GIJEA
Greenation International Journal of Economics and Accounting
+62 81210467572 https://research.e-greenation.org/GIJEA greenation.info@gmail.com
GREENATION RESEARCH

DOI: https://doi.org/10.38035/gijea.v4i3

Exploring the Moderating Role of Firm Size on Corporate Governance and CSR Disclosure in Indonesian Listed Companies

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Abstract: This study investigates the determinants of Corporate Social Responsibility (CSR) disclosure by examining the influence of Good Corporate Governance (GCG) mechanisms and profitability, with firm size acting as a moderating variable. The governance mechanisms are represented by board size, institutional ownership, and managerial ownership. The research focuses on consumer goods companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Using a purposive sampling method, 34 companies were selected, resulting in 170 panel data observations analyzed through panel regression using EViews 12. The findings reveal that board size, institutional ownership, and managerial ownership negatively affect CSR disclosure, while profitability has a positive effect. Furthermore, firm size only strengthens the relationship between managerial ownership and CSR disclosure, but does not moderate the effects of board size, institutional ownership, or profitability. These results indicate that larger firms tend to enhance the role of managerial ownership in encouraging broader CSR practices. This study contributes to the existing literature by providing empirical evidence on the moderating role of firm size in the relationship between corporate governance mechanisms and CSR disclosure in emerging markets. From the perspective of legitimacy theory, CSR disclosure serves as a strategic instrument for maintaining social legitimacy, strengthening stakeholder trust, and supporting long-term business sustainability. The findings are expected to provide insights for corporate management, investors, and policymakers in improving governance quality and CSR transparency.

Keyword: Board Size, Corporate Governance, Corporate Social Responsibility Disclosure, Firm Size, Institutional Ownership, Managerial Ownership, Profitability.

INTRODUCTION

Corporate Social Responsibility (CSR) has become an important aspect of modern business practices because companies are increasingly assessed not only by financial performance but also by their social and environmental responsibilities. In the era of globalization and sustainability awareness, firms are expected to maintain long-term business sustainability while meeting stakeholder expectations. CSR disclosure therefore functions as a strategic instrument to enhance corporate reputation, strengthen stakeholder trust, and maintain public legitimacy (Eriqat et al., 2023). According to legitimacy theory, CSR disclosure enables companies to align business activities with societal norms and expectations, while stakeholder theory emphasizes the importance of transparency and accountability toward various stakeholder groups.

In Indonesia, CSR implementation is regulated through Law No. 40 of 2007 concerning Limited Liability Companies and Law No. 25 of 2007 concerning Investment. Despite these regulations, the quality of CSR disclosure in Indonesia remains relatively lower than in several ASEAN countries such as Thailand and Singapore (Suastha, 2020). This condition indicates that many Indonesian companies still face challenges in implementing transparent and comprehensive sustainability reporting practices. Consumer goods companies are particularly relevant in CSR studies because their operational activities are closely related to public welfare, environmental sustainability, and consumer trust (Freeman, 1984**;** Suchman, (1995).

Several factors are considered to influence CSR disclosure, particularly corporate governance mechanisms, profitability, and firm size Good Corporate Governance (GCG), reflected through board size, institutional ownership, and managerial ownership, is expected to improve corporate transparency and accountability. Larger boards may provide broader expertise and stronger monitoring functions, while institutional and managerial ownership can influence managerial decisions regarding sustainability practices (Velte, 2022**;** Gillan et al., 2021)**.** Profitability also plays an important role because financially stronger firms generally possess greater resources to support social and environmental initiatives (Tanara et al., 2023)**;** Subiyanto et al., 2022)**.** In addition, larger firms tend to face greater public scrutiny and stakeholder pressure, encouraging broader CSR disclosure practices (Sylvia et al., 2022**;** Suchman, 1995).

However, empirical findings regarding the determinants of CSR disclosure remain inconsistent. Previous studies reported that board size positively affects CSR disclosure (Hasanah & Rudyanto, 2020; Damayanti et al., 2021; Zahroh et al., 2023), while other studies found insignificant or negative effects (Antoni & Pratami, 2022; Afrizal, 2024). Similar inconsistencies also appear in the relationships between institutional ownership, managerial ownership, profitability, and CSR disclosure. These contradictory findings suggest that governance mechanisms may operate differently across emerging market contexts, where institutional pressures, regulatory enforcement, and stakeholder awareness are still evolving.

