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The Effect of Good Corporate Governance on Environmental, Social, and Governance Disclosure in Companies Listed on The Indonesian Stock Exchange

Muhammad Fachmi Idris[1], La Angga[2], Mulyati Akib[3]
Halu Oleo University, Kendari, Indonesia[123]
muhfachmiidr.ak.id@gmail.com[1]

Abstract. This study aims to determine and analyze the effect of Board Gender Diversity, Board Size, Board Meeting on ESG Disclosure in Companies Listed on the Indonesian Stock Exchange in 2023. The sample in this study were 78 companies. Data analysis used descriptive analysis method and multiple linear analysis with the help of IBM SPSS Statistics version 26. The results of this study indicate that (1) Board Gender Diversity has an effect on ESG Disclosure. (2) Board Size has no effect on ESG Disclosure. (3) Board Meeting has no effect on ESG Disclosure.
Keywords: Board Gender Diversity, Board Size, Board Meeting, ESG Disclosure.

I. Introduction

Companies now must deal with ESG challenges in the current economic climate. Stakeholder awareness of the need for environmental preservation and social responsibility can be raised by the growing issues surrounding environmental, social, and corporate governance activities. (Sarnisa, 2022). The owner business demonstrates its compliance and awareness as a responsible citizen by its efforts in social responsibility and environmental preservation (Arayssi, 2020).

Through Financial Services Authority Regulation Number 51/POJK.03/2017 about the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies, the Indonesian government assists businesses in upholding their social and environmental responsibilities. According to Financial Services Authority Regulation Number 51/POJK.03/2017 Article 2 Paragraph 1, businesses must produce sustainability reports. Sustainability reports can show stakeholders how transparent and accountable the business is for its social and environmental responsibilities (Husna, 2023).

In response, the Indonesia Stock Exchange introduced an ESG-based index and evaluated the ESG standing of businesses listed on the IDX. Many firms that have been listed on the stock exchange have not had their ESG ratings evaluated. Only 79 out of 857 companies, or 9.22% of all companies, are listed in the ESG assessment. ESG score management is still very low in Indonesian companies since they are still trailing behind in conducting business operations based on ESG principles (Nareswari, 2023).

The existence of Environmental, Social, and Governance (ESG) oriented investments improves awareness of environmental, social, and governance challenges. Companies' ESG disclosures can tell stakeholders about the opportunities and hazards the company is facing (Almeyda, 2019). Yet, many Indonesian businesses are still in the early stages of development, with disclosure rates as low as 50% (Ulfah, 2023).

Businesses that disclose ESG information demonstrate that they have addressed persistent concerns about the environment, how they treat their employees and communities, and inadequate governance (Ulfah, 2024). In order to foster positive links between the business and the society, ESG disclosure in the environmental area may imply that the corporation is accountable for the effects of its operations on the environment (Prabawati, 2022). Because outsiders may offer guidance on the company's ethical practices regarding its interactions with society, ESG disclosure in the social dimension can benefit the business (Servaes, 2013). In terms of governance, ESG disclosure is related to the process of giving management more freedom to choose the best course of action for boosting economic value (Yadav, 2016).

ESG disclosure needs to be approved by a number of people with stakes in the firm (Syafrullah, 2017). The quality of ESG disclosures can be enhanced by the application of Good Corporate Governance (GCG). GCG addresses a few topics, such as meeting frequency, board size, and gender diversity on the board of directors (Board Gender Diversity).

The presence of a varied range of genders on the board of directors contributes to increased creativity and higher-quality decision making. ESG disclosure is significantly impacted by the participation of women on boards of directors (Romano, 2020). This implies that having more female members on the board may boost the company's ESG transparency. Nonetheless, there is no discernible change in decision-making notwithstanding the lower percentage of women on the board of directors (De Masi, 2021). ESG disclosure is unaffected by the number of women on a company's board of directors (Marheni, 2024).

One of the elements in ESG disclosure is board size. Corporate oversight can function more effectively with a bigger board of directors (De Masi, 2021). The quality of ESG disclosure information will be impacted by board size. More openness and better corporate governance are made possible by a bigger board (Gianetti, 2015). Bigger boards won't, however, always optimize the roles and duties for the supervisory function to be successful or guarantee that businesses will comply with stakeholder requests for additional ESG disclosures (Arayssi, 2020).

