

REVISITING THE IMPACT OF CORPORATE GOVERNANCE MECHANISMS AND CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE

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Abstract

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Many companies are conducting business activities on a large scale and at a high speed, while neglecting social sustainability and ongoing issues. In Indonesia, companies possess an awareness of the economic components of corporate social responsibility (CSR); however, they exhibit a lesser degree of awareness regarding the environmental and social aspects. Despite Indonesia's relatively low CSR reporting level, a consistent annual increase in CSR disclosure has been noted. Corporate governance (CG) can affect how broadly a company will disclose CSR. This study investigates the effect of CG mechanisms on CSR disclosure in Indonesian Sharia-compliant companies. The independent variables include the board of directors' (BOD) characteristics, audit committee (AC) attributes, and ownership types. Using multiple linear regression analysis on 415 observations, the study reveals that BOD meeting frequency, BOD size, and managerial ownership positively correlate with CSR disclosure, while AC size and foreign ownership show a negative association. The findings contribute to the understanding of CG's role in CSR transparency, especially in countries with increasing Sharia-compliant businesses. These insights can help such firms strengthen their governance practices and improve CSR reporting.

Keywords: Corporate Governance, CSR, Disclosure, Companies, Board of Directors

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1. INTRODUCTION

Companies worldwide are facing a dynamic and challenging situation, requiring them to act quickly. As a result, many companies are conducting business activities on a large scale and at a high speed, while neglecting social sustainability and ongoing issues. This phenomenon is occurring globally, and Indonesia is one of the countries

affected. One of the significant challenges facing Indonesia is the issue of plastic waste. In 2021, Indonesia ranked fifth among countries with the most plastic waste dumped into the ocean (Meijer et al., 2021). These environmental and social issues are believed to arise from companies' poor understanding of social sustainability and a lack of transparency in disclosing corporate information.

Corporate social responsibility (CSR) disclosure reflects the commitment of the company to ethics and social responsibility by encouraging transparency to all stakeholders. This practice helps strengthen the oversight function within the company, thereby ensuring a harmonious alignment between corporate interests and stakeholder needs, including the preservation of environmental sustainability. However, CSR reporting level in Indonesia remains low compared to global standards. Indonesian companies generally understand the importance of the economic aspects of CSR, but their awareness of the social and environmental dimensions remains lacking. However, CSR reporting in Indonesia shows a stable increasing trend every year (Ridho, 2018).

Corporate governance (CG) mechanisms are important in determining how much a company discloses its CSR information. Previous studies have found the influence of CG on the CSR disclosure in various countries (Fahad & Rahman, 2020; Fauzyyah & Rachmawati, 2018; Uyar et al., 2021). Ebaid (2022) investigated the relationship between board characteristics and CSR disclosure in the Saudi Stock Exchange, or Al Fadli (2024) in the Amman Stock Exchange, Jordan. Setiawan et al. (2021) examined the influence of ownership type on CSR performance in Indonesia, while Guo and Zheng (2021) conducted it in China. Many studies on CSR use different samples and obtain different results. However, they generally use conventional companies listed on the capital markets in each country. There are still limited studies that use samples of companies that comply with Sharia law, leaving a gap in studying CG in Sharia-compliant companies and their influence on CSR disclosure. This study highlights CG mechanisms by focusing on the board of directors (BOD) characteristics, including the number of board members and the frequency of meetings. Furthermore, the audit committee's (AC) characteristics, including the number of committee members and their level of expertise, are analyzed. This study also considers ownership types, namely management, institutional, and foreign ownership. The chosen research variables are aligned with the study's key questions:

RQ1: How do the characteristics of the boards influence corporate social responsibility disclosure?

RQ2: What is the role of audit committees in corporate social responsibility disclosure?

RQ3: How do different types of ownership affect corporate social responsibility disclosure?

The study is grounded in stakeholder theory, which posits that companies should consider stakeholders' interests by providing sufficient information.