Table 1 presents the descriptive trends of the research variables during 2020–2024. CSR disclosure among consumer goods companies consistently increased during the observation period, despite declining profitability trends. Meanwhile, board size, managerial ownership, and firm size generally increased, whereas institutional ownership remained relatively stable. These trends indicate that companies are becoming more concerned with sustainability practices even under economic pressure.

Table 1. Descriptive Trends of Research Variables (2020–2024)

Year	CSR Disclosure	Board Size	Institutional Ownership (%)	Managerial Ownership (%)	Profitability	Firm Size
2020	0.33	4.12	66.41	10.87	9.66	28.97
2021	0.36	4.15	65.57	10.88	8.80	29.14
2022	0.37	4.32	65.75	11.37	8.54	29.21
2023	0.38	4.44	66.42	11.20	8.38	29.24
2024	0.40	4.32	65.66	11.49	7.61	29.33

Source: Processed research data, 2025.

This study contributes to the CSR and corporate governance literature in several ways. First, it examines the inconsistent relationship between governance mechanisms and CSR disclosure in the context of an emerging market, namely Indonesia. Second, this study introduces firm size as a moderating variable to explain whether larger firms strengthen or weaken the influence of governance mechanisms and profitability on CSR disclosure. Third, the study focuses specifically on consumer goods companies during the 2020–2024 period, providing updated empirical evidence regarding CSR practices in industries closely connected to society and environmental sustainability.

Based on these issues, this study aims to analyze the influence of board size, institutional ownership, managerial ownership, and profitability on CSR disclosure, with firm size acting as a moderating variable in consumer goods companies listed on the Indonesia Stock Exchange during 2020–2024. The findings are expected to enrich the development of legitimacy theory, stakeholder theory, and corporate governance literature, while also providing practical implications for companies and policymakers in improving sustainability reporting practices.

Figure 1 illustrates the conceptual framework of this study. The framework explains the relationship between Board Size (X1), Institutional Ownership (X2), Managerial Ownership (X3), and Profitability (X4) on CSR Disclosure (Y), with Firm Size (Z) acting as a moderating variable that influences the strength of these relationships.

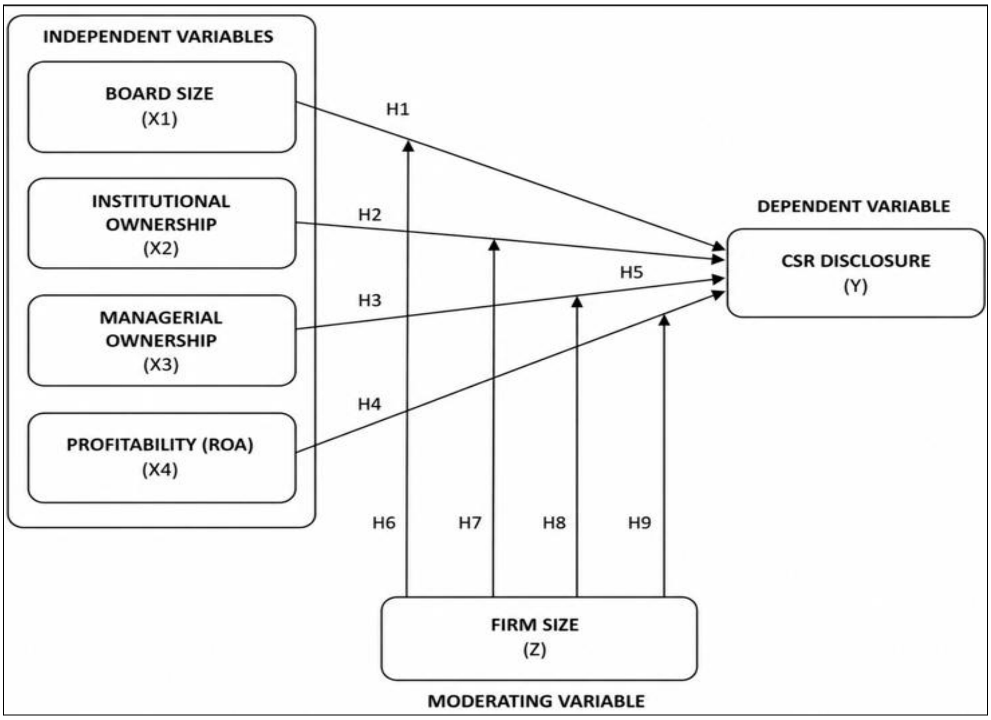

Figure 1. Research Framework

METHOD

This study employs a quantitative approach with a descriptive and causal-comparative design to examine the determinants of Corporate Social Responsibility (CSR) disclosure and the moderating role of firm size in consumer goods companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. Secondary data were obtained from audited annual reports, financial statements, and sustainability reports published on the official IDX website and the respective company websites.

