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The Influence of the BOD`s characteristics toward corporate social responsibility: Study non financial and financial firms in Indonesia

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ABSTRACT

This paper addresses the relationship between independent directors, gender diversity, board of directors (BOD) size, BOD meeting, BOD tenure, BOD turnover, and BOD remuneration to corporate social responsibility (CSR). This research is an empirical analysis using resource dependence theory, which underlies BOD as a capital provider for companies to respond to community engagement. The research sample is a company listed on the Indonesia Stock Exchange for the 2016-2019 period which consists of 232 companies and 927 observations. It is revealed that independent directors and BOD size have a positive and significant effect on CSR, while gender diversity, BOD size, BOD meeting, BOD tenure, and BOD turnover are not able to influence CSR. Surprisingly, independent directors and BOD turnover have a negative and significant correlation with CSR in the context of financial companies. BOD in Indonesia does not consider CSR as part of a firm`s strategic policy and fails to demonstrate the existence of the firm as part of the social system. These findings serve as a significant feedback for regulators and firms. It is preferable that the regulators consider revising the implementation of CSR-related regulations, which only requires companies that engage in the natural resources business or activities related to the natural resources business to conduct corporate social and environmental responsibility (CSR) activities. Regulators also need to reconsider regulations on the standard number of women in BOD, requirement to increase the number of BOD, and the requirement to establish a CSR committee. Meanwhile, the company needs to improve the recruitment system for BOD candidates that pays attention to community engagement.

Introduction

Arvidsson`s (2014) research using semi-structured interview techniques to financial analysis concluded that investors do not pay attention to CSR trends and they never ask how the company's strategy for CSR has been carried out. The financial analysis states that CSR funds are only a small part of the company's costs so that it does not affect the implications of CSR carried out. Surprisingly, only 5% of investors pay attention to CSR, while the rest is more concerned with profit information. This study addresses whether the BOD do not pay attention to how CSR is communicated to the public.

The importance of the above-mentioned question lies on the claim that CSR has become the primary concern of stakeholders (Darus et al., 2009). From the perspective of stakeholder theory and legitimacy, the company is described as part of the social system (Deegan, 2002), which has a social contract with the community (Wardiwiyono, 2017). CSR leads to a close attachment to the environment, so that its responsibility for the environment is better, such as pollution control, reforestation programs, conservation of natural resources, and other environmental programs (Najamuddin et al., 2019). Society has the power to stop the company's operations if it does not operate within the limits of acceptable ethical values (Deegan, 2002; O'Donovan, 2002; Wardiwiyono, 2017). Therefore, companies seek to gain community legitimacy through CSR to ensure business continuity (Gray et al., 1995). The substance objectives of CSR conveyed by stakeholders and legitimacy theory are the same as those found by Arvidsson (2014), in that CSR is only used as a tool to avoid legal problems, fines, and a bad image (Arvidsson, 2014).

The aforementioned explanation results in a gap, since on the one hand, the company focuses on accounting information to investors, while on the other hand, the company is required to carry out its obligations as part of the social system. Thus, this study reinforces the question, whether the board of directors' (BOD) pays attention to how CSR is communicated. This study investigates the effect of the BOD`s characteristics, namely independent directors, gender diversity, BOD size, BOD meeting, BOD tenure, BOD turnover, and BOD remuneration, on CSR disclosure.

To answer the research question, the researcher is not allowed to use legitimacy theory and stakeholder theory to capture the relationship between corporate governance and CSR as indicated by a previous study (Galbreath, 2011). This is attributed to the fact that these theories are inclined to favour CSR, rather than explaining

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the character of corporate governance. For this reason, this study uses resource dependence theory (RDT), which tends to explain BOD capital, which becomes a company's strength or weakness (Hillman et al., 2009; Hillman & Dalziel, 2003) and creates value for the company (Diaz et al., 2018). This paper underlines the influence of BOD capital toward CSR. Thus far, there has been relatively little subsequent advancement on the impact of BOD capital on CSR which is the first contribution of this paper.

The second contribution is made by observing seven BOD characteristics, namely independent directors, gender diversity, BOD size, BOD meeting, BOD tenure, BOD turnover, and BOD remuneration on CSR. Previous researches have tended to examine the relationship between independent directors, gender diversity in BOD, and BOD size, but the relationship between BOD tenure, BOD turnover and BOD remuneration to CSR is still rudimentary.

The third contribution is made by having empirical evidence of the relationship between BOD characteristics and CSR as complemented by two derivatives. The first derivative is CSR covering all companies listed on the Indonesia Stock Exchange, which are further divided into CSR economic, CSR environment, and CSR social, which refers to the GRI index (Hamdani et al., 2020). The second derivative is CSR, which is mapped based on the types of non-financial firms and financial firms which are also equipped with the distribution of CSR economic, CSR environment, and CSR social. Non-financial firms are tested for the fact that they are clustered corporations using natural resources that are required to comply with regulations to conduct CSR (Law No. 40 of 2007 Article 74). This obligation has put non-financial firms in a more sensitive position (Reverte, 2016) and placed them under the pressure of the implementation of CSR than financial firms (Prior et al., 2008). However, this paper responds to Rouf (2011) to cover CSR research in financial firms. Finally, the findings of this study have several important implications for future practice for both regulators and firms.

The rest of the paper is revealed as the following. The second part discusses theories and hypotheses. The third part discusses population, sample, and variables measurement. Results and discussion in the fourth sections. The last part is the conclusion, limitations, and suggestions for future research.