The sample of this study comprises Sharia-compliant companies in Indonesia. Those companies are characterized by their types and business activities aligning with Sharia principles. The sample is in Indonesia because it has a growing number of Shariah companies, but remains underexplored in CSR studies. Methodologically, the study employs multiple linear regression analysis on a dataset of 415 observations to test the relationships between governance variables and CSR disclosure levels. Thus, the research seeks to provide insights into the worldwide growth patterns of Shariah-compliant companies, with a specific focus on CG's role in CSR reporting. The findings contribute to the broader discourse on how governance mechanisms influence CSR disclosures, especially in countries experiencing a rise in Sharia-compliant companies. Thus, this

study provides a better understanding and additional reference regarding the influence of CG mechanisms on CSR disclosure. Moreover, this research provides societal value by contributing to the oversight of corporate activities. It conveys to policymakers the significance of disclosure and the factors influencing it from the perspective of CG mechanisms.

This study is structured into the following key sections. Section 2 looks over the literature review. Section 3 explains the methodology, while Section 4 describes and interprets the results. Finally, Section 5 outlines conclusions and implications.

2. LITERATURE REVIEW

2.1. Stakeholder theory and corporate governance

This study adopted the stakeholder theory to explain the company's and its stakeholders' relationship. According to Freeman (2004), stakeholders refer to "any group or individual that can affect or be affected by the achievement of an organization's objective". Stakeholder theory is the most suitable theoretical basis as it addresses the stakeholders' interest in the company's operational activities (Pérez & Rodríguez del Bosque, 2016). It aligns with CSR disclosure, aimed at conveying corporate responsibility to different stakeholders.

CG governs the relationships between various stakeholders within a company. In applying CG principles, the BOD, AC, and type of ownership require special attention (Fasoulas et al., 2024). Di Biase and Onorato (2021) stated that CG implementation in companies aims to improve company performance. Taufik and Budiarsyah (2024) suggest that an effective board can influence a company's performance. Ensuring transparent and accountable financial reporting falls within the duties of the AC. In Islamic institutions, the AC must understand that audit procedures are also for ensuring adherence to the principles of Sharia (Nugraheni et al., 2022). The type of ownership also affects how shareholder interests are taken into account. Board characteristics concern stakeholders in assessing their influence on the extent of environmental, social, and governance disclosure (Elsheikh et al., 2024).

2.2. Corporate social responsibility

Companies may have motives when disclosing CSR. According to Hadi et al. (2024), a company's motives for disclosing CSR can be seen from social cost and economic cost motives. As a social cost, CSR reflects a company's investment in the welfare of society and the environment, such as health, education, or environmental conservation programs. However, CSR is also an economic cost because it involves spending funds that reduce the company's profits. Zarefar et al. (2024) argued that CSR can be used as a business strategy to improve the company's reputation. Desoky (2024) mentioned that a company may use CSR as an opportunistic motive for managers to cover up the company's unethical actions. CG can influence the CSR disclosure level. Itan et al. (2025) stated that effective governance will impact the social responsibility practice of the company.

2.3. Board of directors' size and corporate social responsibility disclosure

The size of the BOD plays a significant role in determining the extent of CSR reporting, as the board holds responsibility for the development, execution, and supervision of CSR disclosures within the organization. Prior research has consistently shown that a larger board is associated with increased levels of disclosure. This signifies improved accountability and more effective procedural implementation (Fauzyyah & Rachmawati, 2018). A greater number of board members typically results in broader perspectives and more profound deliberations to address stakeholder needs for transparent and adequate information, thereby encouraging more extensive CSR disclosure. Supporting this view, a study by Naseem et al. (2017) also confirmed that board size positively correlates with CSR reporting in Pakistan, reflecting enhanced responsibility and procedural effectiveness.

However, Chantachaimongkol and Chen (2018) conducted a study in the Philippines, revealing an adverse effect of board size on CSR disclosure. Their findings suggest that as the board size increases, the time required to coordinate with each other also rises, ultimately leading to delays in the CSR disclosure. In Sharia-compliant companies, the study of Taufik and Budiarsyah (2024) found that the BOD's size negatively influences the capital structure in Indonesia, indicating that managers are risk-averse. Considering that managers want to provide sufficient information to stakeholders, the study hypothesizes that an increase in board size correlates with enhanced CSR disclosure levels, leading to the following hypothesis:

H1: The size of the board of directors has a positive effect on corporate social responsibility.

