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Social and environmental disclosure in Indonesia: Does ownership matter?

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Abstract
Research aims: This study aims to analyze the effect of ownership structure on social and environmental disclosure in the annual reports of companies in Indonesia.
Design/Methodology/Approach: This study used 208 panel data from 52 companies in the mining and real estate and building construction sectors. The dependent variable in this study was obtained by analyzing the content of the company's annual report. The hypothesis in this study was then tested using multiple linear regression.
Research findings: The regression test results revealed that institutional ownership and managerial ownership had a significant effect on social and environmental disclosure. In contrast, multiple large shareholder structures (MLSS) had an insignificant effect on social and environmental disclosure.
Theoretical contribution/Originality: This study enriches the literature about social and environmental disclosure with a new approach named SEDI. In addition, this research contributes to the scrutiny of the effect of MLSS on social and environmental disclosure, especially in the Indonesian context. This study also provides empirical evidence on the influence of ownership structure on social and environmental disclosure.
Research limitation/Implication: This research was only limited to companies with many contacts with social and environmental issues, namely mining, agriculture, and real estate and building construction. Meanwhile, other companies are expected to be scrutinized in future research.
Keywords: Social and Environment Disclosure Index; MLSS; Ownership Structure

Introduction

Social and environmental problems in companies have been discussed in many studies in recent years. These studies focus a lot on the sensitivity of companies to disclose the social and environmental problems being faced by companies and the efforts they will make to overcome the social and environmental problems they are facing (Ahmad et al., 2023). These studies are also mostly carried out in developing countries because of the many environmental problems caused by companies in developing countries, such as India and Indonesia.

As a developing country rich in natural resources, the mining sector is the main sector that supports the economy in Indonesia. Unfortunately, the social problems caused by mining companies in Indonesia are enormous.

This is evidenced by the statement of the Mining Advocacy Network (JATAM), claiming that at least 104 checkpoints (1.6 million hectares) in Indonesia are prone to natural disasters, such as landslides, floods, and earthquakes (Jong, 2021). This number is very large but has never been published by mining companies in Indonesia. Apart from being caused by the mining sector, another environmental problem in Indonesia that has also become a public concern is deforestation. According to Global Forest Watch data, deforestation in Indonesia from 2001-2020 reached 27.7 million hectares (ha). Until 2020, Indonesia's deforestation rate was among the five highest in the world. The data on world deforestation are illustrated in Figure 1.

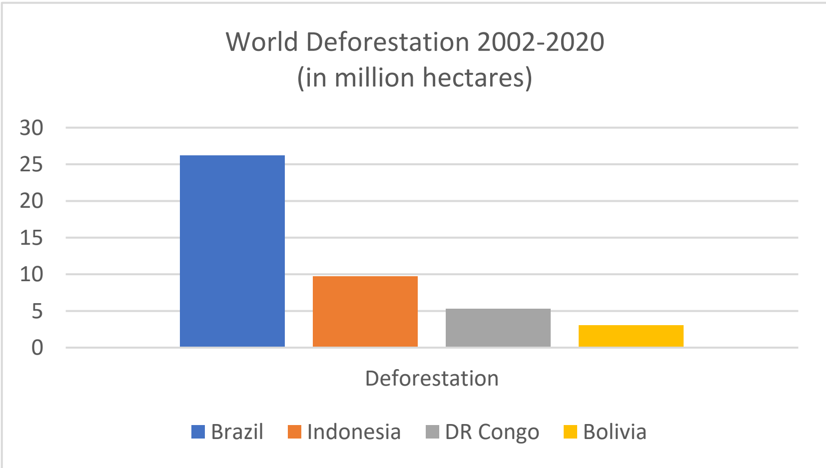

Figure 1 World Deforestation 2002-2020

As a developing country that is currently intensively developing, social-environmental problems also arise in infrastructure development. The Committee for the Acceleration of Providing Priority Infrastructure (KPPIP) revealed that around 31% of national strategic projects are still experiencing land acquisition problems (Yasa, 2020). Not long ago, one of the national strategic projects received public attention, namely the dam construction project in Wadas Village, whose project is handled by PT Pembangunan Perumahan (Persero).

