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The Influence of Green Accounting and Public Share Ownership on Disclosure of Corporate Social Responsibility

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Abstract

This study, conducted by Naidah , Linda Arisanti Razak, and Nasruddin from Muhammadiyah University of Makassar, investigated the impact of Green Accounting and Public Share Ownership on Corporate Social Responsibility (CSR) disclosure among property, real estate, and building construction companies listed on the Indonesian Stock Exchange (IDX) in 2020-2021. Employing a quantitative approach and purposive sampling, 19 companies were selected for analysis. Green Accounting, assessed through environmental cost disclosure, demonstrated a significant positive influence on CSR disclosure, emphasizing the importance of environmental responsibility for building a positive corporate reputation. In contrast, Public Share Ownership, measured by the percentage of shares owned by the public (<5%), did not exhibit a significant effect on CSR disclosure, challenging expectations of increased public ownership leading to more extensive CSR reporting. The study underscores the pivotal role of environmental considerations, as reflected in Green Accounting practices, in shaping CSR disclosure within the examined sector. In the globalized context, companies are encouraged to contribute meaningfully to economic, social, and environmental aspects. The property, real estate, and building construction sectors, crucial for economic growth, highlight the significance of aligning corporate practices with environmental responsibility. Recommendations for future research include expanding the study with additional CSR-related variables and exploring other sub-sectors. Incorporating variables like company size and profitability for comparative analyzes is suggested. Companies within the sector are advised to prioritize and enhance CSR disclosure for long-term sustainability and positive stakeholder perceptions.

1. Introduction

Companies in this era of globalization are encouraged to make significant contributions to various aspects, particularly in economic, social, and environmental domains. Economic growth is also influenced by a company's contribution to the country across various sectors. One sector that holds considerable influence is the property, real estate, and building construction sector. The property, real estate, and building construction sector engage in development by meeting consumer needs through the provision of houses and other properties.

The growth of a company's value can be achieved when shareholders and stakeholders collaborate to establish appropriate policies that maximize the company's capital. These policies can be optimized through the implementation of effective corporate governance (Thaharah & Asyik, 2016). In practice, resolving disputes between the interests of conflicting parties within a company often leads to an agency problem. The existence of such a problem has implications for the separation of ownership and the emergence of issues on the management and owner sides, potentially resulting in a fragmented organizational structure and prompting investors to withdraw their capital (Agustine, 2014).

As stated by the Eka Tjipta Foundation, Corporate Social Responsibility (CSR) becomes an intrinsic business strategy for companies aiming to enhance competitiveness through the preservation and enhancement of reputation, brand loyalty, and corporate image (Widjaja & Pratama, 2008). CSR disclosure is an obligation intended for future investment and is part of a company's planning and goals. Many factors influence corporate social responsibility disclosure, and this study focuses on two influencing factors: green accounting and public share ownership.

The first factor influencing CSR disclosure is green accounting, which involves costs included in accounting practices aimed at environmental preservation. The concept of green accounting is essential for reporting a company's commitment to environmental responsibility. Implementing green accounting in CSR disclosure serves as a means to fulfill social and environmental responsibilities, contributing to the building of a positive reputation.

The second factor affecting CSR disclosure is public ownership, representing the percentage of shares owned by the public. Here, 'public' refers to individuals or institutions owning shares below 5% (<5%), outside management and lacking a special relationship with the company. Researchers use public shares <5% to assess whether CSR disclosure is high or low. Public ownership indicates the company's credibility in the community, as it provides rewards (dividends) and demonstrates the company's ability to operate continuously (as a going concern), encouraging comprehensive disclosures.

2. Literature Review

2.1 Stakeholder Theory

Stakeholder theory was first initiated by R. Edward Freeman in 1984 and states that stakeholder theory is a theory of organizational management and business ethics that discusses morals and values in regulating organizations . Stakeholders or referred to as policy makers who play an important role or have a major influence on the company. Stakeholders according to Rokhlinasari in (Ratna Ningrum , 2021) are any group or individual who can affect or be affected by the achievement of organizational goals. Meanwhile, according to Freeman in (Syekha, 2021) stakeholders are stakeholders who can influence or be influenced by company goals.