The population of this study consists of 50 consumer goods manufacturing companies listed on the IDX. The sample was selected using purposive sampling based on the following criteria: (1) companies consistently listed on the IDX during 2020–2024; (2) companies publishing audited financial statements ending on December 31 during the observation period; and (3) companies providing complete data related to the research variables. Based on these criteria, 34 companies were selected, resulting in 170 panel observations.

CSR disclosure serves as the dependent variable and is measured using the Corporate Social Responsibility Disclosure Index (CSRDI) based on the Global Reporting Initiative (GRI-G4) standards. The CSRDI consists of 91 disclosure items covering economic, environmental, and social dimensions. The scoring procedure applies a dichotomous scoring method, where each disclosure item receives a score of "1" if the company discloses the item in the annual report or sustainability report, and "0" if the item is not disclosed. The CSRDI value is then calculated by dividing the total disclosed items by the total disclosure items required under GRI-G4. The formula is expressed as follows:

$$CSRDI = \frac{\sum X}{n}$$

Where ($\sum X$) represents the number of CSR items disclosed by the company and (n) represents the total disclosure items under GRI-G4 standards.

The independent variables in this study consist of board size, institutional ownership, managerial ownership, and profitability. Board size is measured by the total number of commissioners in the company. Institutional ownership is measured by the proportion of institutional shareholdings relative to total outstanding shares, while managerial ownership is measured by the proportion of managerial shareholdings relative to total outstanding shares. Profitability is proxied by Return on Assets (ROA), calculated as net income after tax divided by total assets. The moderating variable, firm size, is measured using the natural logarithm of total assets (Ln Total Assets).

Table 2. Operational Definition of Variables

Variable	Measurement
CSR Disclosure (Y)	($CSRDI = \frac{\sum X}{n}$)
Board Size (X1)	Total number of commissioners
Institutional Ownership (X2)	Institutional shares / Total outstanding shares
Managerial Ownership (X3)	Managerial shares / Total outstanding shares
Profitability (X4)	($ROA = \frac{Net\ Income}{Total\ Assets}$)
Firm Size (Z)	($Ln (Total\ Assets)$)

Source: Processed research data, 2025.

The data were analyzed using panel data regression with the assistance of EViews 12 software. Panel data regression was selected because it combines cross-sectional and time-series data, enabling more comprehensive analysis by capturing individual company heterogeneity and dynamic changes over time (Sharma et al., 1981)Model selection was conducted through the Chow test, Hausman test, and Lagrange Multiplier test to determine the most appropriate estimation model among the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM).

Although statistical testing determined the most appropriate model, the Fixed Effect Model (FEM) is also theoretically relevant for this study because consumer goods companies possess different unobservable characteristics related to governance structure, managerial behavior, corporate culture, and sustainability orientation. These firm-specific characteristics are relatively stable over time and may influence CSR disclosure practices. FEM is therefore considered more appropriate because it controls for unobserved heterogeneity across firms, reducing potential bias caused by omitted firm-specific variables (Sharma et al., 1981)

Hypothesis testing included descriptive statistics, partial tests (t-test), simultaneous tests (F-test), coefficient of determination (R^2), and Moderated Regression Analysis (MRA). The moderating effect of firm size was examined using interaction terms between the independent variables and firm size.

This study also conducted classical assumption tests to ensure model robustness. Multicollinearity testing was performed using correlation matrix analysis and Variance Inflation Factor (VIF), while heteroscedasticity testing employed the Glejser test. In addition, autocorrelation testing was conducted using the Durbin-Watson statistics to examine whether residuals were correlated across time periods. The results indicated that the regression model satisfied the classical assumption requirements.

