EFFECT OF CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE ON CAPITAL STRUCTURE IN JAKARTA ISLAMIC INDEX

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Abstract: This study aimed to analyze the influence of corporate governance and corporate social responsibility disclosure of the capital structure of companies included in the index Jakarta Islamic Index. This study is explanatory research. The number of samples in this study were 30 companies. The analysis technique used multiple regression analysis. The analysis showed that the corporate governance significant effect on the capital structure. Corporate social responsibility disclosure significant effect on the capital structure. This shows that the company's concern for the environment and the welfare of workers which is the company's assets are already quite high. Companies that have expressed social accountability information will have a positive image in the community generally and particularly among businesses because in addition to the interests of shareholders, also the interests of stakeholders and the environment. In addition, in carrying out operational activities, the company would need capital. Without capital, the company will be very difficult to achieve its objectives, namely to get huge profits.

Keywords: Corporate governance, CSR disclosure, Capital Structure

INTRODUCTION

Jakarta Islamic Index (JII) is one of the stock indices in Indonesia, which calculates the average price index of stocks for the type of stocks that meet the criteria of sharia. Interest JII establishment is to increase the confidence of investors to invest in Sharia-compliant stocks and provide benefits to investors in carrying out Islamic law to invest in the stock exchange. JII also expected to support the process of transparency and accountability of Sharia-compliant stocks in Indonesia. JII be the answer to the desire of investors who wish to invest according to Shariah. In other words, JII a guide for investors who wish to invest their funds in sharia without fear mixed with usury funds. Additionally, JII be a performance benchmark (benchmark) in selecting a portfolio stock kosher.

The shares that qualify as stocks JII is kosher, the operation does not contain elements of usury and the capital structure of the company and not the majority of the debt. Besides halal, the shares were entered in the JII also stocks the largest market capitalization and the most liquid. So this JII stocks generally have a healthy capital structure and not burdened with excessive debt interest, in other words the debt-to-equity ratio is still proportionally. DER ratio more reasonable issuers potentially increase profits and avoid the long-term financial burden. The capital structure is expected to increase profits for companies that could ultimately improve the welfare of the owners of the company through increased prosperity or the value of the company, other than that in determining the source of capital that will be used by the company should consider the costs arising from the use of capital resources.

Practices and disclosure of corporate social responsibility is a logical consequence of the implementation of the concept of Corporate Governance, which states that companies need to consider the interests of its stakeholders, in accordance with existing rules and establish active cooperation with its stakeholders for the sake of long-term survival of the company. Corporate Governance is very effective to ensure that stakeholders' interests are protected. Therefore, companies must disclose the performance of the economic, social, and environmental company towards its stakeholders. The application of the concept of Good Corporate Governance is expected to improve the implementation and disclosure of corporate social responsibility. Sayidah and Pujiati (2008) proves that the corporate governance affect the capital structure.

Corporate Social Responsibility is conceptually the concern of the company that is based on the triple bottom lines, namely profit (profit-making), people (welfare of the people) and plannet (ensure the continuity of the planet) (Suharto, 2009: 107). CSR is a form of sincerity companies to set aside part of the assets of companies in order to reduce the negative impact that may occur and seeks to maximize the positive impact of the company's operations to all interested parties in the activities of economic, social and environmental. To prove the company's concern will be the social and environmental conditions, the company revealed the activities of social and environmental responsibility (Corporate Social Responsibility) in the company's annual financial statements. With the disclosure of CSR, it will help the company deliver to the public and investors that besides wanting to make a profit, the company is also concerned about social and environmental conditions. This study aimed to analyze the influence of corporate governance and corporate social responsibility disclosure of the capital structure on a company's Jakarta Islamic Index.

LITERATURE REVIEW

Agency Theory

According to Brigham and Houston (2006: 26-31) managers were given powers by the owner of the company, the shareholders, to make a decision, where it creates a potential conflict of interest known as the theory of agency (agency theory). Relations agency (agency relationship) occurs when one or more individuals, referred to as the principal hired another individual or organization, which is referred to as an agent, to perform a number of services and delegate the authority to make decisions to the agent.