2.2 Legitimacy Theory

Legitimacy theory, initially proposed by Dowling and Pfeffer in 1975 (cited in Bustanul et al., 2012), provides an overview of the divergence between the values embraced by a company and those of society. This theory posits that when a company operates in a manner perceived as inconsistent with societal values, it finds itself in a precarious position, known as the "Legitimacy gap." The fundamental premise of this theory is that organizations or companies are urged to ensure that their activities and performance align with societal norms, fostering the perception that the company operates in harmony with the societal value system, thereby ensuring its continued existence. As per Addini et al. (2019), companies persist in operating within the boundaries and values acknowledged by the communities surrounding them to garner legitimacy.

This theory elucidates the dynamics of the relationship between companies and society. Effective communication is established when a company adheres to, rather than violates, prevailing values and norms. Consequently, the company is more likely to receive full support from the community, facilitating positive communication. Legitimacy holds paramount importance for an organization. Adherence to social norms and values, as well as reactions to these limits, underscores the significance of analyzing organizational behavior within its environmental context (Dowling and Pfeffer, as cited in Addini et al., 2019). Legitimacy, in this context, refers to a company's management orientation toward society, government entities, individuals, and community groups.

The legitimacy of a company is observable through the responses or attitudes exhibited by the community toward the company, serving as a gauge for the sustainability of the company. However, when a misalignment occurs between the company's values and the prevailing norms in society, it results in what is termed a "legitimacy gap."

2.3 Green Accounting

Green accounting involves incorporating costs into the accounting system with the intention of preserving the environment. This concept is essential for companies to communicate their commitment to environmental stewardship. According to

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Ikhsan as cited in Ningsih and Rachmawati (2017), environmental accounting is defined as the prevention, reduction, and/or avoidance of impacts on the environment, addressing various opportunities, ranging from mitigating catastrophic events to ongoing activities. In essence, green accounting is an accounting discipline that involves the collection, analysis, estimation, and disclosure of environmental costs associated with a company's activities.

Ikhsan, as mentioned in Syekha (2021), outlines two primary functions of green accounting. Firstly, it serves as an internal function, providing a basis for decision-making related to environmental costs. This function is closely tied to operational activities and internal stakeholders who operate according to management directives. It necessitates wise decision-making concerning environmental conservation costs that align with the company's needs and operate efficiently and effectively. Secondly, green accounting serves as an external function, manifesting as accounting reports on environmental performance. This external function involves disclosing operational activities through reports that detail the environmental initiatives undertaken by the company. The application of green accounting is a tangible expression of a company's commitment to environmental concerns, and as such, it needs to be transparently disclosed and accounted for to stakeholders.

The implementation of green accounting is a reflection of a company's environmental consciousness, and this commitment is evident in Corporate Social Responsibility (CSR) disclosure. CSR disclosure involves reporting on social and environmental responsibility, accessible to all stakeholders. Therefore, the incorporation of green accounting disclosure serves as a mechanism for accountability and transparency in communicating information about company activities. This, in turn, contributes to building a positive corporate image and demonstrates the company's active participation in environmental preservation.

2.4 Public Share Ownership

Public share ownership refers to the percentage of shares owned by the public or community, indicating the extent of public ownership in a company. When the public holds a significant portion of the company's shares, it signifies that they perceive potential profitability in the company, leading them to invest in it. In response, the company strives to enhance its business operations with the goal of increasing its overall value, thereby maintaining a competitive advantage and encouraging continued investment from the public. Consequently, the company implements various strategies to boost profits and ensure returns for investors, often in the form of dividends.

The magnitude of public share ownership directly influences the company's image in the eyes of the public, particularly in terms of reporting and disclosing information, including the company's Corporate Social Responsibility (CSR) activities. This connection stems from the public's assessment of the company's size and the profitability it achieves. A company with a larger public ownership is perceived as having the capacity to voluntarily and comprehensively disclose information to the public. The size of the company is often associated with its ability to engage in more complex activities, further highlighting the importance of transparency and communication in building and maintaining a positive public perception.