Further, infrastructure development is never free from social and environmental problems because infrastructure projects are in direct contact with land and landowners. Construction companies, therefore, should disclose social and environmental information as widely as possible as a form of corporate responsibility to the social and economic environment of the surrounding community. In addition, infrastructure development requires careful planning to minimize social and environmental problems that may arise during construction (Hosny et al., 2022).

Even though many parties report the many social and environmental problems in Indonesian companies, the company's efforts to report social and environmental problems as a form of company transparency have not been seen much. Social and environmental issues are usually disclosed in a separate report from the company's annual report, namely the sustainability report. Until this research was conducted, there was still very little interest from companies to publish a sustainability report (NCSR, 2020).

The National Center of Sustainability Reporting (NCSR) is a non-governmental organization (NGO) and an official organization appointed by GRI as a training partner for Southeast Asia. It released the results of the Asian Sustainability Reporting Rating (ASRAT) in 2017–2020. The disclosure level of social and environmental issues in Indonesia was relatively low. A total of 31 Indonesian companies were included in ASRAT, published sustainability reporting from 2017–2020, and were dominated by the banking sector (NCSR, 2020).

The low number of companies issuing sustainability reports in developing countries indicates that social and environmental disclosure (SED) requires new standards besides the index recommended by GRI. The disclosure items used by GRI have huge coverage. Since huge coverage means huge money, many companies do not use the GRI as the basis of their reporting. The disclosure standard should be adjusted according to the characteristics of the countries of the companies studied (Oh et al., 2011).

Each company also has a different scope and characteristics of disclosure in its report since each company has a different ownership structure (Ali et al., 2017). SED practices are generally influenced by several external company factors, such as social norms, laws and regulations, and disclosure costs. The owner of the company will respond to these factors to determine the extent of their SED. In a nutshell, the ownership structure is one of the factors determining the extent of SED (Acar et al., 2021).

Singhania and Gandhi (2015) proposed an index of SED that is suitable for developing countries. Research using this index has been conducted in India. Since Indonesia is a developing country and has almost the same characteristics as India, the authors used Sighania and Gandhi's index as the standard for measuring SED in this study (Singhania & Gandhi, 2015).

Many studies on social and environmental disclosure with new perspectives have been carried out abroad, one of which is by Sighania and Gandhi (Singhania & Gandhi, 2015). However, not much research from within the country has been conducted, and most of them still used the GRI perspective (Edison, 2017; Nugroho & Yulianto, 2015; Paramita & Marsono, 2014). For that reason, this study intends to fill the existing research gap so that it can theoretically contribute to providing empirical evidence regarding the effect of ownership structure on social and environmental disclosure.

Additionally, research on SED in the annual reports of companies listed on the Indonesia Stock Exchange has so far been dominated using the GRI index. Hence, this study tries to use different standards for measuring SED. The purpose of this study is to examine the extent of SED in the company's annual report and its factors.

Numerous enterprises in Indonesia still use the annual report to brief their social and environmental information, so they need an index that is relevant to the characteristics of the companies studied. In measuring the level of social and environmental disclosure in the company's annual report, an index is required that can provide an overview of the important aspects that must be disclosed by the company (Oh et al., 2011). In compiling the index, it is necessary to involve many parties, including environmental organizations and academics (Wang et al., 2021). The Social and Environmental Disclosure Index (SEDI), which Singhania and Gandhi developed, is an alternative index for measuring SED that is still integrated into the annual report. Based on these reasons, the authors consider that research using SEDI is feasible in Indonesia. In addition, this research aims to enrich the literature on SED research in Indonesia.

The social disclosure index developed by academics can have practical implications for companies by making the index a reference for them to disclose SED in the annual reports they publish. This information is expected to increase the value of the company because it is needed to convince investors that the company can continue its business processes continuously and sustainably. Thus, this research can enrich the literature on social and environmental disclosure indexes, especially from an Indonesian perspective.

Based on the problems described, the independent variables used in this study were institutional ownership, managerial ownership, and multiple large shareholder structure (MLSS), while the dependent variable was SED using the SEDI. The MLSS variable on social and environmental disclosure in Indonesia has only been carried out in several countries, such as India, China, and South Korea (Oh et al., 2011). It is hoped that the results of this study can add to the literature regarding the effect of ownership structure on social and environmental disclosure. This research can also provide an overview of the effect of ownership structure on SED.