Capital structure

The capital structure is in proportion or ratio between the number of long-term debt to equity (Riyanto, 2010: 282). But others argue that the capital structure is balancing the number of short-term debt that is permanent, long-term debt, preferred stock and common stock (Sartono, 2011: 225). Based on some of these opinions, basically a capital structure that is permanent financing company that consists of long-term debt, common stock and preferred stock.

Corporate Governance

Corporate governance (CG) is used in the context of micro-economic management and is defined as an administrative mechanism that regulates the relations between the company's management, directors, shareholders and interest groups (stakeholders) to another. In a broad perspective, in the context of macro-economic management (macro economic management), corporate governance is defined in terms of the extent to which the company has been operating in a way that is open and honest in order to strengthen the public trust with the market mechanism. In addition, it also increases efficiency in resource allocation, both in the domestic and international scale, strengthening the industrial structure, and ultimately improve the prosperity and welfare of the community at large.

Corporate governance is a series of mechanisms to protect minority parties (outside investor / minority shareholders) of expropriation carried out by managers and controlling shareholders (insider) with an emphasis on legal mechanisms (Myers, 2007). Legal approaches of corporate governance has meant that the key mechanism of corporate governance is an external investor protection (outside investors), both shareholders and creditors, through the legal system, which can be defined by the law and its implementation. Therefore, it can be said that corporate governance is a process and structure used by the organs of state enterprises to increase the success of business and corporate accountability in order to create shareholder value in the long term by taking into account the interests of other stakeholders, based on the laws and ethical values.

Corporate governance includes the board of directors and audit committees play an important role controlling the quality of financial reporting (Collins, 2002). Research on the relationship between corporate governance and ownership concentration performed by Barnea and Rubin (2006: 68) which shows the negative correlation between the concentration of ownership of the company's corporate governance practices. Wawo (2010) investigated the influence of corporate governance and ownership concentration on corporate performance, the result is that the independent commissioner positive effect on earnings while the power of information audit committee did not affect the company's performance.

Corporate governance as a moderating variable done to examine the relationship with the company's CSR disclosure (Rustiarini 2010) result is that corporate governance affects the value of the company. Corporate governance as a moderating variable on the relationship with the company's CSR disclosure, indicates that the application of good corporate governance has led the company to carry out CSR thus increasing the company's value.

CSR Disclosure

CSR is a business operation that is committed not only to improve the company's profit financially, but also for socio-economic development holistically, institutionalized and sustainable. CSR is a mechanism for an organization to voluntarily integrate social and environmental concerns into operation and interaction with stakeholders, which exceeds the responsibilities of organizations in the fields of law (Darwin, 2008: 37). Furthermore, Hackston and Milne (2009: 42) states that CSR is a process of communicating the social and environmental impacts of economic activities of the organization to specific groups concerned and on society as a whole.The last few years many companies are increasingly aware of the importance of implementing CSR programs as part of its business strategy. Research Basalamah and Jermias (2005) show that one reason social management reporting is for strategic reasons. Although not mandatory, but it can be said that almost all the companies listed on the Indonesian Stock Exchange already disclose information about CSR in the annual report. The reason companies do CSR voluntary disclosure has been investigated. Among them to comply with existing regulations, to gain a competitive advantage through the implementation of CSR, to meet the provisions of the loan contract and meet the expectations of the community, to legitimize the company, and to attract investors (Pettit, 2002).

In the development of CSR is a new breakthrough and ideas presented by Barnea and Rubin (2006: 56) which is famous for The Triple Bottom Line which is contained in the book Canibals with Forks. The Triple Bottom Line of Twentieth Century Business, companies are no longer faced with the responsibility that rests on a single bottom line, ie the value of the company (corporate value) which is reflected in its financial condition (financial) only. Corporate responsibility should be based on the triple bottom lines, in addition to finance is the social and environmental. Financial condition alone is not enough to guarantee the value of the company to grow in a sustainable (sustainable). CSR disclosure practices (CSR disclosure) vary over time and between countries. This is because the issues deemed important by the state is considered to be less important for other countries (Gary et al., 2005). Basically the company's CSR disclosure to enhance the corporate image and want to be seen as a responsible citizen (Halim, 2009: 104) and the company will disclose certain information if there is a rule which wills (Anggraini, 2006).

Hypothesis

The hypothesis of this study are as follows:

H_1 : Corporate Governance significant effect on the capital structure.