2.4. Board of directors' meetings and corporate social responsibility disclosure

Board meetings serve as a key mechanism for directors to collectively formulate strategies, determine the company's operational direction, and address internal challenges, thereby ensuring greater consideration of stakeholder interests. Previous research has demonstrated that frequent board meetings positively influence CSR disclosure, as they reflect the board's diligence, enhance supervisory oversight, and ultimately mitigate fraud and inefficiencies (Laksmiana, 2008; Fauzyyah & Rachmawati, 2018). However, a contrasting study by Fahad and Rahman (2020) in India found no significant relationship between board meetings and CSR disclosure, attributing this to the board's limited authority, restricted to policymaking rather than CSR implementation. This study posits that board meetings play a critical role in CSR disclosure due to their role in strengthening monitoring mechanisms. Based on the above arguments, the following hypothesis is proposed:

H2: The frequency of the board of directors' meetings has a positive effect on corporate social responsibility.

2.5. Audit committee size and corporate social responsibility disclosure

The concept of AC size aligns with stakeholder theory, as it contributes to delivering accurate and timely reporting to stakeholders, ensuring their

interests are appropriately considered. Buallay and Al-Ajmi (2020), in a study involving banks listed on the Gulf Cooperation Council Stock Exchange, found that a larger AC positively influenced CSR disclosure. This is mainly because a more extensive committee brings broader insights and expertise. Similarly, Madi et al. (2014) conducted research in Malaysia. They found a comparable positive relationship, noting that an increase in AC size enhances its ability to oversee corporate reporting processes, including those related to CSR.

However, Fahad and Rahman (2020) indicated that a larger AC may negatively impact CSR reporting because of increased communication challenges and higher operational costs. However, this study argues the opposite, that a larger AC can enhance CSR disclosure due to its improved effectiveness and diverse expertise. Thus, the following hypothesis is proposed:

H3: The size of the audit committee has a positive effect on corporate social responsibility disclosure.

2.6. Audit committee expertise and corporate social responsibility disclosure

AC expertise includes its ability in financial, audit, and non-audit fields (Ryu et al., 2021). The study conducted in Indonesia by Fauzyyah and Rachmawati (2018) indicates that AC expertise positively affects CSR disclosure by reducing agency costs and improving internal supervision. Therefore, the CSR disclosure will improve. Uyar et al. (2021) also found that AC expertise positively influenced CSR reporting. Furthermore, Akhtaruddin and Haron (2010) in Malaysia discovered that the AC's expertise positively affects CSR disclosure as their knowledge enhances the effectiveness and precision of the disclosures.

On the other hand, research by Biçer and Feneir (2019) found that the expertise of ACs did not significantly affect environmental disclosure. Despite this, the present study argues that audit expertise likely contributes positively to CSR disclosure, given its capacity to strengthen the external stakeholder confidence and improve the reliability of disclosed information. Based on this reasoning, this study proposes the following hypothesis:

H4: The expertise of the audit committee has a positive effect on corporate social responsibility disclosure.

2.7. Managerial ownership and corporate social responsibility disclosure

Managerial ownership means that the majority of shares are held by corporate management, and therefore, management significantly influences the company's operations. Previous studies stated that managerial ownership positively influences the level of CSR reporting (Novitasari & Bernawati, 2020). Managers who hold most of the company's shares will have the motivation to increase company value and reputation, which in turn also raises their wealth, one of which is through CSR disclosure. Another study conducted by Nurianti (2020), who took samples of companies incorporated in the Jakarta Islamic Index, also revealed a positive correlation between managerial ownership and CSR disclosure, attributing that these parties have the same goal to boost the company's value.

Conversely, research by Fauzyyah and Rachmawati (2018) in Indonesia reported negative effects, as it was assumed that managers might prioritize personal gain over broader company interests. However, this study argues that managerial ownership positively influences CSR disclosure. Under such an ownership structure, managers are more likely to be committed to effectively overseeing and managing company operations, which in turn enhances the firm's overall value. Based on this rationale, the formula of the hypothesis is:

H5: Managerial ownership has a positive effect on corporate social responsibility disclosure.