To improve methodological rigor, this study also acknowledges the potential existence of endogeneity issues, particularly related to reverse causality between profitability, governance mechanisms, and CSR disclosure. Companies with stronger CSR disclosure may attract institutional investors and improve financial performance, creating reciprocal relationships among variables. To minimize this issue, the study applies panel data regression with Fixed Effects estimation, which helps control unobservable firm-specific factors that remain constant over time. Nevertheless, the possibility of endogeneity cannot be entirely eliminated and therefore becomes one limitation of this study.

The moderating role of firm size was analyzed using Moderated Regression Analysis (MRA). Following Sharma et al., 1981 moderation effects can be classified into four categories: pure moderation, quasi moderation, homologiser moderation, and predictor moderation. Pure moderation occurs when the moderating variable interacts significantly with the independent variable but has no direct effect on the dependent variable. Quasi moderation occurs when the moderating variable has both a direct effect and a significant interaction effect. Homologiser moderation refers to a variable that influences the strength of the relationship indirectly through variance reduction, while predictor moderation occurs when the moderating variable functions primarily as an independent predictor rather than a true moderator. This classification is used to provide clearer interpretation regarding the moderating role of firm size in the relationship between governance mechanisms, profitability, and CSR disclosure Sharma et al. (1981).

RESULT AND DISCUSSION

Descriptive Statistics

Descriptive statistics were employed to describe the characteristics of the research variables, including the mean, minimum, maximum, and standard deviation values. The results are presented in Table 3.

Table 3. Descriptive Statistics

Variable	Mean	Minimum	Maximum	Std. Dev.
CSR Disclosure (Y)	0.367421	0.153846	0.725275	0.081395
Board Size (X1)	4.317647	2.000000	9.000000	1.768975
Institutional Ownership (X2)	65.96224	0.000000	94.47000	26.40273
Managerial Ownership (X3)	11.16152	0.000000	92.03000	22.37531
Profitability (X4)	8.597882	-20.32000	59.90000	9.252193

Variable	Mean	Minimum	Maximum	Std. Dev.
Firm Size (Z)	29.17907	26.15513	32.93787	1.505355

Source: Processed data using EViews 12, 2025.

Table 3 shows that the average CSR disclosure among consumer goods companies during 2020–2024 was 0.367421, indicating a moderate level of CSR disclosure. Institutional ownership dominated share ownership structures, with an average value of 65.96%, while managerial ownership demonstrated relatively high variation across firms. Profitability also fluctuated substantially, reflecting differences in financial performance among companies. Firm size showed relatively stable variation throughout the observation period.

Panel Data Regression Model Selection

To determine the most appropriate estimation model, Chow and Hausman tests were conducted. The Chow test produced a probability value of 0.0000 (< 0.05), indicating that the Fixed Effect Model (FEM) was more appropriate than the Common Effect Model (CEM). Furthermore, the Hausman test generated a probability value of 0.0253 (< 0.05), confirming that FEM was preferred over the Random Effect Model (REM). Therefore, the Fixed Effect Model was selected as the final regression model.

Table 4. Panel Data Model Selection Results

Test	Probability	Decision
Chow Test	0.0000	Fixed Effect Model
Hausman Test	0.0253	Fixed Effect Model

Source: Processed data using EViews 12, 2025.

The selection of FEM is not only statistically appropriate but also theoretically relevant because CSR disclosure practices are strongly influenced by firm-specific characteristics such as corporate culture, governance orientation, managerial behavior, and sustainability commitment (Velte, 2022**;** Gillan et al., 2021) which tend to remain relatively constant over time. FEM is therefore capable of controlling unobservable heterogeneity across firms and reducing omitted variable bias caused by unobserved firm-specific factors.

Classical Assumption Tests

The multicollinearity test results indicate that all correlation coefficients among the independent variables were below 0.85, suggesting that no severe multicollinearity problem existed in the regression model. Nevertheless, because the study employs interaction terms in the Moderated Regression Analysis (MRA), the possibility of multicollinearity among interaction variables can't be entirely ignored. Interaction terms commonly produce relatively high correlations in moderation models, although the results remained within acceptable tolerance limits.

The heteroscedasticity test showed probability values greater than 0.05 for all variables, indicating that the model was free from heteroscedasticity problems. In addition, the Durbin-Watson statistic indicated no serious autocorrelation issue among residuals across observation periods.

Although the regression model demonstrates strong explanatory power, the possibility of endogeneity and omitted variable bias should still beacknowledged. CSR disclosure may simultaneously influence governance structures and profitability, creating potential reverse causality among variables. Furthermore, other factors outside the model, such as media exposure, political connections, environmental sensitivity, and corporate ownership concentration, may also influence CSR disclosure practices (Michelon et al., 2015**;** Pérez-

Cornejo et al., 2023)**.**Therefore, the findings should be interpreted cautiously despite the strong statistical results.