Literature Review

Resource Dependence Theory

Resource dependence theory (RDT) describes that BOD is a provider of resources for companies, which is then referred to as board capital (Chhotary & Stoker, 2009; Hillman et al., 2009; Hillman & Dalziel, 2003; Udayasankar, 2008). Board capital consists of expertise, experience, reputation, and the board's ability to deal with external stakeholders, who have links to influence other business institutions (Chhotary & Stoker, 2009; Hillman et al., 2009; Hillman & Dalziel, 2003). All of these board capital components will be the company's strengths or weaknesses (Hillman et al., 2009; Hillman & Dalziel, 2003) and create value for the company (Diaz et al., 2018). Furthermore, the implications of board capital, which become the company's strength will provide benefits in the form of access to external preferences, good communication channels to external stakeholders, and the ability to gain legitimacy (Hillman et al., 2009; Hillman & Dalziel, 2003; Huse, 2007). The implications of board capital will affect the performance of the company (Hillman et al., 2009; Hillman & Dalziel, 2003). In the CSR aspect, BOD is a major governance mechanism that can influence CSR decisions and disclosures (Michelon & Parbonetti, 2012; Rupley et al., 2012). To represent RDT, this paper capture BOD characteristics that consist of BOD size, BOD meeting, independent directors, gender in BOD, BOD tenure and turnover (Hillman et al., 2009; Hillman & Dalziel, 2003; Huse, 2007). Furthermore, BOD remuneration is used since the ability remuneration is able to encourage BOD to give the maximum level of performance Hillman et al. (2009).

Independent Directors and CSR

Throughout this paper, independent directors will refer to board members who do not hold executive positions in their workplace (Qa`dan & Suwaidan, 2019). Wang & Coffey (1992) described that independent directors play an important role in monitoring insiders and protecting the interests of stakeholders so that their function is monitoring and supervision (Jizi et al., 2014). Independent directors not only represent shareholders, but also all stakeholders (Haniffa & Cooke, 2005), and thus independent directors tend to have a high degree of transparency in voluntary disclosure (Jizi et al., 2014; Liao et al., 2015). Therefore, they pay more attention to the long-term value and benefits of the company (Jizi et al., 2014; Kabir & Thai, 2017), including paying attention to CSR (Kabir & Thai, 2017), being sensitive to social issues (Ibrahim et al., 2003), and ensuring that the management complies with environmental laws (Kassinis & Vafeas, 2002).

The higher the percentage of independent directors, the higher the level of social responsibility (Ibrahim & Angelidis, 1994), keeping the company away from lawsuits due to environmental violations (Kassinis & Vafeas, 2002) The company applies a particular technique to make a social performance of workers, customers, suppliers, communities, and to increase its social status (Huang, 2010). Independent directors in the banking sector have significant positive implications for CSR disclosure (Htay et al., 2012). However, an insignificant relationship was

revealed between the independent directors and CSR in Malaysia (Lim et al., 2008; Razak & Mustapha, 2013; Said et al., 2009). Meanwhile, Esa & Ghazali (2012) and Haniffa & Cooke (2005) found a significant negative relationship between independent directors and CSR since they tend to adopt risk-averse behaviour. They minimize social and environmental disclosures that can cause reputational and financial risks to the company if the company's CSR underperforms expectations. In Indonesia, the Financial Service Authority (FSA) Regulation No. 33 of 2014 requires that at least one or 30 per cent of the total BOD. However, since there is no clear evidence on this implication, this research proposes the following hypothesis:
H1a: A higher degree of independent directors is related to CSR in non-financial firms
H1b: A higher degree of independent directors is related to CSR in financial firms

Gender Diversity in BOD and CSR

Throughout this paper, gender diversity refers to the presence of women in the BOD as one aspect of board diversity (Biswas et al., 2018; Carter et al., 2003). The presence of women in BOD represents the uniqueness of BOD with an interesting trend in modern corporations (Qa`dan & Suwaidan, 2019) and has become a popular study (Ibrahim & Hanefah, 2016). Women increase different perspectives in meetings and increase quality decisions (Barako & Brown, 2008) which are more strategic (Bantel, 1993).

The strategic value mainly refers to CSR. First, women tend to be more charitable and more involved in philanthropic activities, whereas men are more inclined with profitable activities (Bernardi & Arnold, 1997; Ibrahim & Angelidis, 1994; Williams, 2003). Second, women are more likely to have ethical behaviour than men (Ford & Richardson, 1994; Luthar et al., 1997). Third, Women are more compassionate, nurturing, altruistic, polite, trusting, compliant, social and motivated to maintain social and emotional bonds than men (Weisberg et al., 2011). Fourth, a female presence on BOD may influence firm and societal outcomes. Finally, through RDT, gender diversity in BOD is considered to have a capital to create benefits for the company. Thus, gender diversity needs to be investigated (Adams & Kirchmaier, 2016).

A previous research by Webb (2004) proved that companies that carry out social responsibility have more number of female directors. Liao et al. (2015) reported that gender diversity significantly reduces the use of greenhouse gases. On the other hand, Hayes (2001) by surveying 9,495 respondents found no difference between men and women in their concern for the environment. Meanwhile, Muttakin et al. (2015) by observing 116 non-financial firms in Bangladesh found a negative relationship to CSR. Unfortunately, unlike developed countries that require a minimum quota for the presence of women in the BOD (Smith, 2018), regulators in Indonesia have not required the presence of women in BOD to firms listed on the Indonesia Stock Exchange. Since there is no clear evidence on this aspect, this research proposes the following hypotheses:
H2a: A higher degree of gender diversity in BOD is related to CSR disclosure in non-financial firms
H2b: A higher degree of gender diversity in BOD is related to CSR disclosure in financial firms

BOD Size and CSR

Board size is an important component in corporate governance (Hillman et al., 2009). A higher number of BOD size is considered more in line with RDT due to the assumption that a higher number of BOD implies a higher diversity of BOD background from the level of education, expertise, experience, and reputation (Adams et al., 2005) which are then referred to as boards capital (Hillman et al., 2009; Hillman & Dalziel, 2003). Furthermore, the breadth of BOD capital enables the company to reach all stakeholders with the division of labour adjusted to capital. Cormier et al. (2009) explained that a higher number of BOD can build relationships with external stakeholders, and improve the publishing of voluntary disclosures (Laksmana, 2008) which includes CSR. Thus, a higher number of BOD implies a higher CSR disclosure (Ntim & Soobaroyen, 2013; Qa`dan & Suwaidan, 2019; Siregar & Bachtiar, 2010).

