*International Journal Of Humanities Education And Social Sciences* ***(IJHESS)*** *E-ISSN:* **2808-1765**
Volume 5, Number 2, October 2025, *Page. 957 – 966*
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# Corporate Social and Environmental Disclosure (CSED) and the Effects of Company Age, Profitability, Leverage, and Size

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***Abstract***
*In the context of Indonesia, a growing economy, the study intends to examine the relationship between a company's size, leverage (DER), age, and profitability (ROA and ROE) in relation to corporate social and environmental disclosure (CSED).A sample of 616 firm-years from Indonesia's listed manufacturing enterprises for the 2019–2022 period was used in the study. Content analysis has been done to gauge CSED. The hypotheses have been tested using the two-step system generalized technique of moments approach. The study discovered that the sample firms practiced CSED at a relatively low level. The findings indicate that no factors significantly affect CSED.*

***Keywords: Company Age, Profitability, Leverage, Environmental Disclosure***

## INTRODUCTION

Stakeholder attention to economic operational activities and their effects is implied by the disclosure of firm performance reports. This endeavor first merely sought to enhance the company's standing by benefiting the local community, but it soon became an issue that needed everyone's entire attention. Globally, this exacerbates social problems and environmental harm.

Despite global concerns, Indonesia's economic growth is rather stable. According to fiscal.kemenkeu.go.id, the GDP grew by 4.94% in the third quarter of 2023 over the same period the year before. Economic growth is largely driven by public consumption, which in the third quarter of 2023 was 5.1% (year over year). Over 25% of Indonesia's GDP comes from the processing sector, which is still the main engine of the country's economic expansion. Then came the agricultural sector, which encompasses fishing, farming, and forestry. This demonstrates how Indonesia's economic growth is still fueled by natural resources like processed goods and raw materials like fish and wood.

Even though 25% of Indonesia's wealth comes from natural resources, considerable environmental degradation has necessitated enormous financial outlays to fix it. Natural resources make up over half of Indonesia's primary exports. With mining accounting for 14.07%, agriculture for 9.22%, fisheries for 2.58%, and forestry for 0.66%, the large carbon footprint accounts for 25% of the Indonesian GDP. However, policies that promote shifts in economic activity in a more environmentally friendly direction are necessary since these sectors support economic growth and create a large number of employment for the community. (Yogatama, 2023).

This will lower GDP overall. A World Bank research estimates that Indonesia has lost 5% of its GDP as a result of environmental deterioration (Leitman et al., 2009). Air pollution is responsible for 38% of environmental expenses, whilst the loss of forests and non-renewable natural resources (minerals) is responsible for 55% and 6.7%, respectively. Air pollution, which represents 5% of the nation's GDP, is the second largest contributor to environmental costs. The economic aspects of this study demonstrate the significance of giving priority to development plans aimed at lowering air pollution in the industries and categories of the largest polluters (Pirmanto, 2022).

## RESEARCH METHODS

During the 2019–2022 timeframe, this study employs a quantitative research methodology to analyze financial firms listed on the Indonesia Stock Exchange (IDX/BEI). The focus is on examining how these firms disclose their Corporate Social Responsibility (CSR) activities within their financial reports. Data is collected from annual reports and sustainability disclosures published by the companies, which serve as the primary sources of secondary data. By applying statistical techniques, the research seeks to identify the extent to which firm-specific characteristics and governance mechanisms influence the level of CSR disclosure. This approach not only provides measurable insights into disclosure practices but also captures patterns and trends across the financial sector during the observed period.