Regression Analysis and Hypothesis Testing

The regression analysis using the Fixed Effect Model is presented in Table 5.

Table 5. Fixed Effect Model Regression Results

Variable	Coefficient	t-Statistic	Probability
Constant	0.473841	15.65926	0.0000
Board Size (X1)	-0.004741	-1.999796	0.0476
Institutional Ownership (X2)	-0.001177	-2.311816	0.0223
Managerial Ownership (X3)	-0.001403	-2.910961	0.0042
Profitability (X4)	0.000857	2.875019	0.0047
Model Statistics		**Value**	
Adjusted R-Squared		0.940723	
F-Statistic		73.48684	
Prob (F-Statistic)		0.000000	

Source: Processed data using EViews 12, 2025.

The regression results indicate that board size negatively and significantly affects CSR disclosure (β = -0.004741; p = 0.0476). This finding suggests that larger boards do not necessarily strengthen sustainability orientation. In the context of emerging markets, larger boards may create coordination inefficiencies, slower decision-making processes, and stronger emphasis on short-term financial performance rather than long-term sustainability commitments. This finding contradicts normative governance theory, which assumes that larger boards improve transparency and accountability.

Institutional ownership also negatively affects CSR disclosure (β = -0.001177; p = 0.0223). This result indicates that institutional investors in emerging markets may prioritize financial efficiency and profitability over social and environmental disclosure. Rather than functioning as sustainability-oriented monitors, institutional investors may pressure companies to focus more heavily on short-term shareholder returns. This finding supports the perspective of shareholder-oriented governance and financial dominance over sustainability orientation.

Similarly, managerial ownership negatively and significantly affects CSR disclosure (β = -0.001403; p = 0.0042). This finding suggests that higher managerial ownership may strengthen managerial entrenchment, where managers prioritize personal interests and short-term financial outcomes rather than broader stakeholder accountability. Managers with substantial ownership may perceive CSR activities as additional costs that potentially reduce short-term profitability.

In contrast, profitability positively affects CSR disclosure (β = 0.000857; p = 0.0047), indicating that profitable firms possess greater financial resources to support sustainability initiatives and broader CSR disclosure. This finding is consistent with signaling theory and legitimacy theory, which suggest that financially strong firms are more likely to disclose CSR information to maintain corporate legitimacy and investor confidence.

Simultaneously, all independent variables significantly affect CSR disclosure, as indicated by the F-statistical probability value of 0.000000 (< 0.05). Furthermore, the Adjusted R-Squared value of 0.940723 indicates that 94.07% of the variation in CSR disclosure can be explained by the variables included in the model.

Although the Adjusted R-Squared value is very high, indicating strong explanatory power, this condition may also reflect potential overfitting due to the use of panel fixed effects and interaction terms. High explanatory power in panel regression models is relatively common because FEM captures firm-specific effects that substantially increase model fitness.

Nevertheless, the possibility of omitted variable bias and model over-specification should still be considered when interpreting the results.

The most important finding of this study lies in the contradiction between governance theory and empirical evidence. Governance mechanisms that are theoretically expected to improve accountability and transparency instead appear to suppress CSR disclosure (Velte, 2022 ; Ramdhony et al., 2024)**.**This finding indicates that governance structures in emerging markets may function differently from those in developed economies. Rather than promoting substantive sustainability orientation, governance mechanisms may operate primarily to maximize financial performance and shareholder interests. Consequently, CSR disclosure may become symbolic rather than substantive, serving mainly as a legitimacy tool rather than a reflection of genuine sustainability commitment (Bebbington et al., 2008; Michelon et al., 2015)

Moderating Regression Analysis (MRA)

Moderated Regression Analysis (MRA) was conducted to examine the moderating role of firm size on the relationship between the independent variables and CSR disclosure. The results are presented in Table 6.

Table 6. Moderated Regression Analysis Results

Variables	Equation 1	Equation 2	Equation 3	Moderation Type	Hypothesis
Board Size × Firm Size	0.0774	0.0633	0.0780	Homologiser Moderation	Rejected
Institutional Ownership × Firm Size	0.0000	0.0436	0.9464	Predictor Moderation	Rejected
Managerial Ownership × Firm Size	0.0050	0.0145	0.0011	Quasi Moderation	Accepted
Profitability × Firm Size	0.0042	0.1494	0.0057	Pure Moderation	Rejected

Source: Processed data using EViews 12, 2025.