However, BOD size has no implications for CSR disclosure (Byard et al., 2006; Dienes & Velte, 2016; Dyduch & Krasodomska, 2017; Said et al., 2009). A higher number of BOD leads to weak communication and coordination, which results in slow decision making, including voluntary disclosure of CSR information. Small number of BOD is preferred since it allows diversification of expertise (Guest, 2009). In Jordan, the capital market regulator sets an upper and lower limit of 13 to 5 for the number of BOD, while FSA Regulation No. 33 of 2014 in Indonesia only stipulates 2 members of BOD as the minimum requirement. Since there is no clear evidence on this aspect, this research proposes the following hypotheses:
H3a: BOD size affects CSR disclosure in non-financial firms
H3b: BOD size affects CSR disclosure in financial firms

BOD Meeting and CSR

BOD needs to actively conduct meetings as a form of operational and earnestness commitment (Cheng & Courtenay, 2004). A higher number of meeting is held to imply more ideas, discussions, and choices of options

that result in strategic decisions. The BOD meeting discusses short-term and long-term strategies and drives BOD to supervise better company operations, including strategic decisions on CSR (Rutherford & Buchholtz, 2007), which has direct implications on CSR disclosure (Vafeas, 1999). Interestingly, social and environmental issues will continue to increase (Arvidsson, 2010), so CSR may also change over time (Tencati et al., 2004), which requires a BOD to conduct frequent meetings to disclose CSR (Dienes & Velte, 2016; Laksmana, 2008). However, FSA Regulation No. 33 of 2014 in Indonesia only regulates that BOD carries out 1 meeting per month or 12 times per year without any emphasis on the requirement to have a special meeting to discuss CSR. In addition, there is no particular regulation to require the existence of a CSR committee as those required by developed countries. This fact is well portrayed by Arvidsson (2014), who stated that although CSR has been increasingly implemented, it is only a tool of legitimacy and avoidance of lawsuits (Arvidsson, 2010), and thus BOD may focus on the company's profit strategy as the main concern of stockholders. Since there is no clear evidence on this aspect, this research proposes the following hypotheses:
H4a: BOD meeting affects CSR disclosure in non-financial firms
H4b: BOD meeting affects CSR disclosure in financial firms

BOD Tenure and CSR

Tenure and work experience have the same direction. A higher BOD tenure implies the BOD experience, knowledge, and expertise. This is seen by RDT as capital that can provide value to the company, including in social, environmental issues and binding regulations. In detail, BOD tenure reflects the diversity of experience and higher knowledge that can produce a favourable balance for CSR disclosure (Hafsi & Turgut, 2013). On the other hand, BOD with longer tenures may be less open-minded, which is difficult for the vulnerable parties (Hambrick et al., 1993), so companies usually change BOD to get better BOD qualifications (Muhammad et al., 2021). In Indonesia, FSA Regulation No. 33 of 2014 stipulates that the BOD period serves a maximum of 5 years and they can be re-elected. Since there is no clear evidence and limitations from the previous study, this study proposes the following hypotheses:
H5a: BOD tenure affects CSR disclosure in non-financial firms
H5b: BOD tenure affects CSR disclosure in financial firms

BOD Turnover and CSR

Throughout this paper, BOD turnover refers to the change of BOD members. BOD turnover is considered a good indicator because it has the opportunity to enter new members of BOD who have the ability and competence to increase company value (Hillman et al., 2009; Muhammad et al., 2021). The capabilities and competencies in question are BOD members who are more experienced, knowledgeable, and open-minded (Al-Matari et al., 2014). Finally, BOD turnover is carried out because the company needs to improve the value of the company, which could not be achieved by the released BOD members (Muhammad et al., 2021). These improvements include CSR. Low environmental performance increases the likelihood of CEO turnover (Chiu & Sharfman, 2018; Liu & Zhang, 2017). Since there is no clear evidence and limitations from the previous study, this study proposes the following hypotheses:
H6a: BOD turnover affects CSR disclosure in non-financial firms
H6b: BOD turnover affects CSR disclosure in financial firms

BOD Remuneration and CSR

Competencies and capabilities in RDT are board capital that includes competence, knowledge, experience, reputation, and ability to deal with externals. Motivation in the form of remuneration is expected to have implications for BOD to consistently carry out broad responsibilities covering financial and social performance. Therefore, RDT describes proper remuneration that can motivate the BOD, in this case increasing the resources in the form of best competencies and capabilities (Hillman et al., 2009; Hillman & Dalziel, 2003). Previous studies by Callan & Thomas (2011), Callan & Thomas (2014), Mahoney & Thorn (2006), and Mahoney & Thorne (2005) found a positive and significant relationship between BOD remuneration and CSR.

