5975 (0.451)	-720.97 (0.068) ^c	0.05719 (0.639)	1.888 (0.157)	-0.2602 (0.321)	0.1893 (0.570)
Manag*Labor	3.945 (0.000) ^a	-1.1411 (0.055) ^b	0.1573 (0.143)	1.3679 (0.008) ^a	1.043 (0.176)	-0.3881 (0.131)	-0.2369 (0.408)	0.1909 (0.368)	0.0043 (0.992)
Forcomm*Soc	0.7976 (0.023) ^b	-0.1279 (0.717)	-0.0497 (0.708)	0.7766 (0.040) ^a	-2.41169 (0.000) ^a	0.1780 (0.552)	0.2845 (0.336)	-0.3787 (0.217)	-1.3473 (0.0000)

AudComm*Soc	-3.998 (0.976)	-0.4744 (0.322)	-0.0992 (0.607)	-14.4578 (0.478)	521.4958 (0.064)c	0.4806 (0.006)a	0.036 (0.808)	0.0805 (0.346)	1.9101 (0.031)b
Mayor*Soc	0.350 (0.997)	0.1009 (0.794)	-0.0041 (0.926)	9.2618 (0.580)	-414.962 (0.070)c	-0.0832 (0.634)	-1.6306 (0.258)	-0.1123 (0.647)	-0.1432 (0.511)
Manag*Soc	0.623 (0.045)a	-0.2394 (0.661)	-0.1092 (0.417)	-0.2685 (0.435)	-0.5186 (0.2950)	-0.1503 (0.6210)	0.3009 (0.226)	0.1463 (0.579)	0.6797 (0.038)b
Forcomm*Resp	0.729 (0.106)	0.0422 (0.917)	-0.0073 (0.940)	-0.2277 (0.507)	-2.1187 (0.008)a	-0.2757 (0.407)	0.5282 (0.474)	0.5219 (0.159)	0.1256 (0.842)
AudComm*Resp	-20.809 (0.908)	0.1028 (0.791)	0.0811 (0.347)	-32.6289 (0.495)	103.74 (0.066)c	0.4806 (0.006)a	-0.2392 (0.237)	0.0512 (0.600)	-3.2051 (0.088)c
Mayor*Resp	15.8933 (0.914)	-0.8665 (0.258)	0.0666 (0.489)	28.6468 (0.461)	-67.969 (0.133)	0.2670 (0.323)	1.1269 (0.542)	-2.2877 (0.000)a	3.1773 (0.000)a
Manag*Resp	-0.58959 (0.160)	0.6464 (0.324)	0.02324 (0.779)	-0.1614 (0.627)	-2.1424 (0.022)b	0.0246 (0.911)	-0.2112 (0.465)	0.1994 (0.584)	0.0322 (0.948)
Size	-0.3425 (0.000)a	-0.2745 (0.283)	0.1018 (0.005)a	-0.0341 (0.668)	-0.1576 (0.313)	-0.0180 (0.785)	-0.0205 (0.771)	0.0153 (0.771)	-0.1987 (0.020)b
Lev	0.6338 (0.466)	0.4342 (0.717)	1.0985 (0.000)a	1.1800 (0.000)a	8.835 (0.000)a	0.8263 (0.187)	1.167 (0.000)a	-0.2546 (0.561)	2.4987 (0.000)a
ROA	2.4909 (0.040)a	1.9657 (0.363)	3.2130 (0.000)a	4.3616 (0.000)a	20.4107 (0.000)a	2.627 (0.014)b	1.585 (0.001)a	-4.5977 (0.041)b	5.0699 (0.000)a
C	-	3.363 (0.353)	-1.9065 (0.182)	-	-3578.384 (0.065)c	-0.3374 (0.764)	-1.9353 (0.097)	10.8259 (0.000)	3.2980 (0.301)
R-square	0.8703	0.2746	0.6396	0.7719	0.9340	0.3879	0.9025	0.4268	0.5734
Prob.	0.0000a	0.5419	0.0000	0.0000	0.000	0.000	0.000	0.0000	0.0000

Additional information: a= significant at 1%, b=significant at 5%, c= significant at 10%

4.2. Discussion

From the content analysis, descriptively illustrated that mining, real estate, agriculture and miscellaneous industries have higher corporate social disclosure than other industries. The highest index of CSD owned by the mining industry. The most content menus disclosed is labor-related aspects, and followed by environmental aspects. While the least content disclosed is the energy aspect. This finding explains that the CSR reporting aspect in Indonesia is still bound to meet the obligations set by the government [15]. Although CSR disclosure is still in the voluntary sphere, the disclosure practice meets the obligation which regulated by the government. The CSR code in Indonesia, initially emphasizes the aspect of environmental and social responsibility by companies whose nature of operations has an impact on the natural environment. Law No. 40 of 2007 specifically regulates the provision, which is reinforced by Government Regulation No. 47 of 2012 on social responsibility for the company.

The firm's responsibilities for the workforce are also regulated comprehensively in Law no. 13 of 2003. This rule underlined the role and position of the workforce, the importance of employee development to improve quality of labor and participation in development as well increased protection of workforce and their families accordingly with the dignity and dignity of humanity. The protection of labor is intended to ensure the rights of workers' basic rights and ensure equality opportunity and treatment without discrimination on any basis to realize the welfare of workers/laborers and their families keeping in mind the progress of the world's progress business.

The main finding of this study is that corporate social disclosure has value relevance, both to company's financial performance and to company value. More specific results were identified: the disclosure of labor-related aspects had positive relevance. A reasonable explanation for these outcomes is labor-related is the highest index disclosure. The CSD of the consumer goods industry has the strongest relevance value (indicated by the lowest p-value), although the industry does not have the highest CSD disclosure in all aspects. However, the existence of foreign commissioners, audit committees and majority ownership influences CSR disclosure practices and reinforces the influence of CSD on corporate value.

5. Conclusion

Based on analysis in the previous section, we conclude that CSR disclosure has value relevance, both to the firm's value and the financial performance of the firm. In more detail analysis of CSR disclosure per industry sector, we suggest that each industry has a different broad disclosure of each aspect of CSR. Furthermore, each industry sector has a different aspect of CSR, which affects the relevance of its value. The dominant aspect of CSR is labor-safety, where for companies with good disclosure quality, it affects firm value and financial performance from shareholders' point of view.

Other findings are some aspects of good corporate governance has a role to strengthen the relevance of CSR disclosure value. The presence of foreign commissioners positively affects the value of the firm, as well as aspects of audit committees and majority ownership and managerial ownership. Each aspect of CG has either a direct role as well as moderating CSR disclosure. From more detailed analysis, we found in every industry sector, not all aspects of CG have the same role on value relevance of CSR disclosure.

In addition, in Indonesia, high profile firms in CSR, i.e. agricultural and mining companies have the smallest firm value, even though they have more CSR disclosure content than other companies. Companies in sector 5, Goods Consumption industry has the largest firm value and the largest ROA and ROE as well. This indicates that the greater the disclosure, do not lead the higher its value relevant. This leads to research opportunities in the future.

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