***Research Variables Operational***

Table 1. Dependent V*ariable*

| **Variable and Concept** | **Dimension and Measurement** | | **Scale** |
|---|---|---|---|
| Including both financial and non-financial information in a company's annual report or corporate social responsibility report is known as CSED(Y). (Milne and Hackston) | *1). The sustainability component of environment (Y1) addresses how an organization affects both living and nonliving natural systems, such as ecosystems, land, air, and water.* | | Ratio |
| | ***Extent*** | ***Quality*** | |
| | ***Sub Dimensi (Sub Area)*** | ***Indicator*** | |
| | ***Materials*** | *Materials utilized based on volume or weight.*<br>*Recycled input materials by weight, volume, or percentage of used materials.* | Ratio |
| | ***Energy*** | *The major energy source's direct energy usage.*<br>*The main source of indirect energy usage.*<br>*Energy savings as a result of efficiency gains and conservation.*<br>*Initiatives to provide energy-efficient or renewable energy-based products and services have resulted in a decrease in energy requirements.*<br>*Indirect energy usage has been reduced.* | Ratio |
| | ***Water*** | *Water withdrawal total by source.*<br>*The percentage of water that is recycled and reused.* | Ratio |
| | ***Biodiversity*** | *The amount of land that is owned, leased, or managed in protected areas, as well as places outside of protected areas that have significant biodiversity value.*<br>*The effects of products, services, and activities on biodiversity in protected* | Ratio |

| | | | |
|---|---|---|---|
| | | *areas and high-value biodiversity regions outside of protected areas are quantified.* *The size of restored or protected habitats.* | |
| | ***Emmision, Effluents, and Waste*** | *Weighted total emissions of greenhouse gases, both direct and indirect.* *Additional pertinent indirect greenhouse gas emissions, broken down by weight.* *Emissions of greenhouse gases were reduced.* *Total weight or volume of waste, broken down by type and method of disposal.* *The sum of the volume of major spills.* | Ratio |
| | ***Products & service*** | *Quantification of the effects of environmental mitigation initiatives for products and services, such as lowering energy and water use,* *The percentage or amount of sold products or packaging materials that are recovered by category.* | Ratio |
| | ***Compliance*** | *The quantity of legal violations, the monetary amount of hefty fines, or the overall number of environmental laws and regulations that have not been followed* | Ratio |
| | ***Transport*** | *Quantification of the effects on the environment (such as energy consumption and greenhouse gas emissions) of moving products, other materials, and personnel utilized in the functioning of the company.* | Ratio |
| | **General Investments in Environmental** | *Total investments or expenditures for environmental protection, broken down by category.* | Ratio |
| | 2). *The ILO Tripatite Declaration Concerning Multinational Enterprises and Social Policy, the Organization for Economic Cooperation and Development, and other instruments that directly address the social obligations of commercial enterprises are also incorporated into the Labour Practices & decent Work (Y2) indices.* | | Ratio |
| | ***Extent*** | ***Quality*** | |
| | ***Sub Dimensi (Sub Area)*** | ***Indicator*** | |

| | | | |
|---|---|---|---|
| | ***Employment*** | *Major operations' rate of employee turnover (by age group, gender, or location)*<br>*Benefits offered to full-time staff that are not offered to temporary or part-time workers.* | Ratio |
| | ***Labour/Management Relations*** | *The proportion of workers covered by collective bargaining agreements*<br>*Presence or absence of a minimum notice period for operational changes; and whether or not collective agreements specify this.* | Ratio |
| | ***Occupational Healty & Safety*** | *Representation of the entire workforce in official joint management-worker health and safety committees, which assist in overseeing and providing guidance on occupational health and safety initiatives.*<br>*Rates of accidents, occupational illnesses, missed work, absenteeism, or fatalities at work.*<br>*The number of workers, family members, and community members participating in counseling, education, training, prevention, or risk-control initiatives to help workers, their families, or community people with serious illnesses.*<br>*The extent to which formal agreements with trade unions address health and safety issues.* | Ratio |
| | ***Training & Educations*** | *The number of employees who have undergone training, the average number of hours of training each employee receives annually, or the average cost of training each employee receives annually.*<br>*The number of workers participating in lifelong learning or skills management programs that help workers manage their career endings and maintain their employability.*<br>*The proportion of workers who get regular performance or career development reviews.* | Ratio |
| | ***Diversity & Equal Opportunity*** | *Employees are broken down by age, gender, membership in a minority group, and other diversity markers.* | Ratio |