However, BOD remuneration can also lead to a disparity between employees and arrogant behaviour (Bliss & Rosen, 2001; Brown & Sarma, 2007; Datta et al., 2001). BOD arrogance can indicate the indifference and social sensitivity of insiders and outsiders. In addition, bonuses also harm BOD, since bonuses indicate sales/revenue targets achieved in the short term (Healy, 1985; Holthausen et al., 1995; Lewellen et al., 1987). As a result, BOD is only concerned with aspects of short-term profits and personal interests, rather than the future value and the interests of the company. Since there is no clear evidence and limitations from the previous study, this study proposes the following hypotheses:
H7a: BOD remuneration affects CSR disclosure in non-financial firms
H7b: BOD remuneration affects CSR disclosure in financial firms

Research Method

Population and sample

Companies listed on the Indonesia Stock Exchange (IDX) were used as the study population and purposive sampling were used to get samples. The criteria of purposive sampling are published annual reports from 2016-2019, and complete raw data from CSR variables, independent directors, gender diversity, BOD size, BOD meeting, BOD tenure, BOD turnover, and BOD remuneration. As a result, this paper has the data of 232 companies with 927 observations. The details of the data consist of 171 non-financial companies with 683 observations, and 61 financial companies with 244 observations.

Variable Measurement

The dependent variable in this study is CSR as measured by the global reporting initiative (GRI) Index in 2019 with total index of 91 items. The GRI Index was chosen because of the breadth of CSR in economic, environmental, and social aspects, which were assessed as the index with the most comprehensive and acceptable CSR disclosure across all types of industries (Wilburn & Wilburn, 2013). The input was dummy variable to score firms that disclose CSR, and 0 for those that do not disclose CSR. Variable measurements of BOD are presented in Table 1.

Table 1. Variable measurement

Variabel	Abbreviation	Measurement
Independent directors	inddir	Percentage of independent directors to the total number of BOD
gender diversi	gend	Percentage of female directors to the total number of BOD
BOD size	bodsi	Number of BOD
BOD meeting	bodme	Number of meeting
BOD tenure	bodte	Number of years BOD has held
BOD turnover	bodto	Dummy, 1 for turnover of BOD, conversely
BOD remuneration	bodrem	log natulal of BOD remuneration
Age of firms	age	usia perusahaan
Size of firms	size	log natural

The research model for this research can be expressed in the following equation:

$$CSR = \beta_0 + \beta_1 INDDIR_1 + \beta_2 GEND_2 + \beta_3 BODSI_3 + \beta_4 BODME_4 + \beta_5 BODTE_5 + \beta_6 BODTO_6 + \beta_7 BODREM_7 + \beta_8 AGE_8 + \beta_9 SIZE_9 + \varepsilon$$

Results and Discussion

Descriptive Analysis

The descriptive analysis is presented in Tables 2 and 3. Table 2 focuses on BOD characteristics and CSR in general, while Table 3 presents the classification of BOD characteristics and CSR in the categories of non-financial and financial firms. Substantially, the average gender diversity in Indonesia is only 16.47%, which indicates that the number of directors who allow the presence of women is around 5-6 members of the board of directors. This fact is in line with the average value of BOD size of 5.14. Furthermore, the independent directors also only amounted to 16.71, which is almost the same as the descriptive analysis of gender diversity. It was also found that the average BOD meeting finding was 20.55, which was higher than that required by the regulator. This paper examines whether the BOD meeting has implications for CSR issues. The average BOD tenure is 6.10, which shows that BOD has served as BOD in a company for more than 6 years. This result is in accordance to FSA Regulation No. 33 of 2014 in Indonesia, which stipulates that the maximum term of office for BOD is 5 years and can be extended, implying that BOD in Indonesia is quite trusted by shareholders in leading the company. Interestingly, it is necessary to examine whether the BOD in Indonesia has been in office for longer period due to good CSR performance or not. BOD turnover in Indonesia amounted to 33.94%, which takes 3 times to reach 100%. In other words, 1 BOD in Indonesia is replaced every 3 years. This paper tries to find evidence to indicate whether the company has succeeded in obtaining BOD concerned with social and environmental issues. Finally, the average natural log of BOD remuneration is 10.08, which can motivate BOD to provide the best capital with further implications on the concern on environmental issues.

The subsequent analysis deals with CSR. On average, CSR in Indonesia using the GRI index shows a low value of 29.41% (Table 2). In other words, on average companies only disclose 22 topic-specific indicators out of a total of 91 CSR indicators. Interestingly, non-financial firms are lower in disclosing CSR than financial companies, namely 27.63% compared to 34.38% (Table 3).

Table 2. Descriptive Statistics

variables	min	max	mean	std dev
inddir (x%)	0	1	0,16712	0,15114
gender (x%)	0	1	0,16471	0,19208
bodsi (n)	2	15	5,145474	2,149574
bodme (n)	3	282	20,55388	17,36856
bodten (n)	0,5	27	6,105649	4,007
bodto (n)	0	1	0,33944	0,473774
bodrem (ln)	8,559188	11,65954	10,08385	0,549923
age (n)	4	161	38,90517	19,53018
size (ln)	10,73244	15,1513	12,73444	0,804502
csreco (n)	5	11	6,748922	1,919215
csrli (n)	1	29	9,428879	6,326372
csrso (n)	1	33	13,23384	8,138649
csr (n)	7	60	29,41164	14,00997