In accounting theory, the problem of disclosing information in company reports is described in agency theory. Agency theory explains the relationship between the principal and the agent, in which the relationship allows information asymmetry to occur so that the information disclosed by the agent is incomplete. These problems can be solved with the existence of a good corporate governance (GCG) mechanism. The relationship between agency theory, GCG, and SED will be discussed in the literature review section.

Literature Review and Hypotheses Development

Agency Theory

This study used agency theory as a research basis. Agency theory appears to identify the relationship between principals (shareholders) and agents (management). Jensen and Meckling (1976) explained that the agency relationship is a contractual relationship between shareholders (principal) and management (agent). Agents are required to carry out the company's operational activities on behalf of the principal and obtain delegation of authority to make decisions related to the company's operational activities.

The relationship between principal and agent in agency theory has different interests, which is called the agency problem. This problem arises because of the information asymmetry between the principal and the agent. Information asymmetry is also a condition in which the agent, as the manager of the company's operational activities, has broader information about internal conditions than the principal, in this case, the shareholder. Given the importance of information and the existence of information asymmetries between principals and agents that can lead to conflicts of interest, supervision is needed to align them. However, the existence of a supervisory mechanism raises agency costs (Liu et al., 2016).

According to Healy and Palepu (2001), one way to minimize agency costs caused by information asymmetry is to improve manager communication through disclosure, especially voluntary disclosure. With disclosure, investors can understand the manager's strategy for managing the company and measure the level of risk that will occur. Hence, investors will be more accommodating to managers because they assess the information risk problem that has been resolved (Sutedja, 2006).

Theoretically, the ideal ownership structure will encourage companies to disclose extensive information. The low level of social and environmental disclosure in companies in Indonesia is thought to be influenced by a less-than-ideal ownership structure, so it is necessary to empirically prove the effect of ownership structure on social and environmental disclosure in Indonesia. The results of this study are expected to provide a theoretical contribution regarding the effect of ownership structure on social and environmental disclosure.

Agency Issues, Ownership Structure, and SED

SED has become a major concern in many studies over the last few years. This is because several studies have proven that SED has a positive effect on company performance and provides a good image for investors and consumers. In addition, the extent of disclosure also indicates that the agency problems faced by companies are relatively low (Wang et al., 2021).

Agency problems have a close relationship with the corporate governance structure. The corporate governance structure can be used as a determinant that affects the level of disclosure, including SED. A good corporate governance structure will also provide better supervision, thereby minimizing the possibility of agents taking operative actions (Wang et al., 2021). Based on these arguments, a good corporate governance structure is expected to resolve agency problems within the company.

One of the corporate governance structures that has received the attention of researchers in recent years is the ownership structure. A good ownership structure can help overcome agency problems that exist (Attig et al., 2009). On the contrary, a bad governance structure will actually cause agency problems to become more clouded so that companies cannot disclose information widely. This argument reinforces that ownership structure could be the determinant of the SED.

Some of the studies above have provided arguments that are strong enough to provide an overview of the connection between agency problems, ownership structure, and extent of corporate information disclosure. Because the phenomenon of low corporate interest in Indonesia is thought to be influenced by the company's ownership structure, this research is designed to provide empirical facts regarding the impact of ownership structure on SED.

Hypotheses

Institutional Ownership and SEDI

Theoretically, institutional ownership will provide more oversight of the investment company, not only of financial performance but also of non-financial performance. Financial performance is needed because the company, given the investment, must be able to provide benefits. Meanwhile, non-financial information is also needed to provide an overview of the extent to which the company can survive in the face of environmental and social developments, which will also impact the company's financial performance in the future (Singal & Putra, 2019).

Institutional ownership is share ownership by bodies (institutions), such as financial institutions, banks, insurance companies, and other companies (Singal & Putra, 2019). Institutional investors are seen as a group of shareholders with relatively large shareholdings (Qa'dan & Suwaidan, 2019). Thus, institutional investors pay more attention to the company's long-term performance, which can be improved by good management practices such as CSR actions. Therefore, institutional investors tend to support CSR initiatives carried out by their investees (Mahoney and Roberts, 2007).