How frequently the board discusses and evaluates the company's plans and policies, particularly those pertaining to environmental, social, and governance issues, is indicated by the frequency of board meetings. Article 16, paragraph 1 of Financial Services Regulation Number 57/POJK.04/2017 mandates that the board of directors convene at least twice every two months. The board of directors meets to discuss plans and policies to improve ESG disclosure, as well as issues addressed (Marheni, 2024). By sharing ideas, recommendations, and consulting with one another, board of directors meetings usually improve reporting procedures and result in better ESG disclosure. Bravo (2019).

II. Literature Review

Freeman (1983) defined stakeholders as any group or individual that has the ability to affect or is influenced by the organization's aims. According to stakeholder theory, businesses must treat all groups equally in order to win their support for success (Gray, 1996). Customers, staff members, shareholders, environmentalists, creditors, governmental organizations, and other parties with the ability to help or hurt the business are examples of stakeholders (Freeman, 2005).

According to stakeholder theory, businesses have obligations to all interested persons in addition to owners and investors (Donaldson, 1995). According to Al Umar (2020), stakeholders have a right to knowledge about the company's operations so they may participate in decision-making. Stakeholders can evaluate the company's involvement in carrying out its operations by using the relatively new idea of ESG disclosure (Putri, 2019).

A crucial need for businesses wishing to make long-term investments is ESG transparency. It entails carrying out laws pertaining to social, governance, and environmental concerns (Novrianti, 2020). This kind of disclosure demonstrates how a business considers governance, social, and environmental aspects when assessing the ethical and sustainable implications of its choices, particularly with reference to investments.

By looking at the company's ESG score, one may evaluate the level of ESG transparency (Marheni, 2024). Using a risk decomposition technique, the Indonesia Stock Exchange assesses ESG ratings by looking at a company's exposure to two main hazards and how management has addressed those risks via various policies and initiatives. ESG disclosure is evaluated in this study by looking at the ESG score that is given in the sustainability report of the business (Tettamanzi, 2022).

$$ESG\ Disclosure\ (ESG) = ESG\ Score\ Value$$

The term "board gender diversity" describes how many female directors there are on a certain company's board. Studies have indicated that female board members are often more conscientious about attending board meetings than their male counterparts. Women on the board also broaden the range of viewpoints, which can enhance board effectiveness and decision-making. This study uses research by Rahindayanti et al. (2015) to determine gender diversity on boards.

$$Board\ Gender\ Diversity\ (\mathrm{BGD}) = \frac{Toial\ Women\ Directors}{Total\ Director} \times 100\%$$

The number of corporate boards as stated by the business is referred to as "board size"; this figure only includes full-time directors, not deputy directors (Husted & de Sousa-Filho, 2019). According to Dewi et al. (2018), the makeup of the board has a major impact on the caliber of financial reports and is essential in preventing financial statement fraud. A larger number of boards is a sign that the board's duties inside the organization are being successfully carried out (Agustia, 2013). A larger board can improve the company's perceived value to stakeholders by enforcing stricter corporate governance, social, and environmental regulations. The board size measurement used in this study is according to Restu et al. (2017).

$$Board\ Size\ (\mathrm{BS}) = \sum member\ of\ the\ board\ directors$$

It is thought that the frequency of board meetings affects the financial success of the organization. Board meetings offer plenty of opportunity for idea sharing, discussion, and exchange, preparing solutions for big business problems, and deciding on the direction and day-to-day operations of the organization. The measuring of board meetings in this study makes reference to the following findings from De Masi's research (2021):

$$Board\ Meeting\ (\mathrm{BS}) = \sum board\ of\ directors\ meeting$$

Research Hypothesis

Based on the description above, the hypothesis in this study is as follows:
H1: Board Gender Diversity affects ESG Disclosure.
H2: Board Size affects ESG Disclosure.
H3: Board Meeting affects ESG Disclosure.

III. Research Method

Data for this study was obtained from the Indonesia Stock Exchange (IDX) by visiting each company's profile and using the link www.idx.co.id. This study's focus is on the following topics: environmental, social, and governance (ESG); board gender diversity; board size; and board meetings.