H_2 : CSR disclosure significantly influence the power structure of the capital.

RESEARCH METHODS

The design of this study, starting from variables describing corporate governance, corporate social responsibility disclosure, and capital structure. Therefore, this study used a combination of design as follows:

a. Based studied in terms of objectives, this study included descriptive research and testing hypotheses.
b. Based on the type of research, this study included descriptive and verification.
c. Based on the research methods used, this study included a survey of descriptive and explanatory.

Descriptive study aimed to obtain a description of the parameters measured. Eskplanatori study aims to examine the relationship between independent variables and the dependent variable via a hypothesis testing. To obtain a full and complete picture of the subject, the research moved from the description of data related to the study variables, then performed a multiple regression analysis to test the hypothesis.

Operational Definition of Variables

1. Capital Structure

The capital structure is a ratio to measure a company's ability to repay the cost of debt through its own capital as measured by debt and total capital (equity). The capital structure is proxied by DER, the DER can be formulated as follows:

$$\text{DER} = \frac{\text{Total Utang } (Debt)}{\text{Ekuitas } (Equity)}$$

2. Corporate Governance
   Corporate governance is a series of processes, customs, policies, rules, and institutions affecting the direction, management and control of a company, which includes the relationship between stakeholders, shareholders, management and board of directors, including employees, suppliers, customers, banks and other lenders, regulators, the environment, and the wider community..
3. CSR disclosure
   CSR disclosure is a process of communicating the social and environmental impacts of economic activities of the organization to specific groups concerned and on society as a whole.

Population and Sample

The population in this study are all companies included in the JII amounted to 30 companies. The sample used in this study is a company registered in Jakarta Islamic Index which follows actively traded starting in 2013-2014, disclose information the disclosure of CSR on years of observation, publish annual financial reports (annual report) in full-year 2013 to 2014 and has data full associated with variables used, including the company's ownership structure and corporate management structure disclosed in the annual report 2013-2014. The number of samples in this study were as many as 30 samples.

Data Analysis Technique

Statistical analysis technique used is multiple linear regression with SPSS. Analysis model used in this study are:

$Y = a + \beta_1 X_1 + \beta_2 X_2 + e$

Information

Y = Capital structure
a = Constanta
$\beta_1 - \beta_2$ = Beta coefficient of the independent variable
X_1 = corporate governance
X_2 = CSR disclosure
e = *Dsturbance error*

RESULTS AND DISCUSSION

Multiple Linear Regression Analysis

Multiple linear regression analysis is used to determine the influence of the variable corporate governance and CSR disclosure of the accounting information power. The result using SPSS version 15 for Windows can be seen in Table 1:

Table 1
Recapitulation of Multiple Linear Regression Analysis

Variable	Regression coefficients	t_{value}	P value
Corporate governance	0,599	6,323	0,000*
CSR disclosure	0,851	8,991	0,000*
Constanta	2,879		
R	0,776		
R square	0,603		
F_{hitung}	43,210		
Sig. F	0,000		
N	60		
Dependent variable = capital structure (Y)			

* Statistically significant at the level α=5 %

Based on Table 1, the influence of corporate governance on the capital structure is significant with regression coefficient 0.599 and t value of 6.623 and p-value of 0.009. This means that corporate governance significant effect on the capital structure, which means the increase in corporate governance will be followed by an increase in capital structure.

Influence of CSR disclosure to capital structure is significant at level α = 5%, with a regression coefficient of 0.851 and t value of 8.991 and p-value of 0.000. This means that CSR disclosure significant effect on the capital structure, which means an increase in CSR disclosure will be followed by an increase in capital structure. F values in Table 1 are shown on the probability value (p-value) of 0.000 explained that the exact model of the regression equation (significant) at the level of α = 5%. This means that the variable corporate governance and CSR disclosure significant effect on the capital structure.

The results of multiple linear regression analysis showed the value of R square (R^2) of 0.603. This value is clear that capital structure is determined by the variable corporate governance and CSR disclosure of 60.3%.