2.8. Institutional ownership and corporate social responsibility disclosure

Institutional ownership means that most shares are owned by banks or other institutions. Previous studies proved that institutional companies significantly positively affect CSR disclosure (Delfy & Bimo, 2021; ur Rehman et al., 2020). According to Delfy and Bimo (2021), who took samples in some companies in Indonesia, institutional ownership positively affects CSR disclosure because institutional investors need financial and non-financial information to ensure that the company activities also consider social, environmental, and economic aspects. The importance of the availability of information encourages management to provide transparent and thorough reporting on company activities, and CSR disclosure is one of them. Supporting this view, ur Rehman et al. (2020) conducted a study on several Chinese companies and found that institutional ownership positively influences CSR disclosure. This is attributed to institutional investors' greater awareness of the relevance and benefits of CSR reporting for ensuring the company's long-term sustainability. Moreover, according to Fauzyyah and Rachmawati (2018), institutional ownership positively affects CSR because it helps control managers in decision-making, preventing them from jeopardizing the company's long-term.

However, other studies revealed that institutional ownership negatively affects CSR disclosure (Qa'dan & Suwaidan, 2019). The study views institutional ownership as significant to CSR disclosure due to the higher knowledge and greater sense of concern for social sustainability. Hence, the following hypothesis was proposed:

H6: Institutional ownership has a positive effect on corporate social responsibility disclosure.

2.9. Foreign ownership and corporate social responsibility disclosure

Foreign ownership means that an entity is owned by a subject who is not from the same country. Studies

conducted in Pakistan identified a negative association between foreign ownership proportion and CSR disclosure (Rustam et al., 2019) because the closer the relationship between control and ownership is, the lower the controlling and monitoring functions within the company. Moreover, according to Saini and Singhania (2018), who took samples of some Indian companies, foreign ownership negatively affects CSR disclosure because it prioritizes financial gains over commitments to social sustainability and environmental conservation efforts.

Comparatively, a study of Fauzyyah and Rachmawati (2018) unveiled that foreign ownership positively affects the company's sustainability disclosure in Indonesia. Foreign ownership tends to prioritize long-term corporate performance, and CSR disclosure serves as a strategic tool to accomplish this goal. However, this study argues that foreign ownership may weaken the company's internal control mechanisms. Thus, the following hypothesis is proposed:

H7: Foreign ownership has a negative effect on corporate social responsibility disclosure.

3. RESEARCH METHODOLOGY

The samples consist of Sharia-compliant companies listed in the Sharia Securities List, except for the financial sector, due to the different legal regulations of the financial institutions and the minimum environmental impact (Ben Fatma & Chouaibi, 2023). The samples are selected through purposive sampling with the criteria that the companies publish complete annual reports from 2017 to 2021 and have the required data.

This study used the CSR index as the dependent variable, and content analysis was adopted as a measurement of the dependent variable. This technique observed the items in the Global Reporting Initiative (GRI) 4.0, comprising 91 economic, social, and environmental indicators. If there are no items in the company's report indicating the aspects in GRI 4.0, the value is "0". Conversely, the value will be "1" if items are indicated. The CSR index was formulated as follows:

$$CSR_i = \frac{\sum X_i}{N_i} \quad (1)$$

where, CSR_i = CSR index, $\sum X_i$ = number of CSR information items, and N_i = number of GRI 4.0 indicators.

The independent variables comprise BOD size (SBD), the frequency of BOD meetings (BDM), AC size (SAC), AC expertise (EAC), institutional ownership (IOW), managerial ownership (MNO), and foreign ownership (FOW). This study also employed control variables, encompassing market capitalization (MC) and leverage (LEV). Table 1 lists the measurements.

