The Effect of Corporate Social Responsibility Performance on the Readability of CSR Using Firm Size, Bussiness Complexity, Leverage, Growth, and CEO'S Characteristics as Control Variables

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Abstract—**Using a manually collected sample of 49 corporate social responsibility (CSR) reports issued by Indonesian public companies, this study examines the relationship between the CSR performance and the readability of CSR reports. The study adopts the Fog index to measure the readability of CSR reports and standards of GRI to measure CSR performance from economic, environmental and social perspectives. The results show an insignificant relationship between CSR performance and the readability of CSR reports, indicating that companies in Indonesia are less to tend to obfuscate their narrative disclosures which are the main reason for doing the green wash practice. This study helps investors more comprehensively evaluate the CSR information disclosed on CSR reports. Our results also point to the phenomenon that happened in Indonesia that CSR both in quality and quantity improves from time to time.**

Keywords: readability, CSR, CSR disclosure, obfuscation practice

I. INTRODUCTION

Corporate Social Responsibility (CSR) has emerged as an inevitable priority for business leaders in every country [1]. The most common CSR program implemented by companies at that time was the provision of social assistance (charity) to the people living around the company. In Indonesia alone, the term CSR was known in the 1980s. However, it has become increasingly popular since the 1990s through the concept of a "seat belt" corporate social investment, which was built in the 2000s. To ensure that the company continues to implement CSR, companies are required to disclose information about Social and Environmental Responsibility stipulated in Law No. 25 of 2007 concerning Investment and Law No. 40 of 2007 concerning Limited Liability Companies. It is stated that the company's annual report must contain disclosures regarding the implementation of Social and Environmental Responsibility (SER), and every investor is required to implement SER. In the explanation of the law, SER is a responsibility inherent in every investment company to continue to create a harmonious, balanced, and appropriate relationship with the environment, values, norms, and culture of the local community [2].

Social and Environmental Responsibility (SER) is a form of corporate responsibility to inside stakeholders and outside stakeholders [3]. Disclosure of social responsibility can be measured by several standards, one of which is the Global Reporting Initiatives (GRI).

This study is the result of a replica of previous research conducted, where they used the Fog, Flesch, and Kincaid measuring instruments for the readability of CSR reports and used data sources named ESG Bloomberg and KLD in determining the value of CSR performance company [4]. ESG and KLD itself are products that provide comprehensive company data from around the world relating to CSR. Because ESG and KLD are paid and do not provide company data in Indonesia, this study uses another method to obtain the results of CSR performance assessments, namely by reviewing the indicators made by GRI in the CSR report.

Richards et al released slightly different research results compared to the two journals above [5]. Richards et al found weak evidence that manipulation of readability could mask disclosure of poor company performance [5]. That the overall obfuscation effort was not found in sustainability reporting in which CSR disclosures from companies were used as research samples [6]. Finally, Michelon et al in their journal stated that CSR practices do not affect the quality of CSR reports that are made [7]. Given the different theories and taking the context of companies in Indonesia as a developing country, research is expected to provide interesting results related to the explanation of the relationship between the quality of CSR readability and CSR performance.

Based on the background of the problems described above, the research purpose the problem of the study is "Influence of Corporate Social Responsibility (CSR) Performance on The Readability of CSR Using Firm Size, Business Complexity, Leverage, Growth, And CEO'S Characteristics as Control Variables". Based on the study discussions above, so the questions arise, as follows:

- Does CSR performance affect the quality of CSR report readability?

II. METHODS

A. Data and Samples

The data used in this study are all companies listed on the Indonesia Stock Exchange. This study uses a purposive sampling method, namely the determination of samples based on criteria - criteria by research needs. The following are the criteria used in establishing a research sample:

- The latest sustainability report of companies listed on the Indonesia Stock Exchange (IDX).

- The reporting standards adopted for disclosing sustainability reports are GRI (Global Reporting Initiative) standards.

- The latest GRI standard version used is the GRI standard (previously G4).