2.5 Corporate Social Responsibility

The World Business Council for Sustainable Development (WBCSD) defines corporate social responsibility (CSR) as a sustainable commitment involving ethical actions that contribute to economic development by enhancing the quality of life for the workforce and communities at large. CSR is viewed as a form of company participation and attention to improving the overall welfare of the community, with a positive impact on the company's sustainability. Essentially, CSR represents the implementation of a company's social responsibility to both internal and external stakeholders, addressing economic, social, and environmental aspects to create a positive impact on the surrounding environment.

The implementation of CSR yields numerous benefits for the company, community, government, and other stakeholders. Yusuf Wibisono's book "Dissecting CSR Concepts and Applications" (2007: 99), as cited in Ardani and Mahyuni (2020), highlights the benefits obtained by companies through CSR programs when viewed from the stakeholder perspective. Properly executed CSR initiatives positively impact both the company and its stakeholders, influencing the community's perception of the company.

Moreover, CSR plays a role in assisting the government in improving community welfare through the company's compliance with tax obligations. As a result, CSR has the potential to generate positive impacts in the economic, social, and environmental spheres, establishing itself as a long-term investment for the company. This enduring commitment to responsible business practices not only contributes to the well-being of communities but also enhances the company's standing in the eyes of the public, aligning with broader sustainability goals.

3. Research Methods

The research utilizes quantitative methods and relies on secondary data obtained from published sources, specifically financial reports accessible on the Indonesian Stock Exchange website (www.idx.co.id). The data comprises annual financial reports spanning the years 2020-2021. The study's population encompasses all companies listed on the Indonesia Stock Exchange within the property, real estate, and building construction sectors, totaling 62 companies in the years 2020-2021. Non-probability purposive sampling is employed, targeting companies that meet specific criteria: 1) inclusion in the mentioned sectors and listed on the Indonesia Stock Exchange during 2020-2021, 2) accessibility of all relevant data, and 3) publication of corporate social responsibility reports in annual reports.

The study introduces operational definitions for variables. Green Accounting (X1) is represented by dummy variables indicating the disclosure of environmental costs in financial statements. Public Share Ownership (X2) is defined as the percentage of total public shareholding relative to total company shares, with 'public' referring to individuals or industrial parties holding shares less than 5% outside of management. Corporate Social Responsibility (CSR) is measured using dummy variables based on the Global Reporting Initiative (GRI) 4.0 guidelines. If a company adheres to these indicators, it receives a value of 1; otherwise, it is assigned a value of 0. The Corporate Social Responsibility Disclosure Index (CSRDIj) is calculated using the formula $\sum Xij/nj$, where Xij is the ratio score (1 if disclosed, 0 if not disclosed), and nj is the number of items for company J.

Data analysis involves descriptive statistics to summarize and analyze collected data. The classical assumption test assesses the regression estimation results for normality, multicollinearity, heteroscedasticity, and autocorrelation. Finally, hypothesis testing is conducted through Multiple Linear Regression Analysis and Partial T Tests to examine the linear relationship between the independent variables (Green Accounting and Public Share Ownership) and the dependent variable (Corporate Social Responsibility). The T (Partial) test assesses the individual influence of independent variables on the dependent variable, with a significance level of $\alpha = 5\%$. If the significant value of t is less than 0.05, the null hypothesis (H0) is rejected; otherwise, it is accepted.

4. Results and Discussion

4.1 Research Results

The characteristics of the sample in this study encompassed property, real estate, and building construction sector companies listed on the Indonesia Stock Exchange in the years 2020-2021. Accessible data from these companies, obtained through the Indonesia Stock Exchange website and official company websites, formed the research sample.

Additionally, the inclusion criterion involved companies within these sectors that published corporate social responsibility reports in their annual reports.