The 857 firms that will be listed on the Indonesia Stock Exchange in 2023 make up the study's population. Purposive sampling was employed in the sample process, including 78 firms in all. These are the example criteria.

Tabel 1. Research Sample Criteria

No	Criteria	Total
1.	Companies listed on the Indonesia Stock Exchange (IDX)	857
2	Companies that do not report ESG scores on the Indonesian stock exchange	(778)
3	Companies that did not report annual reports in 2023	(1)
	Total	78

This study employed quantitative data as its data type. Secondary data in the form of annual reports of businesses listed on the Indonesia Stock Exchange in 2023 and the ESG value of listed businesses served as the study's data source.

With the use of the IBM SPSS program, the data analysis approach employs multiple regression analysis, classical assumption testing, descriptive statistics, and hypothesis testing. Heteroscedasticity, multicollinearity, and normalcy tests are used in classical assumption testing. The coefficient of determination test (R2) and the individual paremeter significant test (t test) are used in hypothesis testing. In this study, the connection between the dependent and independent variables was examined using multiple regression analysis.

IV. Results and Discussion

The purpose of descriptive statistical analysis is to characterize a collection of data's attributes without drawing any generalizations. Descriptive statistical analysis is used in this study to characterize the following variables: ESG Disclosure (ESG), Board Meeting (BM), Board Size (BS), and Board Gender Diversity (BGD). The following are the outcomes of the descriptive statistical analysis:

Table 2. Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation
BGD	78	0,00	0,75	0,17	0,16
BS	78	3,00	15,00	6,67	2,86
BM	78	4,00	185,00	25,00	25,43
ESG	78	12,67	53,10	29,25	9,66
Valid N	78				

Source: data processed by researchers, 2024.

Table 2 displays the total number of data observed, which is 78. The Board Gender Diversity (BGD) variable has a standard deviation of 0.16 and an average value of 0.17, with a range from 0.00 to 0.75. The company with the greatest Board Gender Diversity value is PT Mitra Keluarga Karyasehat Tbk. The Board Size (BS) variable has a standard deviation of 2.86 and an average value of 6.67, with a range from 3.00 to 15.00. The companies with the highest Board Size values are PT Chandra Asri Pacific Tbk and PT Bumi Resources Minerals Tbk. The Board Meeting (BM) variable has an average value of 25.00 and a standard deviation of 25.42. Its range is minimum 4.00 to maximum 185.00. Board Meeting value is greatest at PT Aneka Tambang Tbk. The ESG Disclosure (ESG) variable has a standard deviation of 9.66 and an average value of 29.25, with a range of 12.67 to a high of 53.10. In terms of ESG value, PT Adaro Minerals Indonesia Tbk is the highest.To make sure that there are no deviations in the forms of heteroscedasticity, multicollinearity, or normality, the standard assumption test is used. In this study, the traditional assumption tests are as follows.

Table 3. Normality Test

Kolmogrov Smirnov	Sig.	Criteria	Result
0,088	0,200	>0,05	Normal Data

Source: data processed by researchers, 2024

If the dependent and independent variables in a regression model are not regularly distributed, it may be ascertained using the normality test. The data is normally distributed, as indicated by Table 3's significance level (Asymp. Sig 2-tailed) of 0.200, which is more than 0.05 (0.200 > 0.050) and derived via the Kolmogrov-Smirnov test.

Table 4. Multicollinearity Test

Variable	Tolerance	VIF	Result
X1	0,991	1,009	Multicollinearity does not occur
X2	0,980	1,021	Multicollinearity does not occur
X3	0,980	1,020	Multicollinearity does not occur

Source: data processed by researchers, 2024

If a regression model's independent variables are correlated, it may be found using the multicollinearity test. There shouldn't be any association between the independent variables in a suitable regression model. The tolerance values for each variable are 0.991, 0.980, and 0.980, all of which are larger than 0.10, according to Table 4's collinearity data. Additionally, the VIF (Variance Inflation Factor) values are 1.009, 1.0021, and 1.020, all of which are lower than 10. These findings suggest that the independent variables in this study do not significantly correlate with one another.