| | | | |
|---|---|---|---|
| | | *The ratio of men's base pay to women's.* | |
| | ***Employee Satisfactions*** | *Findings from employee satisfaction surveys.* | Ratio |
| | ***Compliance*** | *The number of legal breanches, the monetary amount of hefty penalties, or the total number of non-monetary sanctions for breaking labor laws and regulations pertaining to decent work and labor practices.* | Ratio |
| | ***3).*** *Product Responsibility (Y3) indicators focus on the areas of a reporting company's goods and services that have a direct impact on consumers, such as marketing, privacy, information and labeling, and health and safety.* | | Ratio |
| | ***Extent*** | ***Quality*** | |
| | ***Sub Dimensi (Sub Area)*** | ***Indicator*** | |
| | ***Customer Healty & Safety*** | *The proportion or quantity of product or service categories in life cycle stages where the effects on health and safety are evaluated for potential enhancements.* *The total number of instances where rules or voluntary codes pertaining to the effects of goods or services on health and safety during their life cycle have not been followed.* | Ratio |
| | ***Product & Service labeling*** | *The proportion or quantity of noteworthy goods or services that are contingent on particular items or specifications. needs for service information* *The total number of instances where rules or voluntary codes pertaining to product or service information or labeling have not been followed.* | Ratio |
| | ***Customer Satisfaction*** | *Findings from surveys that gauge customer satisfaction, such as the quantity of complaints or received.* | Ratio |
| | ***Marketing Communication*** | *The total number of instances where rules or voluntary codes pertaining to marketing communications—such as sponsorship, promotion, and advertising—have not been followed.* | Ratio |
| | ***Customer Privacy*** | *The total quantity of verified complaints about consumer data loss or privacy violations.* | Ratio |
| | ***Compliance*** | *The number of legal breanches, the monetary amount of hefty penalties, or the overall number of non-monetary sanctions for breaking human rights laws and regulations.* | Ratio |
| | | | |

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|---|---|---|---|
| | **4).** *Indicators of society (Y4) draw attention to how businesses affect the communities in which they operate and how they manage and mitigate potential hazards resulting from their relationships with other social institutions. Information is specifically sought about the dangers of monopoly practices, undue influence in the formulation of public policy, and bribery and corruption.* | | Ratio |
| | **Extent** | **Quality** | |
| | **Sub Dimensi (Sub Area)** | **Indicator** | |
| | ***Community*** | *Quantification of the extent or efficacy of any processes or programs that evaluate and control the effects of operations on the community, such as entering, running, or.* | Ratio |
| | ***Corruption*** | *The percentage or total number of business units that have had their corruption-related concerns examined.*<br>*The proportion of staff members who have received training on the organization's anti-corruption policies or procedures.*<br>*The quantity of measures (and their results) implemented in reaction to instances of corruption.* | Ratio |
| | ***Public Policy*** | *The quantity of lobbying and public policy development activities;*<br>*Total amount of monetary or in-kind contributions made to political parties, politicians, or associated organizations.* | Ratio |
| | ***Anti Competitive Behaviour*** | *The total number of lawsuits pertaining to antitrust, anti-competitive behavior, monopoly activities, and their effects.* | Ratio |
| | ***Compliance*** | *The number of legal breanches, the monetary amount of hefty penalties, or the overall number of non-monetary sanctions for breaking laws and regulations* | Ratio |
| | ***Good Cause*** | *Contribution of funds to worthy causes (excluding sponsorship)* | Ratio |

*Table 2.* Independent V*ariable*

| Variable and Concept | Dimension and Measurement | Indicator, | Scale |
|---|---|---|---|
| Age of Firm (X1)<br>The company's age is the amount of time it has been in business. | The company's original listing on the Indonesian Stock Exchange (Idx) serves as the basis for the criterion determining how long it has been in business. | year n - year first issue in the Idx | Ratio |

| | | | |
|---|---|---|---|
| A number of metrics, such as company size and profitability, show corporate characteristics (CF) as one of the factors.<br>Bani (2017)<br><br>Leverage | 1). Profitability (X2 and X3) is a general variable used to characterize the state of business performance.<br><br>2) Corporate Size (X5)<br><br>A ratio called leverage (X5) is used to quantify how much of a company's assets are financed by debt. | Measured by ROA and ROE<br><br>The number of assets owned by the company<br><br>Measured by DER | Ratio<br><br>Ratio<br><br>Ratio |

Panel Data Regression Model Analysis.

The time series data used in this study spans a period of four years, specifically 2019–2022. Manufacturers listed on the Indonesia Stock Exchange (BEI) provide the cross-sectional statistics. It acquired 616 firm-years and 154 companies.