The study results (Nurleni et al., 2018; Qa'dan & Suwaidan, 2019; Singal and Putra, 2019) demonstrated that institutional ownership had a positive effect on corporate social and environmental disclosures. The results of this study align with the existing theory, so the hypothesis taken in this study is:

H_1**:** *Institutional ownership has a positive impact on SEDI.*

Managerial Ownership and SEDI

Theoretically, managerial ownership can have a positive effect on social and environmental disclosure. It is supported by the opinion that the existence of the owner in the company's managerial process can minimize the occurrence of agency conflicts within the company so that information asymmetry can be minimized (Paek et al., 2013).

Managerial ownership is the proportion of share ownership owned by managerial parties (commissioners and directors) who actively take prostitutes (Singal & Putra, 2019). The greater the share ownership by the managerial party, the more the managerial party will pay attention to the interests of the shareholders, who are also themselves; it will increase the trust and performance of the company (Pasaribu et al., 2016). In agency theory, there is a conflict of interest between the owner and the agent where the agent may act contrary to the interests of the principal and trigger agency costs (Paek et al., 2013). High managerial share ownership will encourage management to carry out its functions properly in accordance with the interests of principals, including disclosure of social and environmental responsibility (Sintyawati & Dewi, 2018).

The results of the study (Nurleni et al., 2018; Qa'dan & Suwaidan, 2019) showed that managerial ownership had a positive effect on social and environmental disclosure. The results of this study are consistent with the theory previously mentioned, so the hypothesis derived in this study is:

H*$_2$*: *Managerial ownership has a positive impact on SEDI.*

MLSS and SEDI

Theoretically, MLSS can have a positive effect on social and environmental disclosure. The existence of MLSS in the company is expected to balance the power of the majority shareholder in making decisions within the company. Majority shareholders sometimes make decisions that are subjective and tend to benefit themselves, including the decision to disclose social and environmental information. Therefore, the existence of MLSS is expected to become the antithesis within the company so that it can make more objective decisions.

MLSS is also the ownership of several or more than one majority share (Attig et al., 2009). Multiple majority share ownership in the company shows two advantages, i.e., efficient manager supervision and mutual supervision between shareholders, so no party has the absolute right to use company resources for their personal interests (Jeong & Piao, 2019). Companies with many or more than one majority shareholder can reduce agency costs compared to companies with one majority shareholder (Jiang et al., 2017).

Studies (Cao et al., 2019; Wang et al., 2021) have proven that MLSS could have a positive effect on social and environmental disclosures. The results of this study corroborate with the theory previously disclosed, so the hypothesis proposed in this study is:

H*$_3$*: *MLSS has a positive impact on SEDI.*

Based on our literature review and hypothesis development that the authors explained before, the research design of this study is depicted in Figure 2. The authors put institutional ownership, MLSS, and managerial ownership as independent variables affecting the SEDI.

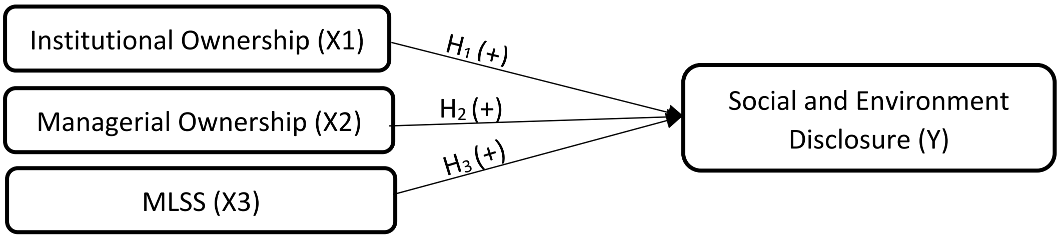

Figure 2 Research Design

Research Method

The population in this study included all companies in the construction, mining, agriculture, and real estate sectors. Due to the COVID-19 pandemic, which has had an impact on company activities, to reduce the possibility of research data bias, data for 2021 and 2022 were excluded, and this study only used data from 2017 to 2020. The sampling technique from the population used a purposive sampling method, which is a sampling technique based on certain criteria. The criteria used in the sampling process are as follows: (1) Companies in the real estate sector of mining, agriculture, and building construction listed consecutively on the Indonesia Stock Exchange and were not delisted or exited from the Indonesia Stock Exchange during the 2017-2020 period; (2) The company had submitted an annual report as of December 31, 2017-2020 and had been audited; and (3) The company provided the information needed related to research.