Table 1. Variable measurement

Variable	Notation	Measurement
BOD size	SBD	Number of BOD members
BOD meeting	BDM	Number of BOD meetings in a year
AC size	SAC	Number of AC members
AC expertise	EAC	Number of AC members with financial expertise
Managerial ownership	MNO	Management's share ownership as a proportion of total company shares
Institutional ownership	IOW	Institutional share ownership as a proportion of total company shares
Foreign ownership	FOW	Foreign share ownership as a proportion of total company shares
Market capitalization	MC	Multiplying the number of outstanding shares by the price of one share in the market
Leverage	LEV	Long-term debt divided by total assets
CSR disclosure	CSRD	Number of CSR divided by the number of GRI indicators

The quantitative method is employed in this study to investigate the influence of CG structures on the CSR disclosure practices. Utilizing multiple regression analysis, the study incorporates diagnostic checks for multicollinearity, heteroskedasticity, and autocorrelation to validate the regression model's assumptions.

4. RESULTS AND DISCUSSION

The final sample of this study was 83 Sharia companies listed on the Indonesian Stock Exchange from 2017 to 2021, resulting in 415 data. Table 2 displays the results of descriptive statistics and explains the results of the statistical descriptive test. In short, the research variables yielded an average value of 30.28. Of all variables, the AC size (SAC) registered the lowest value of 3.07, implying that while the AC level was low, it was noticeable. The finding unveiled that AC expertise scored the highest, with a value of 81.57, indicating that 81.57% of AC members possessed financial expertise. Regarding the control variable, *LEV* scored 38.26%, and *MC* scored 28.84%. Hence, the average leverage value in Indonesian Sharia companies was 38.26%, while the average *MC* value was 28.84%.

Table 2. Descriptive statistics result

Variable	Min	Max	Mean	Std. dev.
<i>SBD</i>	2	14	5.0795	2.08072
<i>BDM</i>	5	65	17.4096	11.32591
<i>SAC</i>	2	6	3.0747	0.38912
<i>EAC</i>	33	100	81.5735	21.82459
<i>MNO</i>	0	62.9	469.9352	5217.20185
<i>FOW</i>	0	70	5.0380	12.44315
<i>IOW</i>	7	75.89	613.4964	6314.30703
<i>LEV</i>	0.68	140.37	38.2609	19.62886
<i>MC</i>	24.22	36.52	28.8490	2.13654
<i>CSRD</i>	0	50.55	15.4452	12.25549

Table 3 illustrates the correlation among all variables. The variables in this study depicted a tolerance value greater than 0.10, while

the variance inflation factor (VIF) value remained below 10, signifying the absence of multicollinearity.

Table 3. Multicollinearity test

Model	Collinearity statistics	
	Tolerance	VIF
<i>SBD</i>	0.663	1.509
<i>BDM</i>	0.752	1.330
<i>SAC</i>	0.802	1.247
<i>EAC</i>	0.927	1.079
<i>FOW</i>	0.290	3.443
<i>MNO</i>	0.889	1.125
<i>IOW</i>	0.313	3.191
<i>LEV</i>	0.925	1.081
<i>MC</i>	0.746	1.340

Note: Significant at a level of 5%.

Figure 1 exhibits the heteroscedasticity test. The scatterplot graph displays the absence of a clear pattern, with points spread above and below zero on the Y-axis. In other words, heteroscedasticity did not occur.

Table 4 elucidates the autocorrelation test using the Durbin-Watson (DW) statistic, generating an upper critical (DU) value of 1.813 and a 4-DU value of 2.187. Following the $DU < DW < 4-DU$ criteria, the autocorrelation analysis of this study was $1.813 < 1.834 < 2.187$. Thus, no autocorrelation was observed in this research model.

Figure 1. Heteroscedasticity test

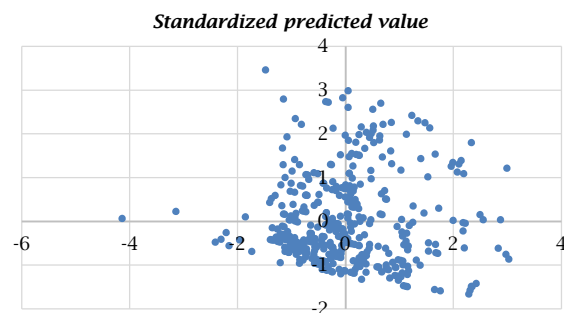


Table 4. Autocorrelation test

R	R-squared	Adj R-squared	Std. error of the estimate	DW
0.240	0.058	0.037	12.12646	1.834

The results of the hypothesis are displayed in Table 5.