Descriptive statistics were employed to analyze the data, revealing values for Green Accounting, public share ownership, and corporate social responsibility (CSR). Green Accounting, with a minimum value of 0.00 and a maximum value of 1.00, had a mean of 0.6316 and a standard deviation of 0.48885. Public share ownership, ranging from 0.00 to 985.90, displayed a mean of 26.0741 and a standard deviation of 159.91262. CSR values ranged from 1.25 to 2.63, with a mean of 1.6015 and a standard deviation of 0.38374.

The normality test, utilizing the One-Sample Kolmogorov-Smirnov Test, indicated that the data followed a normal distribution with a significance value (Sig) of 0.058 > 0.05. Subsequently, the multicollinearity test showed no multicollinearity, as indicated by tolerance values above 0.10 and VIF values below 10 for all variables. The heteroscedasticity test revealed no heteroscedasticity in the regression model used. The autocorrelation test, assessed through the Durbin-Watson statistic, resulted in a value of 0.522, indicating no autocorrelation symptoms.

The multiple linear regression analysis tested the relationship between Green Accounting, public share ownership, and CSR. The coefficients table indicated that all variables had tolerance values greater than 0.10 and VIF values below 10, confirming the absence of multicollinearity. The T test results were then interpreted based on the coefficients table. Green Accounting (X1) was found to have a significant effect on CSR (Y), with a p-value of 0.030 < 0.05. However, public share ownership (X2) did not exhibit a significant effect on CSR, as its p-value was 0.725 > 0.05. This led to the conclusion that Green Accounting significantly influences CSR, while public share ownership does not significantly impact CSR disclosure.

4.2 Research Discussion

This study aims to determine the effect of Green Accounting and public share ownership on CSR in companies listed on the Indonesia Stock Exchange in 2020-2021. Based on the results of the research that has been done, it can be explained as follows:

a. The effect of Green Accounting on the disclosure of Corporate Social Responsibility

The first hypothesis is the results of the T test, it is obtained that Green Accounting has a significant effect on CSR disclosure. The results of this study are like the researchers' temporary conjecture which states that it has a significant effect on CSR. research conducted by Rezha Nia Ade Putri (2020) states that Green Accounting has a significant effect on CSR. Green accounting determines environmental costs to regulate the management of environmental problems as a form of corporate social responsibility and decision-making guidelines. Environmental cost management is one of the factors that determines a company's environmental performance.

b. The effect of public share ownership on Corporate Social Responsibility disclosure

The second hypothesis of the T-test results, obtained that public share ownership has no effect on CSR disclosure. This study is not in accordance with the researcher's expectation that public share ownership has a significant effect on CSR. This indicates that the size of the value of public share ownership measured through the ratio of the number of shares owned by the public has no effect on CSR disclosure. In this case it is consistent with research conducted by Koman and Iwayan, (2019), which states that public share ownership has no effect on CSR disclosure. public share ownership is less able to carry out the monitoring function and cannot put too much pressure on companies in terms of CSR disclosure.

5. Closing

5.1 Conclusion

The results obtained in this study can be summarized as follows:

a. Green Accounting has a significant effect on CSR disclosure in companies listed on the Indonesia Stock Exchange in 2020-2021. this study shows that environmental costs to regulate the management of environmental problems as a form of corporate social responsibility and decision-making guidelines. and in this case green accounting has a significant effect on CSR disclosure.
b. Partial share ownership has no significant effect on CSR disclosure in property, real estate and building construction companies listed on the Indonesia Stock Exchange in 2020-2021. A company that has many shares and is publicly owned shows that the company has high credibility in the eyes of the public in providing decent rewards and is considered capable of operating continuously so that it tends to disclose more social information more widely. This indicates that the size of the public shareholding value measured through the ratio of the number of shares owned by the public has no effect on CSR disclosure.

5.2 Suggestions

Based on the above conclusions, researchers can provide suggestions for further researchers:

a. Expected to the next researcher to add variables related to CSR and sample and research period with the aim that the next researcher has a lot of data. Similar researchers are expected to take other sub-sectors in determining the sample such as variable examples of company size, profitability and others, so as to compare with this research.
b. For property, real estate, and building construction companies, further develop and pay attention to disclosure of corporate social responsibility so that they can increase CSR which supports long-term business sustainability.

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