The MRA results show that firm size only significantly moderates the relationship between managerial ownership and CSR disclosure, indicating quasi moderation and supporting H8. This finding suggests that larger firms with high managerial ownership experience stronger stakeholder pressure and legitimacy demands, encouraging broader CSR disclosure despite managerial dominance.

Meanwhile, firm size failed to moderate the relationship between board size and CSR disclosure, indicating homologiser moderation. Similarly, firm size did not strengthen the relationship between institutional ownership and CSR disclosure, resulting in predictor moderation. These findings suggest that larger firm visibility alone is insufficient to alter governance orientation when governance mechanisms remain strongly focused on financial performance.

Although the interaction between profitability and firm size was statistically significant, firm size did not consistently strengthen the relationship between profitability and CSR disclosure, leading to the rejection of H9. This finding indicates that larger firms do not always allocate greater financial resources toward substantive sustainability practices. In some cases, CSR disclosure among large firms may function more symbolically to maintain corporate reputation and legitimacy rather than reflecting stronger sustainability commitment.

Discussion

1. The Effect of Board Size on CSR Disclosure

This study finds that board size negatively and significantly affects CSR disclosure among consumer goods companies listed on the Indonesia Stock Exchange during 2020–2024. The negative coefficient indicates that a larger board of commissioners does not necessarily improve CSR transparency; instead, it may reduce the effectiveness of CSR disclosure. Excessively large boards tend to create coordination inefficiencies, slower decision-making processes, overlapping authority, and free-rider problems among board members. As board size increases, the effectiveness of monitoring managerial decisions related to sustainability and CSR activities may decline.

From the perspective of agency theory, the board of commissioner's functions as a monitoring mechanism intended to reduce agency conflicts between shareholders and management. However, when the board becomes excessively large, monitoring effectiveness weakens because communication and coordination become more complex. Consequently, CSR implementation and disclosure may receive less strategic attention. This finding indicates that board effectiveness depends more on the quality, independence, expertise, and active involvement of commissioners than merely the number of board members (Velte, 2022)

Stakeholder theory and legitimacy theory further explain that ineffective governance structures weaken the company's responsiveness toward stakeholder expectations and reduce the strategic role of CSR disclosure in maintaining public legitimacy. Similarly, signaling theory suggests that firms with excessively large boards may fail to consistently communicate sustainability commitments due to bureaucratic inefficiencies and delayed strategic responses.

Within the Triple Bottom Line framework, inefficient governance structures tend to prioritize short-term financial objectives over social and environmental commitments (Gillan et al., 2021). As a result, companies may focus primarily on the "profit" dimension while underemphasizing the "people" and "planet" dimensions. This finding indicates that governance structures in emerging markets may remain predominantly shareholder-oriented rather than sustainability-oriented. Therefore, larger boards do not automatically strengthen CSR transparency if governance priorities remain focused on financial efficiency and shareholder wealth maximization.

2. The Effect of Institutional Ownership on CSR Disclosure

The results demonstrate that institutional ownership negatively and significantly affects CSR disclosure. This finding suggests that institutional investors in Indonesian consumer goods companies tend to emphasize financial performance and operational efficiency rather than broader sustainability disclosure. Although institutional investors are theoretically expected to strengthen monitoring mechanisms, the findings indicate that institutional shareholders may pressure management to prioritize profitability and shareholder returns over social and environmental initiatives.

According to agency theory, institutional investors possess stronger monitoring capabilities because of their substantial ownership stakes and professional expertise. However, the negative relationship found in this study implies that institutional investors may focus primarily on short-term financial performance, thereby discouraging management from allocating significant resources toward CSR activities perceived as non-essential expenditures. This condition reflects shareholder-oriented governance, where governance mechanisms function more strongly to protect shareholder wealth than to encourage sustainability orientation (Jensen & Meckling, 1976**;** Velte, 2022)

From the perspectives of legitimacy theory and signaling theory, firms with dominant institutional ownership may rely more heavily on financial credibility and market performance to maintain legitimacy and investor confidence rather than emphasizing CSR disclosure. Stakeholder theory also explains that dominant institutional ownership may shift corporate priorities toward major shareholders while reducing attention toward broader stakeholder groups such as communities, employees, and environmental interests.