Influence of Corporate Governance Structure Of Capital

Based on the results of the analysis showed that the corporate governance significant effect on the capital structure. This indicates that corporate governance plays a role in determining the optimal capital structure, for companies that have good corporate governance will be easier to get a loan. The presence of independent directors on the board of directors to deliver tangible benefits in maintaining the independence of the company by monitoring and providing advice to the preventive measures, repair, suspension by the mechanism of the company. So the role of independent directors is very full to maintain independence when the management and the owners have a goal that hurt many parties and / or conflict of interest. According to the guidelines GCG Indonesia established by the National Committee on Governance (NCG) on points integrity commissioners says "Members of the Board of Commissioners are prohibited from utilizing the company for personal, family, business group or of other parties" (NCG, 2006: 14), p the textually explained the importance of the board of directors in the company's organs so that implicates established regulations or guidelines to address the negative actions and to explain the role of independent directors in the board of commissioners. The number of independent board of a company which is an important factor, but on objectivity, professionalism, independence, and the responsibilities of independent board in carrying out its role, therefore charging the right people according to their competence to do (the right man in the right place) and also to the needs of the number that really appropriate for the company.

Influence of CSR Disclosure Against Capital Structure

The analysis showed that CSR disclosure significant effect on the capital structure. This shows that more and better disclosure of CSR, companies included in the company JII can achieve the optimum capital structure, so that if funding will minimize the cost of capital. CSR disclosures in annual financial statements of the company other than to strengthen the company's image in the eyes of stakeholders is also one information into consideration and attention of investors and prospective investors in choosing a location for investment. This statement is in accordance with the understanding pensignalan theory proposed by Jogiyanto (2007: 392), that the information published as an announcement will give a signal to investors in making investment decisions. If the announcement contains a positive value, it is expected that the market will react when the announcement was welcomed by the market. Sharpe (2005: 211) also argued that the accounting information announcement signals that the company has good prospects in the future (good news) so that interested investors to trade shares, thus the market will react, reflected through changes in the volume of stock trading. In accordance with the understanding signal theory expressed by Jogiyanto before, this is the indication that the disclosure of CSR can be used as one of the decisive information investment decisions by investors. Social responsibility is itself a form of commitment to business ethics in integrating environmental and social aspects of society into his company's business operations. This commitment is based would be an idea that the company as a business entity that originally had the only aim to get the maximum benefit faced with the social realities that exist in the community that the company as an entity in the social life can not be separated from the role of stakeholders (parties concerned) in which it carries on operations business. With the company's policies that are integrated with the social environment into its business operations, it will provide advantages such as improved corporate image, the emergence of synergy with the community in social entities the company is located, the trust arising from the public will be the company. With these advantages it will provide huge positive impact for the company. Profit is what is key information for investors analyzing a company for making investment decisions. In line with the positive information issued by the company will have an impact on the investment decisions of investors who ended investment funds entrusted to the company. CSR is an important issue in ensuring the survival of the business world today. The world's effort will not be able to thrive regardless of the situation and the social environment in which the company so that the implementation of CSR becomes a necessity for the company to support its business activities and not just implementation responsibilities but become a liability for the business world. Implementation of CSR should be a part of the role of business and included in the company's business policy, so that the business world is not only an organization oriented to the achievement of maximum profit but also become a learning organization, where every individual involved may have had a social conscience and a sense of belonging is not only on the environment but also the organization of the social environment in which the company is located.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Corporate governance significant effect on the capital structure. This indicates that corporate governance plays a role in determining the optimal capital structure, for companies that have good corporate governance will be easier to get a loan. CSR disclosure significant effect on the capital structure. If the company has a social and environmental performance is good, it would appear the confidence of investors and a positive response from investors through the ease of obtaining capital. This indicates that the company does not only have obligations and the legal economy (meaning the shareholder or shareholder) but also the obligations of the other parties concerned (stakeholders) that reach beyond those obligations.

Recommendations

Given the capital structure is important in a company's decision to increase the value of the company, the company has researched JII should consider corporate governance and CSR disclosure, which simultaneously affect the capital structure. If the JII company intends to use the long-term debt as a source of external funds, the company must consider the structure of assets, if the amount of its fixed assets was able to secure the loan to be taken.

For creditors, in providing loan funds should always observe the company's ability to repay its financial obligations. It is, regarding bad credit risks faced by the lenders are still relatively high. In addition the lender must also give greater flexibility in the repayment of debt by looking at aspects of credit ratings as well as the company's prospects.

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