Based on these criteria, 49 company samples have been obtained consisting of all sectors determined by the IDX, namely agriculture, mining, basic and chemical industries, various industries, the consumer goods industry, property, real estate, and building construction, infrastructure, utilities, and transportation, finance, and finally trade, services and investment.

B. Validity

Multicollinearity Test in this test aims to determine whether the regression model found a correlation between independent variables. A good regression model should not occur the correlation between independent variables and vice versa.

TABLE I.   RESULT OF MULTICOLLINEARITY TEST AMONG ALL VARIABLES

Model	Collinearity Statistics	
	Tolerance	*VIF*
Performance	0.844	1.185
Segment	0.864	1.158
Complexity	0.716	1.396
Leverage	0.568	1.759
Growth	0.627	1.594
CEO-gender	0.842	1.188
CEO-age	0.866	1.155
Size	0.531	1.884

Resources: SPSS 2019

Multicollinearity Test in this test aims to determine whether the regression model found a correlation between independent variables. A good regression model should not occur the correlation between independent variables and vice versa.

III. RESULTS AND DISCUSSION

Descriptive statistics are used to analyse data by describing or describing data that has been collected as it is without intending to make conclusions that apply to the public or generalization. In this research, descriptive statistics describe

the number of samples tested, the mean or average, and the standard deviation.

TABLE II.   RESULT OF MULTIPLE LINEAR ANALYSIS

Coefficients[a]			
Model I	**Unstandardized B**	**T**	**Sig.**
(Constant)	15.467	54.653	0.000
Performance	-0.007	-0.653	0.543
Model II		**T**	**Sig.**
(Constant)	22.289	11.212	0.000
Performance	-0.010	-0.907	0.370

Resources: SPSS 2019

Model I illustrate the relationship between the independent variable and the dependent variable before the control variable is included. Furthermore, Model II tests the effect by including all control variables in this study.

TABLE III.   RESULT TEST OF COEFFICIENT DETERMINATION

Model Summary[b]				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	0.089[a]	0.008	-0.013	0.8465
2	0.568[c]	0.322	0.187	0.7586

Resources: SPSS 2019

Model I illustrate the relationship between the independent variable and the dependent variable before the control variable is included. Furthermore, Model II tests the effect by including all control variables in this study. Based on table, the value of Adjusted R2 is -0,013. These results are different when compared with model II. The presence of the control variables in the research model produced an adjusted R square value of 0.187. This shows that 18.7% of the variation of the readability quality variable can be explained by the independent variables and the control variables of this study. Then the remaining 81.3% is explained by causes or other variables that are not present in this study.

TABLE IV.   TEST RESULT F

ANOVA[a]					
Model I	**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
Regression	0.269	1	0.269	0.376	0.543[b]
Residual	33.676	47	0.717		
Total	33.945	48			
Model II	**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
Regression	10.938	8	1.367	2.377	0.034[c]
Residual	23.007	40	0.575		
Total	33.945	48			

Resources: SPSS 2019

Model I illustrate the relationship between the independent variable and the dependent variable before the control variable is included. Furthermore, Model II tests the effect by including all control variables in this study. Based on the table, the result of significance before the inclusion of the control variable is in model I is 0.543. This means the significance value produced is

greater than 0.05 so the hypothesis is rejected. After all control variables were included in the study (model II), the significance value was less than 0.05, which means the hypothesis was accepted. It can be said that overall CSR performance affects the quality of readability with company size, the complexity of business operations, leverage, company growth, and CEO characteristics as control variables.

IV. CONCLUSION

This study aims to examine the effect of CSR performance on the quality of CSR report readability with company size, complexity of business operations, leverage, company growth, and CEO characteristics as control variables. Based on the data that has been collected and testing that has been done, this research has different results from the hypotheses made, where CSR performance has no influence on the quality of readability. This is likely to occur due to a phenomenon that occurs in Indonesia where CSR practice efforts continue to develop for the better. So, the company is deemed not necessary to cover up its CSR report.

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