Within the Triple Bottom Line perspective, institutional investors may place stronger emphasis on "profit" compared to "people" and "planet." Consequently, CSR disclosure becomes less expensive despite strong institutional ownership. This finding reinforces the argument that governance mechanisms in emerging markets may not yet fully integrate sustainability principles and ESG orientation into investment decision-making processes (Gillan et al., 2021; Shah et al., 2023)

3. The Effect of Managerial Ownership on CSR Disclosure

This study also finds that managerial ownership negatively affects CSR disclosure. The result indicates that higher managerial ownership encourages managers to focus more heavily on financial efficiency and short-term profitability because managers simultaneously act as shareholders. Under such conditions, CSR activities may be viewed as additional costs that do not immediately contribute to financial returns, leading to lower levels of CSR disclosure.

Agency theory suggests that managerial ownership should align management interests with shareholder interests and reduce agency conflicts. However, the findings indicate that excessive managerial ownership may create managerial entrenchment, where managers become less responsive to stakeholder demands and less motivated to enhance CSR transparency. Managers with dominant ownership may perceive less need to strengthen legitimacy through CSR disclosure because they possess stronger internal control over corporate decisions Cho & Ryu, 2022**;** Ongsakul et al., 2021)

Legitimacy theory and signaling theory support this interpretation by explaining that firms with concentrated managerial control may prefer to maintain legitimacy and signal corporate quality through financial performance rather than social and environmental disclosure. Similarly, stakeholder theory indicates that managerial priorities remain centered on shareholder wealth maximization rather than balancing broader stakeholder interests.

From the Triple Bottom Line perspective, companies with high managerial ownership tend to prioritize “profit” while giving relatively less attention to “people” and “planet.” This finding further strengthens the argument that governance mechanisms in emerging markets may still operate within a financial dominance orientation rather than a sustainability orientation.

4. The Effect of Profitability on CSR Disclosure

The findings reveal that profitability positively and significantly affects CSR disclosure. This result indicates that profitable companies possess greater financial resources and stronger incentives to engage in social and environmental activities. Firms with higher profitability are more capable of funding CSR programs and sustainability reporting initiatives without compromising operational stability.

From the perspective of signaling theory, profitability acts as a positive signal used to strengthen investor confidence and corporate reputation. CSR disclosure therefore becomes a strategic communication tool through which profitable firms demonstrate sustainability commitment, ethical responsibility, and long-term viability. Legitimacy theory also explains that highly profitable firms face stronger public scrutiny and therefore possess greater incentives to maintain legitimacy through CSR activities.

Stakeholder theory suggests that profitable companies are better positioned to fulfill stakeholder expectations because they possess sufficient financial capacity to support social and environmental programs. Similarly, the Triple Bottom Line framework emphasizes that strong financial performance enables firms to better balance economic, social, and environmental objectives. Thus, profitability strengthens a company’s ability to integrate “profit,” “people,” and “planet” dimensions within corporate strategy (Tanara et al., 2023**;** Subiyanto et al., 2022)

These findings indicate that financial capability remains an important prerequisite for substantive CSR implementation in emerging markets. Companies with limited financial resources may prioritize operational survival and profitability before allocating resources toward sustainability initiatives and CSR disclosure.

5. Simultaneous Effect of Governance Mechanisms and Profitability on CSR Disclosure

The simultaneous regression results indicate that board size, institutional ownership, managerial ownership, and profitability collectively influence CSR disclosure. The high Adjusted R^2 value demonstrates that governance mechanisms and financial performance explain a substantial proportion of variation in CSR disclosure among consumer goods companies.

This finding suggests that CSR disclosure cannot be explained by a single governance mechanism alone. Instead, CSR transparency results from the interaction between governance structures, ownership characteristics, financial capability, and legitimacy pressures. Agency theory explains that governance mechanisms collectively shape managerial behavior and monitor effectiveness, while stakeholder and legitimacy theories emphasize that firms disclose CSR information to maintain public trust and respond to stakeholder expectations.

However, the empirical findings demonstrate that governance mechanisms in emerging markets do not always strengthen sustainability orientation as predicted by normative governance theory. Instead, governance structures may remain predominantly shareholder-oriented, where financial efficiency, profitability, and shareholder wealth maximization receive greater priority than sustainability commitments. This study therefore extends governance literature by showing that governance effectiveness in emerging markets should not be evaluated solely based on formal governance structures, but also on the strategic orientation underlying governance practices.