Source: stata output v.16

Table 3. Descriptive Statistics of Non Financial and Financial Firms

variables	Non Financial Firms				Financial Firms			
	min	max	mean	std dev	min	max	mean	std dev
inddir (x%)	0,000	1,000	0,1715	0,1492	0,000	0,5	0,1546	0,1559
gender (x%)	0,000	1,000	0,1675	0,1965	0,000	0,6667	0,1568	0,1792
bodsi (n)	2,000	15,000	4,994	1,956	2,000	13,000	5,570	2,574
bodme (n)	3,000	72,000	18,985	13,220	4,000	282,000	24,951	25,164
bodten (n)	0,500	27,000	6,237	4,079	1,000	21,750	5,738	3,783
bodto (n)	0,000	1,000	0,332	0,471	0,000	1,000	0,361	0,481
bodrem (ln)	8,559	11,630	10,030	0,510	8,653	11,660	10,234	0,625
age (n)	4,000	161,000	37,640	20,126	11,000	107,000	42,451	17,306
size (ln)	10,732	14,345	12,586	0,703	11,369	15,151	13,150	0,920
csreco (n)	5,000	11,000	6,421	1,797	5,000	11,000	7,668	1,956
csrli (n)	1,000	29,000	9,307	6,715	1,000	25,000	9,770	5,077
csrso (n)	1,000	33,000	11,911	7,457	1,000	33,000	16,943	8,811
csr (n)	7,000	60,000	27,639	13,564	7,000	60,000	34,381	14,071

Source: Stata output v.16

Results

The results of hypotheses testing are presented in Table 4. First, it was revealed that the independent director has a positive and significant effect on CSR, amounted to 6,924 with the error rate of 5%. The significance value of the regression continues on the proxies that form CSR, namely CSR economy (CSREco), CSR environment (CSREnv), and CSR social (CSRSoc). The independent directors are positive and significant to the economic aspect of CSR, scoring 0.352 with the error rate of 1%. The independent directors are positive and significant on the environmental aspect of CSR, scoring 2,089 with the error rate of 1%. In addition, independent directors are positive and significant towards social aspect CSR which is 2,202 with an error rate of 1%.

Second, it was known that gender diversity has no effect on CSR as shown by value -0.946. The absence of women in the BOD to CSR continues in the proxies of forming CSR, namely the economy with a value of 0.190, the environment with a value of 0.0296, and social with a value of 0.293. Third, BOD size has a positive and significant effect on CSR, scoring 0.627 with the error rate of 10%. However, the empirical relationship becomes weak or has no effect on all CSR proxies, namely the economy as shown by value of -0.0474, environment with a value of 0.158, and social with a value of 0.218.

Fourth, the BOD meeting has no effect on CSR as shown by value of 0.0137 and continues on the proxies for forming CSR, namely the economy with a value of 0.00260, the environment with a value of -0.00184, and social with a value of 0.0195. Fifth, BOD tenure is also not able to significantly influence CSR with a value of -0.0958. Surprisingly, BOD tenure has a negative and significant impact on the economic aspect of CSR, with a value of -00358 and the error rate of 10%. Sixth, BOD turnover is not able to give implications for CSR as shown by value of -0.0688 and all its proxies are economic with a value of -0.147, environmental with a value of -0.0204, and social with a value of -0.240. Finally, BOD remuneration is also not able to influence CSR as shown by value of 0.464, where this trait decreases with the same pattern in the aspect of CSR economy with the value of 0.231, CSR environment with the value of 0.231, and CSR social with the value of -0.552.

This study provides two points to extend the discussion of the findings. First, hypothesis testing of BOD characteristics on CSR is clarified with the relationship between BOD characteristics on all aspects of CSR, namely economy, social and environment. Second, a deeper explanation is also provided for the relationship between BOD and CSR, e CSR economy, CSR environment, and CSR social in two types of firms that are often observed in CSR studies, namely non-financial firms and financial firms, which are presented in Tables 5 and 6.

Table 4. Regression test results

Variables	csr	csreco	csrli	csrso
inddir	6.924**	0.352***	2.089***	2.202***
	(3.244)	(0.102)	(0.339)	(0.441)
gender	-0.946	0.190	0.0296	0.293
	(3.049)	(0.143)	(0.477)	(0.620)
bodsi	0.627*	-0.0474	0.158	0.218
	(0.361)	(0.0474)	(0.158)	(0.206)
bodme	0.0137	0.00260	-0.00184	0.0195
	(0.0314)	(0.00397)	(0.0133)	(0.0172)
bodten	-0.0958	-0.0358*	0.00157	-0.0367
	(0.159)	(0.0204)	(0.0683)	(0.0887)
bodto	-0.688	-0.147	-0.0204	-0.240
	(0.768)	(0.0961)	(0.320)	(0.417)
bodrem	0.464	0.231	-0.552	0.786
	(1.846)	(0.238)	(0.795)	(1.032)
age	-0.105**	-0.0115*	-0.0351*	-0.0572**
	(0.0456)	(0.00615)	(0.0207)	(0.0267)
size	0.823	0.418**	0.819	0.242
	(1.438)	(0.190)	(0.636)	(0.823)
Constant	14.66	-0.364	3.597	1.453
	(16.68)	(2.202)	(7.386)	(9.558)
Obs	927	927	927	927
N	232	232	232	232
R2	66.8	32.7	63.5	59.7

Note: inddir: independet directors; gender: gender diversity; bodsi: BOD size; bodme: BOD meeting; bodten: BOD tenure; bodto: BOD turnover; bodrem: BOD remuneration; age: firms age; size: firms size; and *, **, *** indicate significance at the 10%, 5%, and 1% levels.