Panel data regression is the data analysis model employed in this study, and the formula for it is as follows:

CSED = a + b1Age + b2 ROA + b3 ROE + b4DER + b5Size + [CX=F]

## RESULT AND DISCUSSION

Table 3. Data panel test result

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 18.34547 | 4.233006 | 4.333909 | 0.0000 |
| X1 | -0.070357 | 0.040158 | -1.751992 | 0.0806 |
| X2 | 0.002198 | 0.006473 | 0.339623 | 0.7343 |
| X3 | -0.000965 | 0.001141 | -0.846099 | 0.3980 |
| X4 | -0.016745 | 0.019850 | -0.843551 | 0.3994 |
| X5 | 0.239406 | 0.144983 | 1.651271 | 0.0995 |

Based on the table 1 above, a panel data regression equation can be formed as follows:

Y = 18.3454660586 - 0.0703572813457*Age + 0.00219840647918*ROA - 0.000965394776941*ROE – 0.0167447265948*DER + 0.239405751036*Size + [CX=F]

Table 1 above suggests that, in the case where all independent variables are zero, the constant (18.3454660586) is the CSED value. X1 (-0.0703572813457): If all other factors stay the same, CSED (Y) will drop by 0.070357 for every year that the company's age (X1) increases. adversely affects environmental and corporate social disclosure. This implies that a company's CSR and environmental disclosure likely to be lower the older it is. X2 (0.00219840647918): If all other factors remain constant, a 1% rise in ROA (X2) will result in a 0.002198 increase in CSED (Y). favorable impact on environmental and corporate social disclosure. This implies that Corporate

Social and Environmental Disclosure tends to be higher when ROA is higher. X3 (-0,000965394776941): If all other factors stay the same, a 1% increase in ROE (X3) will result in a 0.000965 drop in CSED (Y). adverse impact on environmental and corporate social disclosure. This implies that corporate social and environmental disclosure tends to be lower the higher the ROE. X4 (-0.0167447265948): If all other factors stay the same, a 1% rise in DER (X4) will result in a 0.016744 drop in CSED (Y). adverse impact on environmental and corporate social disclosure. This implies that Corporate Social and Environmental Disclosure tends to be lower the higher the DER. X5 (0.239405751036): If all other factors remain constant, CSED (Y) will rise by 0.239406 for every unit increase in total assets (X5). favorable impact on environmental and corporate social disclosure. Accordingly, corporate social and environmental disclosure tends to be higher the larger the total assets. Stated differently, the results of the t test indicate that no variables significantly affect variable Y.

**F Test**

Table 2 F Test

| Cross-section fixed (dummy variables) | | | |
|---|---|---|---|
| R-squared | 0.856017 | Mean dependent var | 22.01162 |
| Adjusted R-squared | 0.803660 | S.D. dependent var | 2.243762 |
| S.E. of regression | 0.994217 | Akaike info criterion | 3.050341 |
| Sum squared resid | 380.5597 | Schwarz criterion | 4.193701 |
| Log likelihood | -661.2396 | Hannan-Quinn criter. | 3.498016 |
| F-statistic | 16.34953 | Durbin-Watson stat | 1.853065 |
| Prob(F-statistic) | 0.000000 | | |

The F test findings indicate that the F-statistic value is 16.34953 with a probability value of 0.000000, as can be seen from the above table. The null hypothesis, which holds that all independent factors together have no effect on the dependent variable, is rejected since the probability value is less than 0.05. This indicates that variable Y is significantly impacted by the following variables: firm age, leverage as determined by DER, profitability in this case as determined by ROA and ROE, and company size as determined by ln total assets.

**Effect of Company Age on CSED**

While sustainability reporting is primarily focused on sustainable business practices in terms of corporate governance, social responsibility, and the environment, company age indicates how long the company has been in operation. According to legitimacy theory, businesses that have been in business for a longer period of time are obligated to engage in social responsibility initiatives and are viewed by the government as having made greater contributions to the nation and aiding in the advancement of societal welfare. In general, a company's sustainability report can reveal more information and statistics the longer it has been in business. Long-standing businesses can be utilized to gauge their sustainable impact because they have a wealth of history, experience, and performance records (Yunan et al., 2021). It goes without saying that businesses that the general public views as having existed for a long time can provide a good example and maintain their positive value in the eyes of their stakeholders. Consequently, businesses ought to think about releasing sustainability reports in order to set an example for other businesses.