The findings also suggest that CSR disclosure in emerging markets may function more symbolically than substantively (Michelon et al., 2015; Bebbington et al., 2008). Companies may disclose CSR information primarily to maintain legitimacy and corporate reputation without fully integrating sustainability principles into long-term corporate strategy. Consequently, governance mechanisms may strengthen symbolic legitimacy rather than substantive sustainability accountability. This constitutes the core theoretical contribution of the study.

6. The Moderating Role of Firm Size

The Moderated Regression Analysis (MRA) results indicate that firm size does not strengthen the relationship between board size and CSR disclosure, nor between institutional ownership and CSR disclosure. These findings imply that company scale alone is insufficient to improve governance effectiveness in encouraging CSR transparency. Even though larger firms generally face greater public scrutiny and stakeholder pressure, governance effectiveness remains more dependent on managerial orientation, governance quality, and sustainability commitment.

However, firm size significantly strengthens the relationship between managerial ownership and CSR disclosure. This finding indicates that managerial ownership becomes more effective in promoting CSR disclosure within larger firms because large firms face stronger legitimacy pressures, broader stakeholder demands, and greater reputational risks (Suchman,1995**;** Pérez-Cornejo et al., 2023)**.** Managers with ownership stakes in large firms therefore become more motivated to disclose CSR information as a strategy to maintain legitimacy and strengthen corporate reputation.

In contrast, firm size does not strengthen the relationship between profitability and CSR disclosure. This finding suggests that profitability independently drives CSR disclosure regardless of company scale. Both large and small firms with strong financial performance tend to disclose CSR activities more extensively because profitability itself provides the financial capacity and strategic incentives necessary for sustainability initiatives.

Overall, these findings demonstrate that firm size does not universally strengthen the relationship between governance mechanisms and CSR disclosure. The moderating effect of firm size depends on the specific governance characteristic being examined and the company's underlying strategic orientation. This result further confirms the complexity of CSR determinants in emerging markets, where legitimacy pressure, financial orientation, governance quality, and stakeholder responsiveness interact simultaneously in shaping CSR disclosure practices.

CONCLUSION

This study examines the determinants of Corporate Social Responsibility (CSR) disclosure in consumer goods companies listed on the Indonesia Stock Exchange during 2020–2024, with firm size as a moderating variable. The findings reveal that board size, institutional ownership, and managerial ownership negatively affect CSR disclosure, while profitability positively affects CSR disclosure. These results indicate that governance mechanisms in Indonesian consumer goods companies remain more oriented toward financial efficiency and shareholder interests than sustainability commitments.

The study also finds that firm size only moderates the relationship between managerial ownership and CSR disclosure. Larger firms face greater legitimacy pressure, stakeholder expectations, and reputational risks, encouraging broader CSR disclosure despite stronger managerial dominance. However, firm size does not strengthen the influence of board size, institutional ownership, or profitability on CSR disclosure, suggesting that company scale alone is insufficient to improve governance effectiveness in promoting sustainability transparency.

Theoretically, this study contributes to CSR and corporate governance literature by demonstrating that governance mechanisms in emerging markets do not always strengthen sustainability orientation as predicted by normative governance theory. Instead, governance structures may remain predominantly shareholder-oriented, where financial performance and profitability receive greater priority than social and environmental accountability. The findings further suggest that CSR practices in Indonesian consumer goods companies remain in a transitional stage, where the "profit" dimension continues to dominate the "people" and "planet" dimensions within the Triple Bottom Line framework.

Practically, the findings imply that companies should integrate CSR into core business strategies rather than treating it merely as a complementary activity. Companies are encouraged to improve governance quality, strengthen board effectiveness, and align managerial incentives with long-term sustainability objectives. Institutional investors should also incorporate Environmental, Social, and Governance (ESG) considerations into investment decisions and actively encourage greater CSR transparency.

This study has several limitations. Governance variables were measured using limited proxies, and the study focused only on consumer goods companies during 2020–2024, limiting the generalizability of the findings. Future studies are therefore recommended to expand research sectors, observation periods, governance indicators, and sustainability variables to provide a more comprehensive understanding of CSR disclosure practices in emerging markets.

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