Data and Data Sources

The data in this study used secondary data taken from annual reports of mining, agricultural, and construction real estate companies listed on the Indonesia Stock Exchange. The data in this study were obtained using documentation techniques on the official website of the Indonesia Stock Exchange (www.idx.co.id).

Research Variables

Social and Environmental Disclosures

Social and environmental disclosures are defined as the extent to which companies make social and environmental disclosures through their annual reports. In this study, the proxy used to measure the level of social and environmental disclosure was the Social and Environmental Disclosure Index (SEDI), developed by Singhania and Gandhi (2015). SEDI consisted of 16 indicators with the theme of SED, so a total of 16 items should be disclosed. The indicators employed in the assessment using SEDI are as Table 1.

The SEDI calculation formula is by dividing the number of items disclosed by the SEDI disclosure items.

Table 1 SEDI indicators

Item	Description	Source
Certification	Certifications received by the company, such as ISO and other awards	Singhania & Gandhi (2015)
Corporate Social Responsibility	Activities carried out by the company to improve the environment and the welfare of society	
Labor disclosure	Disclosure of the workforce along with a complete list of salaries	
Disclosure of employee education level	Disclosure of the list of educational qualifications of employees working for the company	
Occupational health and safety disclosure	Disclosure of existing safety systems within the company to create work safety	
Development and research costs	Disclosure of development and research costs (research and development)	
Labor training	Disclosure regarding workforce training that has been carried out by the company	
Fee audit	Disclosure of the amount of audit fees paid	
Company prospects	Disclosure of the vision and mission of the company in the future	
Disclosure of salary and compensation	Salary details and comparison between the highest and lowest salaries	
Products and technology	Disclosure regarding the product and the technology used to manufacture the product	
Award	Awards received by the company	
Corporate governance	Disclosure regarding corporate governance and commitment to creating good corporate governance	
Subsidiary	Disclosures regarding subsidiaries and their social activities	
Facilities and benefits other than salary provided to employees	Disclosure of facilities and benefits received by employees other than salary	
Environmental concern	Disclosure regarding activities or programs carried out by related companies	

Institutional Ownership

Institutional ownership is defined as the proportion of shares owned by an institution or body (Huafang & Jianguo, 2007). Institutional ownership was measured by dividing the shares owned by an institution or agency by the outstanding shares of the enterprise. Then, the formula for calculating institutional ownership is as follows:

$$\text{Institutional Ownership} = \frac{\sum Shares\ Owned\ by\ the\ Institution}{Total\ Outstanding\ Shares} \times 100 \ldots (1)$$

Managerial ownership

Managerial ownership is described as the percentage of enterprise shares owned by management who play an active role in making company decisions (Huafang & Jianguo, 2007). The formula used to calculate managerial ownership is as follows:

Managerial Ownership = $\frac{\sum Manajerial\ Ownership}{Total\ Outstanding\ Shares} \times 100 \ldots (2)$

MLSS

MLSS are defined as ownership structures with several or more than one majority share. Share ownership is considered majority ownership if the investor owns more than 20% of the total outstanding shares (Ikatan Akuntansi Indonesia, 2009).

Data Analysis Technique

This study employed a total of 208 panel data from 52 companies in Indonesia, consisting of three sectors: mining, agriculture, and real estate from Indonesian Stock Exchange. The research data is described in Table 2.

Table 2 Sample selection

Sector	Amount
Mining sector	20
Agricultural and plantation sector	9
Real estate and construction sector	23
Total sample	52
Total data (total sample x4)	208

The equation of regression in this study is described as follows:

$$SEDI = \alpha + \beta_1 KIns + \beta_2 KM + \beta_3 MLSS + \epsilon \ldots (3)$$

SEDI is for CSR disclosure; α for constant; β1–β3 for regression coefficient; KIns for institutional ownership; KM for managerial ownership; MLSS for multiple large shareholder structures; ε for error (disturbing factor).