Table 5. Hypothesis test

Variable	Unstandardized coefficients		t	Sig.
	B	Std. error		
(Constant)	1.720	1.320	1.303	0.193
<i>SBD</i>	0.339	0.161	2.106	0.036
<i>BDM</i>	0.330	0.088	3.753	0.000
<i>SAC</i>	-1.993	0.595	-3.35	0.001
<i>EAC</i>	0.087	0.086	1.014	0.311
<i>MNO</i>	0.049	0.025	1.984	0.048
<i>IOW</i>	-0.049	0.026	-1.903	0.058
<i>FOW</i>	-0.081	0.029	-2.819	0.005
<i>LEV</i>	-0.066	0.055	-1.209	0.227
<i>MC</i>	0.736	0.527	1.396	0.164

4.1. Board of directors' size and corporate social responsibility disclosure

The results of hypothesis testing demonstrated that BOD size has a positive impact on CSR disclosure.

This suggests that a larger board is associated with a greater extent of CSR reporting. Therefore, *H1* is supported. This finding aligns with prior studies, including research by Fauzyyah and Rachmawati (2018) on Indonesian firms, Naseem et al. (2017) in the context of Pakistan, and Ebaid (2022) in Saudi Arabia. All studies concluded that a larger board size enhances CSR disclosure due to improved accountability and more effective implementation of governance procedures. The BODs in Indonesian Sharia companies have effectively carried out their duties and have been aware of the importance of CSR disclosure in boosting stakeholder satisfaction.

4.2. Board of directors' meetings and corporate social responsibility disclosure

The analysis of *H2* demonstrated a significant positive relationship between board meeting frequency and CSR disclosure levels. Thus, *H2* is supported. These findings suggest that increased board deliberation frequency enhances corporate

social transparency, consistent with prior studies by Fauzyyah and Rachmawati (2018) and Ratri et al. (2021) in the Indonesian context. This correlation likely reflects strengthened oversight mechanisms associated with more regular board engagement. This research finding also supported Alkayed and Omar (2023), who conducted the study in Jordan, demonstrating that board meetings positively affect CSR disclosure, as they reflect the board's diligence.

Following a stakeholder theory, the board meeting is one of the company's instruments to achieve stakeholder interests. Through board meetings, the company can formulate stakeholders' interests and determine the company's direction, which will impact the fulfillment of stakeholder interests.

4.3. Audit committee size and corporate social responsibility disclosure

The results demonstrate a significant negative relationship between AC size and CSR disclosure levels in Indonesian Sharia-compliant firms, suggesting that larger AC tend to reduce CSR transparency. Therefore, *H3* is rejected. This result is supported by Harvidiyan and Dianawati (2020) and Fahad and Rahman (2020), who argued that the role of AC may not be directly related to CSR activities and disclosure.

The hypothesis was rejected as the AC demonstrated inadequate effectiveness in monitoring organizational operations and managerial activities. Furthermore, the static composition of committee members implies the AC may primarily serve a ceremonial rather than substantive governance role.

4.4. Audit committee expertise and corporate social responsibility disclosure

The results from testing *H4* show that the financial expertise of AC has no statistically significant influence on the CSR disclosure. In other words, the financial expertise of the members did not lead to any notable differences in the extent of CSR reporting. As a result, *H4* is not supported.

The findings unveiled that audit expertise had no impact on CSR disclosure, a conclusion corroborated by the works of Biçer and Feneir (2019) and Appuhami and Tashakor (2017). Previous studies discovered that the expertise of ACs does not affect CSR disclosure, as their emphasis tends to be predominantly on the company's financial aspect, rather than on CSR disclosure that covers more complex aspects such as social and environmental.

4.5. Managerial ownership and corporate social responsibility disclosure

The findings from the *H5* test showed that there is a positive relationship between CSR disclosure and the managerial ownership variable. This means that as the percentage of shares held by managers increases, the level of CSR reporting also increases. These results support Novitasari and Bernawati (2020) and Nurianti (2020), who stated that in order to improve corporate performance, management will disclose both financial and non-financial data to strengthen investor confidence. However, this result does not support Nurleni and Bandang (2018) and Dakhli (2021), who suggest that

managerial ownership may reduce CSR transparency, as managers might focus more on increasing company value, even though unethical or unlawful means.