Table 5. Non Financial Firms Context Regression Test Results

Variables	csr	csreco	csrli	csrso
inddir	12.17***	1.520***	2.952***	12.17***
	(4.160)	(0.524)	(0.463)	(4.160)
gender	-3.879	-0.218	-0.224	-3.879
	(3.629)	(0.464)	(0.621)	(3.629)
bodsi	0.755*	-0.00905	0.0910	0.755*
	(0.434)	(0.0556)	(0.207)	(0.434)
bodme	-0.0267	0.00304	-0.0203	-0.0267
	(0.0553)	(0.00706)	(0.0253)	(0.0553)
bodten	-0.122	-0.0506**	0.0189	-0.122
	(0.188)	(0.0241)	(0.0864)	(0.188)
bodto	-0.802	-0.154	-0.0733	-0.802
	(1.030)	(0.127)	(0.432)	(1.030)
bodrem	1.510	0.565**	-0.747	1.510
	(2.194)	(0.282)	(1.020)	(2.194)
age	-0.134***	-0.0166***	-0.0512**	-0.134***
	(0.0476)	(0.00631)	(0.0246)	(0.0476)
size	-1.416	-0.0693	0.868	-1.416
	(1.736)	(0.226)	(0.844)	(1.736)
Constant	31.70	1.619	5.405	31.70
	(19.75)	(2.552)	(9.730)	(19.75)
Obs	683	683	683	683
N	171	171	171	171
R2	44.2	60.9	91.5	94.8

Note: inddir: independet directors; gender: gender diversity; bodsi: BOD size; bodme: BOD meeting; bodten: BOD tenure; bodto: BOD turnover; bodrem: BOD remuneration; age: firms age; size: firms size; and *, **, *** indicate significance at the 10%, 5%, and 1% levels.

Table 6: Financial firms context regression test results

Variables	csr	csreco	csrli	csrso
inddir	-4.332*	-0.528	-1.939**	-1.972
	(2.373)	(0.401)	(0.887)	(1.659)
gender	-0.321	-0.0481	0.341	-0.407
	(2.718)	(0.457)	(1.014)	(1.896)
bodsi	0.0768	0.00660	0.106	-0.0445
	(0.299)	(0.0504)	(0.112)	(0.209)
bodme	-0.00150	-0.00132	-0.000930	0.00121
	(0.0155)	(0.00263)	(0.00581)	(0.0109)
bodten	0.0534	0.0185	0.0423	-0.0121
	(0.150)	(0.0250)	(0.0557)	(0.104)
bodto	-0.942*	-0.205**	-0.284	-0.455
	(0.522)	(0.0887)	(0.195)	(0.366)
bodrem	-0.443	-0.0943	-0.0900	-0.294
	(1.619)	(0.271)	(0.604)	(1.128)
age	0.145	0.0130	0.0653*	0.0604
	(0.0969)	(0.0139)	(0.0349)	(0.0630)
size	3.008	0.630**	0.514	1.776
	(1.977)	(0.298)	(0.719)	(1.313)
Constant	-6.410	-0.146	0.692	-5.140
	(23.46)	(3.495)	(8.513)	(15.50)
Obs	244	244	244	244
N	61	61	61	61

Note: inddir: independet directors; gender: gender diversity; bodsi: BOD size; bodme: BOD meeting; bodten: BOD tenure; bodto: BOD turnover; bodrem: BOD remuneration; age: firms age; size: firms size; and *, **, *** indicate significance at the 10%, 5%, and 1% levels.

Empirical Relationship of Independent Director and CSR

The empirical evidence of this paper reveals that independent directors have a positive and significant relationship on CSR, with a value of 6,924 with an error rate of 5%. RDT assesses that independent directors have capital, such as knowledge, experience, expertise which are used by firms to understand strategic issues in the long term (Hillman & Dalziel, 2003). Although the issue of CSR has a small proportion than profit, with a value of 5%, CSR will certainly continue to experience an increasing trend (Arvidsson, 2014), where independent directors are capable of predicting company value, including the implications of CSR (Ibrahim et al., 2003; Jizi et al., 2014; Kabir & Thai, 2017). This explanation is confirmed by the results of the proxies that form CSR, namely CSR economy (CSREco), CSR Environment (CSREnv), and CSR social (CSRSoc), which are consistently positive and significant. It implies the independent director's awareness that the company will face some challenges in the future if CSR issues are not addressed. As a result, they are used by companies to avoid legitimacy problems and lawsuits in the future (Kassinis & Vafeas, 2002). Independent directors do so since they are the most supportive board structure for CSR activities (Johnson & Greening, 1999).

Moreover, because independent directors are concerned with the implications of the future value of the company and are concerned with social aspects, they have the nature to publish reports that are more transparent than all other types of board structures (Lim et al., 2007) and CSR (Jo & Harjoto, 2011; Khan et al., 2013; Rouf, 2011; Said et al., 2009). This empirical finding is in line with research by Dunn & Sainty (2009), and Jo & Harjoto (2011).

Referring to Table 5 on the non-financial firms, it is clear that the independent directors consistently has a positive and significant effect on CSR, with a value of 12.17 and the error rate of 5%. Furthermore, the independent directors have a positive and significant on proxies of CSR, CSR economy as shown by value of 1,520 with an error rate of 1%, CSR environment as shown by value of 2,952 with an error rate of 1%, and CSR social as shown by value of 12.17 with an error rate of 1%. There are no changes in the analysis from the previous paragraph in explaining the strong relationship between independent directors and CSR. In addition to the analysis, non-financial firms consisting of mining companies, chemical industries, natural resources receive more attention in the issue of environmental damage. Thus, the presence of independent directors are expected to mitigate risks related to CSR.

By referring to Table 6, it is obvious that the financial firms and the independent directors have a negative and significant effect on CSR, with a value of -4.332 and the error rate of 10%. This relationship continues when the independent directors have a negative and significant relationship with the CSR environment as shown by value of -1.939 with an error rate of 5%. This is because the financial firms do not engage in natural resources, which can cause environmental damage in their operations. This refers to regulations in Indonesia that obliges the firms engaging in business activities in the field of and/or related to natural resources to perform CSR (Law No. 40 of 2007 Article 74; Honggowati et al., 2017; Kumala & Siregar, 2021). Thus firms through RDT believe that the independent directors are prepared not to respond to CSR, but they shall indicate goodwill (Jizi et al., 2014). In fact, CSR is the responsibility of all types of firms because firms are part of a social system that stands in the midst of society (Wardiwiyono, 2017). This finding implies that regulators need to revise regulations to require all types of firms to conduct CSR.