Results and Discussion

Descriptive Statistics

In this study, there were 208 observations of companies in the mining, building construction, and agricultural real estate sectors that were listed on the IDX from 2017 to 2020. Table 3 shows the results of the statistical test for the dependent variable, which was the percentage of institutional ownership (IC). The proportion of institutional ownership of at least 0 was the proportion of institutional ownership of PT. Alfa Energi

Investama in 2017, and the maximum value of 0.927 was the proportion of institutional ownership of PT Baramurti Suksessarana in 2018. The low proportion of ownership of PT. Alfa Energi Investama in 2017 was due to share ownership dominated by management and the absence of institutional share ownership. Institutional ownership in this study had an average value of 0.583356 and a standard deviation of 0.204971.

Table 3 Descriptive statistics

Variable	N	Min	Max	Mean	Median	Std. Dev
KI	208	0	0.927	0.583356	0.6365	0.204971
KM	208	0	0.767	0.108553	0.022	0.155656
MLSS	208	0	1	0.610577	1	0.488796
SIZE	208	22.54045	32.25922	29.084350	29.28367	1.657414
ROA	208	-2.30465	0.493031	0.029879	0.028419	0.190277
SEDI	208	7	15	12.418270	13	1.750929

Note: KI = Institutional Ownership; KM = Managerial Ownership; MLSS = Multiple Large Shareholder Structure; ROA = Return on Assets; SIZE = Company Size; SEDI = Social and Environment Disclosure Index.

The results of the descriptive table of the dependent variable on the proportion of managerial ownership (KM) in this study showed a minimum value of 0, namely at PT. Salim Ivomas Pratama, PT. Central Proteina Prima, PT Harum Energy, PT Bukit Asam, PT. Agung Podomoroland, PT. Green Wood Sejahtera, and PT. Pakuwon Teak 2017-2020. The low proportion of managerial ownership in the seven companies was because management did not own company shares. Meanwhile, the maximum value was 0.767, namely at PT. Alfa Energi Investama 2017. Managerial ownership in this study had an average value of 0.108553 and a standard deviation of 0.155656, meaning that the managerial ownership variable had a high level of data variation.

Moreover, the results of the descriptive table of the multiple large shareholder structure (MLSS) variable in this study indicated a minimum value of 0. A total of 79 samples of the 208 samples in this study did not have investors with more than one majority shareholder with a share value of more than 20% of the total outstanding shares. MLSS in this study had an average value of 0.610577 and a standard deviation of 0.488796. The average value of institutional ownership was above the standard deviation, denoting that the institutional ownership variable had a low level of data variation.

Results of Ownership Structure Testing on Social and Environmental Disclosures

Table 4 reveals that the coefficient of determination (R^2) describes the proportion of the dependent variable explained by the explanatory variable (Gujarati & Porter, 2013). The magnitude of the R^2 value is known as the coefficient of determination, which is a general measure to see how much the proportion of the independent variable influences the dependent variable. The adjusted R^2 value showed the number 0.242426, meaning that 24% of the variation in the independent variable could explain the dependent variable, while 76% was explained by other variables outside the research model.

Table 4 Ownership Structure Test Results for Social and Environmental Disclosures

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.017060	1.999966	3.008582	0.0030
KI	1.608905	0.602837	2.668888	0.0082*
KM	-3.553446	0.860755	-4.128289	0.0001*
MLSS	0.202404	0.243093	0.832622	0.4060
SIZE	0.196449	0.067228	2.922114	0.0039*
ROA	0.375012	0.601910	0.623037	0.5340
Adjusted R-squared			0.242426	
F-statistic			14.24816	
Prob (F-statistic)			0.000000	
Total panel (balanced) observations: 208				

Note: *5% significance level

The significance test uncovered that the calculated F-value was 14.24816 with a significance level of 0.000000, meaning that this significance level was less than 5%. It suggests that the regression model could be used to estimate the dependent variable. These results indicate that the independent variable, namely ownership structure, could reliably predict SEDI. The significance value of hypothesis testing in this study was 5%, indicating a significant influence of the independent variable on the dependent variable.

Table 4 also shows how the independent variables (KI and KM) influenced the dependent variable (SEDI). Based on Table 4, while institutional ownership had a positive effect on SED, managerial ownership had a negative effect on SED. In addition, the multiples of the large shareholder structures had no effect on SED.