4.6. Institutional ownership and corporate social responsibility disclosure

The results found that institutional ownership negatively influences CSR disclosure (at a 10% significance level). In other words, as the share of institutional ownership increases within a company, the level of CSR reporting tends to decline. Therefore, the hypothesis proposed in this study is not supported. These findings support previous evidence suggesting that institutional ownership may reduce CSR transparency, as institutional investors often place a stronger emphasis on maximizing company productivity. Since CSR activities are not directly tied to productivity outcomes, they are sometimes perceived as having limited value or counterproductive (Qa'dan & Suwaidan, 2019).

The rejection of the *H6* in this study might be due to the low level of institutional ownership in Indonesia. Therefore, institutional ownership is unlikely to elevate the level of CSR disclosure. Another reason for rejecting this hypothesis is the possibility that institutional ownership does not directly influence decision-making but instead serves primarily in a monitoring function.

4.7. Foreign ownership and corporate social responsibility disclosure

The hypothesis testing results concerning the effect of foreign ownership on CSR disclosure revealed a negative relationship. This indicates that as the proportion of foreign ownership in a company increases, the extent of CSR disclosure decreases. These findings are consistent with the study conducted by Rustam et al. (2019), which also found a negative association between foreign ownership and CSR reporting. Additional support comes from the research by Saini and Singhania (2018) in China. The negative relationship suggests that foreign investors may prioritize short-term financial returns over CSR commitments, potentially viewing such disclosures as non-essential for business performance. Their focus on cost efficiency might lead to reduced investments in sustainability reporting.

4.8. Control variables and corporate social responsibility disclosure

The hypothesis test conducted in this study disclosed that leverage and market capitalization, when considered as control variables, did not affect CSR disclosure. The leverage generated a negative coefficient of -0.066, with a significance value of 0.227. This result is consistent with the finding of Wardhani et al. (2019). Moreover, leverage does not influence CSR disclosure because leverage focuses on the productive performance of the company, while CSR is not directly related to the company's productivity (Kapitan & Ikram, 2019).

Furthermore, market capitalization acquired a positive coefficient of 0.736, with a significance value of 0.164, higher than 0.05. In other words,

market capitalization did not affect the CSR disclosure level. It is similar to the findings of Istiqomah and Amanah (2021). The market capitalization does not affect CSR disclosures because it is not directly related to CSR disclosure.

5. CONCLUSION

This study investigated the impact of CG structures on CSR disclosure practices among Indonesian Sharia-compliant companies. The analysis demonstrated positive correlations between CSR reporting and three factors: BOD size, BOD meeting, and managerial ownership. In contrast, negative relationships emerged with AC size and foreign ownership, while AC members' expertise and institutional ownership exhibited no influence on the disclosure levels.

This study indicates that CG mechanisms can influence CSR disclosure, especially the role of the BOD. It highlights the significance of BOD not only in achieving financial performance, which is the focus of shareholders, but also in addressing non-financial performance, such as CSR, which should be a concern of the BOD. Larger and more active boards enhance transparency through CSR

reporting. On the contrary, AC size has a negative relationship, implying that a larger committee may lead to inefficient performance. Sharia-compliant companies can consider these findings to strengthen the governance structures, improve CSR disclosure, and promote better governance and sustainability practices that align with Islamic principles. Furthermore, types of ownership structures have different findings, which may encourage the company to consider which targeted investors to also improve CSR disclosure. Furthermore, this finding may provide ideas for future research to investigate these results, including whether the same phenomenon occurs in companies.

This study had several limitations. This analysis was only conducted in Sharia-compliant companies. Moreover, several indicators in the GRI were absent from the annual report but could be discovered in other company reports, such as human rights reports. Employing GRI 4.0 as a research indicator requires much time. Future studies are expected to explore other CG mechanisms as research variables that influence CSR disclosure, utilizing samples from countries with similar economic characteristics to broaden the knowledge.

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