Empirical Relationship of Gender Diversity and CSR

The empirical evidence of this paper shows that gender diversity does not affect CSR, as indicated with the value of -0.946 (Table 4). This evidence continues to all proxies of CSR, namely CSR economy, CSR environment, and CSR social. Surprisingly, both non-financial firms (Table 5) and financial firms (Table 6) remained consistent in showing their inability in having gender diversity, as represented by the percentage of women in BOD on CSR. Thus, it is necessary to review the above descriptive analysis to analyze this fact empirically.

First, referring to the descriptive analysis in Table 2 and its explanation, the average gender diversity only reaches 16.47%. This value indicates the presence of one woman on the board out of 5-6 board members, which is also confirmed by the average BOD size. Second, Indonesia is different from developed countries that have accommodated women in BOD. Smith (2018) reported that Belgium has stipulated a quota of 33%, at least 1 woman in Finland, 40% in France, 30% in Germany, 40% in Iceland, 33% in Italy, 40% in Norway, and 40% in Spain. On the other hand, Indonesia has no regulation that stipulates the presence of women in the BOD structure. Third, the descriptive percentage revealed the value of 16.47, which is deemed quite far from the percentage value of developed countries that accommodate women, for example, 30% in Germany. Therefore, the assumption that gender diversity does not affect CSR and all of CSR proxies around industry types are attributed to the insufficient presence of women in influencing charitable policies, social outcomes, and ethical actions (Williams, 2003). Although addressing the same direction, which is less influential, Hayes (2001) referred to the behaviour of men and women in explaining CSR, while this paper underlines the less accommodated existence of women in BOD and lack of regulation by the regulators on this issue. This finding not only aims to revise the types of companies that are required to implement CSR but also to encourage regulators to pay attention to aspects of diversity, such as gender in the BOD structure.

Empirical Relationship of BOD Size and CSR

BOD size has a positive and significant effect on CSR in Indonesia, with a value of 0.6727 and the error rate of 10%. The average number of BOD is around 5 members, which exceeds FSA Regulation No. 33 of 2014 in Indonesia which stipulates a minimum of two BOD. Furthermore, RDT assesses that a larger number of BOD allows the inclusion of BOD members who pay attention to social and environmental issues and behave transparently as reflected in voluntary disclosure. This study is consistent with the previous study that a higher number of BOD members, the higher the opportunity for transparency in voluntary disclosure, including CSR (Laksmana, 2008; Ntim & Soobaroyen, 2013; Said et al., 2009; Siregar & Bachtiar, 2010).

Referring to Table 5 on non-financial firms, it is clear that the BOD size still provides consistent empirical results, which has a positive and significant effect on CSR, with a value of 0.755 and an error rate of 10%. This result is due to the fact that BOD needs to do it in accordance with regulatory obligations, which requires companies that exploit natural resources to carry out CSR activities. On the other hand, based on table 6 on the financial firms, it is obvious that BOD size has no effect on CSR, with a value of 0.0768. In line with the previous explanation, the regulator only requires companies that exploit natural resources to carry out CSR, and thus the BOD size of the financial firms only pays little attention to ethical values, philanthropic, and the environment. Consistent with the implication of independent directors, the findings of BOD size give a noteworthy point to regulators to revise the regulation by requiring all types of firms to implement CSR. Otherwise, the assumption that the company shall be part of a social system living in a society with an obligation to provide a tangible form of feedback through the CSR engagement remains only a matter of theoretical study.

Empirical Relationship of BOD Meeting and CSR

BOD meeting shows the inability to influence CSR. Based on the descriptive statistics in Table 3, the average number of meetings was 20 meetings. The number of meetings has exceeded the provisions of FSA Regulation No. 33 of 2014 in Indonesia, which is more than 1 time per month or 12 times per year. RDT also assessed that the higher number of meeting is more likely to discuss strategic issues and future corporate values, including CSR. However, empirical evidence proves that companies do not put CSR at their main concern in the meeting. This finding is different from Dienes & Velte (2016); and Laksmana (2008), which highlighted that CSR will be discussed at the meeting of the BOD. This finding is more directed to the stigma of existing regulations that CSR is only done to avoid lawsuits (Arvidsson, 2010). Therefore, when companies have been engaged in CSR, they believe that it is no longer important to discuss this issue at the meeting of BOD. BOD will be more inclined to discuss profit-making strategies than social and environmental issues.

Referring to Tables 5 and 6, it is obvious that both non-financial and financial firms consistently do not provide any implications for the relationship between the BOD meeting and CSR. Non-financial firms conducted 18 times BOD meetings, while financial firms conducted 24 times. Thus, the meeting of BOD is considered to have failed to show the company's strategic discussions on CSR.

Empirical Relationship of BOD Tenure and CSR

BOD tenure failed to show any relationship with CSR. Based on the descriptive statistics in Table 3, it is clear that the average BOD tenure in Indonesia is 6 years. In other words, shareholders are satisfied and trust the previous director keep on reelecting them as the new directors for another term. This finding is in line with FSA Regulation No. 33 of 2014 in Indonesia which stipulates that the term of office of the director is a maximum of 5 years and can be re-elected. Unfortunately, this empirical result is not in line with Hafsi & Turgut (2013), who explained that the long-serving BOD gives experience to the company's values in the future, including CSR. This finding is consistent with other variables, in that the BOD meeting has no inclination to discuss CSR issues.