Positive Impact of Institutional Ownership on SEDI

The first hypothesis in this study stated that institutional ownership affected SED with a significant value of institutional ownership variable of 0.0082; this value was less than 0.05. Thus, it can be concluded that in this study, institutional ownership influenced SED in a positive direction. The results of this study support the agency theory that institutional ownership is one way to reduce agency problems so that institutional ownership has a positive effect on SED. This is because institutional investors have better resources than individual investors, so they can optimize monitoring of company management performance (Karima, 2014). Therefore, companies with high institutional ownership structures have better SED.

The results of this study indicate that institutional ownership had a positive effect on social and environmental disclosure, meaning that the higher the proportion of institutional ownership in a company, the higher the SED. According to Nurleni et al. (2018), institutional ownership has a major influence in overcoming agency problems within companies since institutional investors will carry out strict supervision of companies invested, not only in the financial sector but also in the non-financial sector. In some cases, institutional investors such as banks will provide certain conditions for investment, such as the company's commitment to the environment, CSR disclosure, and disclosure of sustainable reports (Nurleni et al., 2018).

Currently, many institutional investors pay attention to social and environmental aspects as a consideration in determining investment, taking into account that institutional investors will invest in the long term. Social and environmental information can be a signal of the sustainability of a company's business, so broad social and environmental information can attract investors to invest in a company (Salehi et al., 2017). Theoretically, this study supports the agency theory, which states that institutional ownership can reduce agency problems within companies so that companies can disclose the widest possible information. The results of this study also agree with the research of Nugroho and Yulianto (2015), Edison (2017), and Qa'dan and Suwaidan (2019). On the other hand, the results of this study do not support research (Anissa & Machdar, 2019; Astuti et al., 2018; Karima, 2014).

The positive Influence of Institutional ownership Implies that the higher the level of institutional ownership, the higher the level of social and environmental disclosure (Salehi et al., 2017). Therefore, this study suggests that institutional investors play an active role in investing in Indonesia. The existence of institutional investors will provide two advantages, namely financial benefits because more companies will receive funding, as well as monitoring benefits, so that companies will be encouraged to disclose broader social information.

Negative Impact of Managerial Ownership on SEDI

Based on the regression results, the second variable had a negative coefficient with a 0.0001 alpha value. Hence, it can be concluded that in this study, managerial ownership had a negative impact on SEDI. This outcome is reciprocal with Oh et al. (2011), Rivandi (2020), and Nurleni et al. (2018), who found that managerial ownership had a negative effect on SED. The smaller the level of managerial share ownership, the more companies disclose information about CSR, so the results of this study do not support agency theory. This is because shares in a company can cause different interests between shareholders (as principals) and management (as agents). Conflicts and tug-of-war of interests between principals and agents can also lead to problems that, in agency theory, are known as asymmetric information, namely information that is not balanced due to the uneven distribution of information between principals and agents (Rivandi, 2020).

Managerial ownership is a situation where a manager also owns shares of a company. Practically speaking, managers who also act as shareholders will prioritize the company to get the highest profit so that it can prosper itself. Therefore, the important information for him is financial information. Non-financial information is not a major concern, as long as the company can still generate profits for itself (Khan et al., 2012).

Moreover, disclosure of information that is not mandatory often requires a lot of money, so it has the potential to reduce the profit earned by the company. It can also be a reason for managers not to disclose voluntary information, such as social and environmental disclosures. Thus, the higher the level of managerial ownership within the company, the lower the level of social and environmental disclosure (Eng & Mak, 2003).

Theoretically, two main opinions explain the relationship between managerial ownership and disclosure. The first opinion states that the existence of managerial ownership can reduce agency problems within the company because agencies and principals already have the same goal, so it will have a positive effect on information disclosure (Abdullah & Nasir, 2004). On the other hand, the existence of managerial ownership can increase the possibility of managers acting opportunistically because that benefits themselves, which will negatively affect social and environmental disclosure (Eng & Mak, 2003).

The results of this study support the second opinion, where managerial ownership can have a negative effect on social and environmental disclosure. The results of this study support Khan's research, which also found a negative effect of managerial ownership on voluntary information disclosure (Khan et al., 2013). Nonetheless, this study rejects the hypothesis put forward because it was statistically proven that managerial ownership had a negative effect on social and environmental disclosure. This study also does not support Nurleni's research, which uncovered a positive effect of managerial ownership on social and environmental disclosure (Nurleni et al., 2018).