**Effect of Profitability on CSED**

Companies that are highly profitable could think that since their financial success already gives investors a favorable impression, they don't need to further improve their reputation by disclosing sustainability reports. Profitability can affect social responsibility since a company's asset base expands in tandem with its profitability. The results of the hypothesis test show that profitability has no bearing on sustainability disclosure. The results show that sustainability disclosure and profitability are negatively correlated. In conclusion, profitability has little bearing on sustainable disclosure. There is a negative correlation between sustainability report disclosure and profitability, indicating that high-profit businesses are more likely to underreport sustainability. This is because, despite the high expense of creating sustainability reports, profitable companies might not always disclose accountability.

**Effect of Leverage on CSED**

Leverage indicates how much of a company's capital structure is made up of debt. In order to preserve the confidence of investors and creditors, highly leveraged businesses might be more cautious when making social disclosures. Hypothesis testing results indicate that influence has no discernible impact on CSED. The likelihood that a business may break credit agreements increases with the amount of leverage. Consequently, businesses will try to claim bigger profits by cutting expenses, such as those associated with revealing economic, social, and environmental information. This is because producing consistent CSED that is published to everyone comes at a hefty price. The findings of this study are consistent with those of Hermawan et al. (2021), who discovered that leverage had no discernible impact on the Resilience Report's release. Indonesian businesses rely heavily on debt.

**Effect of Comp**any **Size** on CSED

The number of assets a firm possesses can be used to determine its value; the more assets it has, the more time management will have to use them. Larger businesses typically have more resources and are more ready to spend money on CSED initiatives than are small businesses. Because they have more resources and stakeholders expect them to be more accountable and transparent, large corporations are more inclined to achieve higher social disclosure criteria.

Although the degree of social disclosure and firm size are correlated, other significant factors should also be taken into account. A company's commitment to social responsibility and ISR disclosure can be influenced by a number of factors, including corporate culture, industry, government restrictions, and civil society pressure. Furthermore, it's not always the case that big businesses are more socially conscious; in some instances, they engage in immoral behavior even if they have the financial means to do so. Given these complications, it is crucial that firm size not be the only factor influencing social disclosure in business practice and study.

To have a better understanding of the factors influencing corporate social responsibility, a more thorough investigation involving multiple variables will be necessary. This will support the creation of workable plans to improve ISR procedures for companies of all sizes. Moderation: These findings are in line with legitimacy theory, which maintains that businesses try to conduct in a way that complies with social norms so that people will view their actions as acceptable. has a negative correlation with sustainability report disclosure, indicating that high-income businesses are more likely to underreport it.

To seem more credible to the public, larger companies usually disclose more information, including sustainability reports. The company's wealth is shown by the quantity of measurable corporate assets. An growth in assets indicates the company's growing wealth, which allows it to take part in more public relations initiatives. A larger organization's environmental sustainability report will provide more details because its operational operations and goals are more complex. Improved commercial possibilities will boost the company's reputation among both local and international investors. Additionally, the public will perceive companies as having social responsibilities that require the focus of stakeholders (Dewi et al., 2025)

## CONCLUSION

The study's findings indicate that, fo manufacturing businesses listed on the Indonesian Stock Exchange between 2019 and 2022, corporate social and environmental disclosure is not significantly influenced by internal company characteristics such as age, profitability, leverage, or firm size. This suggests that these commonly examined variables may not play a decisive role in determining the extent of disclosure practices within the manufacturing sector. Instead, it is possible that external pressures—such as government regulations, stakeholder demands, or industry standards—serve as stronger motivators for companies to engage in broader sustainability reporting.In light of these findings, opportunities for future research emerge.

One promising direction is to compare the determinants of corporate disclosure practices between organizations that have received the PROPER (Program Penilaian Peringkat Kinerja Perusahaan dalam Pengelolaan Lingkungan Hidup) award in the most recent period and those that have not. Such a comparison would provide deeper insights into whether recognition for environmental performance encourages more comprehensive disclosure, or whether firms without such recognition demonstrate distinct disclosure behaviors. This approach could enrich the understanding of how institutional pressures and environmental performance ratings interact with corporate characteristics to shape sustainability reporting in Indonesia.

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