The negative relation between BOD tenure and CSR is increasingly consistent with the finding of the same empirical evidence for both non-financial and financial firms. In the context of non-financial firms, BOD tenure does not affect CSR, as indicated with the value of -0.122. Meanwhile, BOD tenure in financial firms does not influence CSR, with a value of 0.0534. This paper emphasizes regulators to oblige all types of companies to conduct CSR, since there is a need for all types of firms to pay attention to CSR issues.

Empirical Relationship of BOD Turnover and CSR

BOD turnover is aimed at getting a new director who is experienced, knowledgeable, open-minded about risk, and pay special attention to the crisis that occurred in the firms. The firms in Indonesia are not given enough pressure on CSR issues, since the regulation only requires the type of firms engaging business activities in natural resources to carry out CSR, leaving other types of companies unregulated. This regulation has an impact on the inability of BOD turnover to influence CSR. The inability of the empirical influence continues across all types of CSR, including CSR economy, CSR environment, and CSR social.

First, it is clear that the type of non-financial firms, has no significant effect on CSR, with a value of -0.802 (Table 5). This means that firms that extract natural resources do not bring CSR issues into the BOD recruitment system. Thus, this paper provides practical advice for non-financial firms to raise CSR issues to prospective BOD considering that this type of industry is vulnerable to eco-harmful (Flammer, 2013). Second, financial firms show a negative relationship between BOD turnover and CSR, with a value of -0.942 and an error rate of 10%. This is due to allegedly the non-compatibility of financial firms in implementing CSR (Law No. 40 of 2007 Article 74; Honggowati et al., 2017; Kumala & Siregar, 2021). From the results of this discussion, it is concluded that instead of replacing BOD members because of CSR issues, companies are more inclined to replace BOD members for the sake of profit orientation.

Empirical Relationship of BOD Remuneration and CSR

No relationship was found between BOD remuneration and CSR. This finding is strengthened by the lack of effect between BOD remuneration and each CSR proxy, CSR economy, CSR environment, and CSR social. Remuneration which is considered capable of motivating BOD to provide all of its capabilities and competencies as a form of BOD capital is not inclined to CSR. This finding is in contrast to Callan & Thomas (2011), Callan & Thomas (2014), Mahoney & Thorn (2006), and Mahoney & Thorne (2005), who found a significant value of remuneration in motivating BOD concern on CSR issues. On the other hand, it is possible that the remuneration received by BOD is more related to the tendency to reap profit and bonuses, so that BOD tends to prioritize sales over CSR. It is thus necessary to investigate the comparison of BOD remuneration towards CSR and financial performance.

In terms of CSR, the negative correlation between remuneration and BOD on CSR is strengthened by the types of firms, the non-financial firms, with a value of 1,510 (Table 5), and financial firms, with a value of -0.443 (Table 6). Since remuneration is an internal firms policy, firms need to determine the noble values of the company in the future with a tendency to conduct CSR. General meetings of shareholders and regulators need to take heed on CSR issues, such as the formation of a CSR committee that has the potential to overcome the CSR crisis. The CSR committee has been widely studied and has become part of the governance highlighted in developed countries, such as in Europe (Diez & Odriozola, 2019; Velte & Stawinoga, 2020).

Conclusion

This paper investigates how the influence of BOD capital is interpreted based on BOD characteristics, namely independent directors, gender diversity, BOD size, BOD meeting, BOD tenure, BOD turnover, and BOD remuneration toward CSR in both non-financial and financial firms. This paper only finds a positive and significant relationship between independent directors and BOD size on CSR. Apart from that, gender diversity, BOD meeting, BOD tenure, and BOD turnover do not have any influence on CSR. Moreover, independent directors and BOD turnover in financial firms show a significant negative relationship with CSR or may worsen the CSR.

This paper provides a noteworthy practical implication. First, it is necessary to revise Law No. 40 of 2007 considering that this regulation only obliges non-financial firms to carry out CSR (Article 74). As a result, firms recruiting new directors (BOD turnover) and independent directors do not take heed on CSR, because companies are more concerned with profit orientation. Second, corporate governance regulators in Indonesia need to consider regulating the minimum composition of female BOD members considering the contribution of women's capital. Third, corporate governance regulators in Indonesia need to regulate the existence of a CSR committee to put pressure on firms. Fourth, regulators also need to consider revising FSA Regulation No. 33 of 2014 in particular the requirement of having at least 2 people in the BOD, since the BOD having an average of 5 BOD members has proven a significant influence on CSR. Fifth, firms should consider the terms and qualifications of BOD in recruitment systems that are oriented towards CSR issues.

This paper examines the BOD characteristics toward CSR, and revealed that the observed variables show a lack of CSR orientation among BOD members. In this line, Arvidsson (2014) suspected that BOD members are more inclined to provide good news to investors, which is profit. In other words, this research has not tested financial performance such as stock price, market reaction, return on assets (ROA), return on equity (ROE), Tobin`s Q, and volume of business of assets (VBOA). This paper does not investigate these variables since the purpose of this paper is not to compare CSR and financial performance.

Based on the limitations and the analysis of the findings of the BOD characteristics on CSR, which suspects that BOD is more concerned with profit-generating strategies than CSR, it is necessary to conduct research that investigates the comparison between BOD characteristics and CSR and financial performances. The proposed financial performances are the volume of business of assets (VBOA), since this variable reflects sales, return on assets (ROA) and return on equity (ROE). Other variables that are worthy of investigation for financial performance are market reaction and stock prices.

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