The results of this study imply that shareholders should not take on the role of managers in creating conditions that supervise each other to minimize the possibility of agency problems. Within the company, there must be clear boundaries between the principal and the agent, where the agent is responsible for the principal regarding all operational activities of the company (Said et al., 2009). The division of authority and power will also build a positive image for the company so that it can affect the company's performance.

Insignificant Impact of Multiple Large Shareholder Structure (MLSS) on SEDI

The third hypothesis in this study proposed that MLSS had an effect on SED with a significance value of 0.4060; this value was greater than 0.05. Thus, it can be concluded that in this study, MLSS had no effect on SED. The results of this study are in line with the research of Puspitaningsih and Pohan (2016) and Wang et al. (2021), which found that MLSS had no effect on SED. This is because MLSS does not always have a positive impact. MLSS will have a negative impact if the majority shareholders compromise with each other within the company so that MLSS cannot offset the power of the majority shareholders. Based on the data, around 60% of the companies in this study had MLSS in their structure but did not have a better SEDI than the enterprises with a lower SEDI. In a nutshell, MLSS had an insignificant impact on SEDI.

The results of this study demonstrated that, statistically, MLSS had no effect on social and environmental disclosures. Theoretically, MLSS can indeed have a positive effect on social and environmental disclosure, but practically, MLSS may be the opposite. Judging from its position, MLSS can act not only as an opposition majority shareholder but also as a coalition for majority shareholders (Wei & Zhou, 2020).

The findings of this study imply that MLSS does not always have a positive effect on social and environmental disclosure. The results of this study support the theory that the existence of MLSS will only form a strong coalition so that it can legitimize decisions taken by the majority shareholder. This condition is reinforced by evidence that companies with MLSS do not have better social and environmental disclosure indexes than companies that do not have MLSS.

The results of this study also have practical implications because MLSS does not fully operate as expected, so this study suggests that other majority shareholders can play an active role in balancing power within the company (Wei & Zhou, 2020). It is hoped that a balance of power within the company will be able to encourage companies to make objective decisions, such as disclosing social and environmental information as a form of corporate social and environmental responsibility, as well as convincing investors that the company's business processes will last longer because the company can overcome problems and the environment caused by the company's business activities (Wei & Zhou, 2020).

Conclusion

The study results unveiled that institutional ownership had a positive effect on SED. It proves that institutional ownership could have a positive influence on solving agency problems in companies, so it could encourage companies to disclose extensive information. Institutional investors provide positive stimulus to the company and encourage companies to have good performance and value because, if the company has poor performance or value, investors can withdraw and no longer be shareholders in the company. This research suggests that more institutions should be involved in investment activities in Indonesia since the presence of institutional investors can provide a positive stimulus to both performance and information disclosure within companies.

The study results also showed that managerial ownership had a negative effect on SED. Managerial ownership indicates a dual role in the company, namely as an agent as well as a principal, so that it can exacerbate agency problems within the company. Managerial ownership in the company must be reduced to a minimum to minimize the occurrence of opportunistic actions within the company and improve performance and the extent of corporate information disclosure.

In addition, the study findings revealed that multiple majority ownership (MLSS) had an insignificant impact on SED. It indicates that the majority shareholder still plays a vital role in the company’s decision-making, as well as that the other majority voter share (non-controlling) does not have a role. Based on these facts, this study suggests that non-controlling shareholders can play a more active role in decision-making within the company, including in encouraging companies to disclose more extensive information.

This research has several limitations. (1) This research only focused on companies in the mining, agriculture, and real estate and building construction sectors so that in future research, the research sample can be expanded to enrich the research literature on the theme of SED; (2) The results of this study uncovered that the R-Square value was still low (0.242426); this indicates that many other variables affect SED, so that in future studies, other relevant variables need to be added; (3) This study employed multiple linear regression analyses. To obtain a clearer explanation of SED problems in the future, it is necessary to conduct research using other analytical techniques; and (4) Other GCG components, such as company structure, also need to be studied since company structure also influences decision making within the company. Research on capital structure and company structure will provide a more complete explanation of the effect of GCG on SED.

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Conflicts of Interest

The authors declare no conflict of interest. The funders had no role in the design of the study; in the collection, analyses, or interpretation of data; in the writing of the manuscript, or in the decision to publish the results.