Table 5. Heteroscedasticity Test

Variable	Sig	Criteria	Result
X1	0,255	> 0,05	There is no Heteroscedasticity
X2	0,427	> 0,05	There is no Heteroscedasticity
X3	0,444	> 0,05	There is no Heteroscedasticity

Source: data processed by researchers, 2024

To find out if there is inequality between the residual variables in a regression model over many data, one can do the heteroscedasticity test. Regressing the independent variables on the absolute value of the residuals is how Table 5 illustrates the use of the Glejser test. The fact that the significant values for 0.427, 0.444, and 0.255 are all higher than 0.05 suggests that heteroscedasticity is not present in this investigation.

Table 6. Multiple Regression Analysis

Variable	B	Result
(Constant)	34,422	
X1	-21,782	Negative
X2	-0,289	Negative
X3	0,027	Positive

Source: data processed by researchers, 2024

Table 6 shows the results of multiple regression analysis obtained the following equation.

$$\mathbf{ESG = 34{,}42 - 21{,}78 - 0{,}28 + 0{,}027 + e}$$

The constant value of 34.42 indicates that when all independent variables, namely Board Gender Diversity, Board Size, and Board Meeting, have a value of 0, then ESG has a value of 34.42. The coefficient value of the Board Gender Diversity variable is -21.78, which means that for each one-unit increase in the Board Gender Diversity variable, there will be a decrease in the value of ESG Disclosure by 21.78. The Board Size variable's coefficient value is -0.28, meaning that the value of ESG Disclosure will fall by 0.28 for every unit rise in the Board Size variable. The Board Meeting variable's coefficient value is 0.027, meaning that the value of ESG Disclosure will rise by 0.027 for every unit increase in the Board Meeting variable.

Table 7. Partial Test (t Test)

Variable	T	Sig	Result
(Constant)	11.505	0,001	
X1	-3,523	0,001	Negative Effect
X2	-0,787	0,434	No Effect
X3	0,648	0,519	No Effect

Source: data processed by researchers, 2024

The degree to which each independent variable has an individual impact on the dependent variable is ascertained using the t test. Table 7 indicates that the probability value of 0.05 (0.00 < 0.05) is greater than the significance value of the BGD variable of 0.00. Additionally, the t count value of -3.52 and the t table value of -1.99 (-3.52 < -1.99) support the conclusion that Board Gender Diversity has a detrimental impact on ESG Disclosure, indicating that H1 is accepted.

Given that the t count value is -0.78, the t table value is 1.99 (0.78 < 1.99), and the significance value of the BS variable of 0.43 is more than the probability value of 0.05 (0.43> 0.05), it can be stated that board size has no influence on ESG disclosure, and H2 is rejected.

Since the BM variable's significance value of 0.51 is higher than the probability value of 0.05 (0.51>0.05), and the t count value and t table value are 0.64 and 1.99, respectively (0.64 < 1.99), it can be said that there is no relationship between board meetings and ESG disclosure, and hence H3 is rejected.

Table 8. Determinant Coefficient Test (R^2 Test)

R Square	Adjusted R Square
0,148	0,113

Source: data processed by researchers, 2024

The ability of the independent variables to explain fluctuations in the dependent variable is measured using the coefficient of determination (R2). The corrected R-squared value of 0.113, or 11.3%, is displayed in Table 8. This suggests that just 11.3% of the variance in the dependent variable, ESG Disclosure, can be explained by the independent variables, board gender diversity, board size, and board meetings. Meanwhile, variables not covered in this study account for up to 88.7% of the variance.

V. Conclusion

This study's goal is to find out how board meetings, board size, and gender diversity affect ESG disclosure. The results show that hypothesis 1, according to which board gender diversity has a detrimental impact on ESG disclosure, is justified. The lack of evidence for Hypothesis 2 suggests that board size has no bearing on ESG disclosure. In a similar vein, Hypothesis 3, which holds that board meetings have no impact on ESG disclosure, is unsupported.

Future scholars looking into the connections between board gender diversity, board size, board meetings, and ESG disclosure should find this study to be a useful new resource. The goal of the study is to shed light on the variables that may influence ESG Disclosure in a favorable or unfavorable way. The observation duration and study population should be increased in subsequent studies. Researchers can also look at further ESG Disclosure-related issues.

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