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Effect Of Corporate Social Responsibility Disclosure And Good Corporate Governance Implementation On Response Coefficient Earnings (Asean Country Cross Study 2016-2018)

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ABSTRACT

This study aims to analyze the effect of disclosure of Corporate Social Responsibility and Good Corporate Governance on Earning Response Coefficient. The sampling technique used was purposive sampling. The research was conducted on Manufacturing Companies in the Countries of Indonesia and Malaysia which were included in the ASEAN CG Scorecard with the 2016-2018 research period. The estimation of the research model used is multiple regression analysis. The purpose of this study is to determine whether disclosure of Corporate Social Responsibility and Good Corporate Governance has an effect on Earning Response Coefficient. This study involved 3 (three) variables consisting of 1 (one) dependent variable, 2 (two) independent variables (independent), and the dependent variable in this study was Earning Response Coefficient. The independent variable in this study is Corporate Social Responsibility and Good Corporate Governance. The results of this study indicate that Corporate Social Responsibility and Good Corporate Governance have an effect on Earning Response Coefficient.

Keywords: Corporate Social Responsibility, Good Corporate Governance, Earning Response Coefficient.

PRELIMINARY

Background

Indonesia and Malaysia are one of the ASEAN member countries that have agreed on an agreement on the ASEAN economic community (MEA). MEA has a pattern to integrate the ASEAN economy by establishing a free trade system between ASEAN member countries. The agreement to form the ASEAN Economic Community began with a summit held in Kuala Lumpur in 1997. In this summit, ASEAN leaders decided to make changes to ASEAN to become a prosperous, stable and highly competitive region in economic development that is fair and can reduce inequality and poverty socioeconomic (ASEAN Vision 2020).

The ASEAN Economic Community (MEA) launched in 2015 aims to transform ASEAN into a region of free trade in goods, investment, skilled labor, services and more free capital flows. MEA is a realization of the ultimate goal of economic integration that has been adopted in ASEAN Vision 2020 which is based on the convergence of interests of ASEAN member countries to be able to expand and deepen economic integration through existing and new initiatives by having a clear deadline. In establishing the MEA, ASEAN must carry out actions in accordance with open principles, oriented towards the outside, open, and lead to economic markets that are firmly established with multilateral regulations and adhere to the system for the implementation and compliance of effective economic commitments based on rules.

In its development, the MEA has made a lot of progress for its member countries, especially in economic development. A competitive economic area, equitable development, and a region that is fully integrated into the global economy. There are two main things that become a measure in seeing the impact of an economic cooperation, namely trade and investment flows.

In Indonesia, the realization of domestic investment (PMDN) and Foreign Investment (PMA) investments throughout 2017 from January to December reached Rp. 692.8 trillion or grew by 13.1% from the realization in 2016 of Rp. 612.8 trillion. This number exceeds the target of realization of PMDN and PMA investments in 2017 of Rp. 678.8 trillion. In the trade sector, Indonesia's trade balance in 2017 recorded an increase in surplus compared to the previous year. Indonesia's trade balance surplus in 2017 increased to 11.83 billion US dollars, although on a monthly basis in December 2017 it experienced a deficit of 0.27 billion US dollars. The increase in the trade balance surplus in 2017 was supported by an increase in the non-oil and gas trade balance surplus which was greater than the increase in the oil and gas trade balance deficit. The non-oil and gas trade balance surplus increased 5.24 billion US dollars to 20.40 billion US dollars in 2017. Macro in 2017 Indonesia's economic growth reached 5.07 percent, the highest number since 2014, Indonesia's economic growth in 2014 was 5.01 percent, in 2015 amounted to 4.88 percent, and in 2016 amounted to 5.03 percent. The source of Indonesia's economic growth in 2017 is the processing industry, which is 0.91 percent. In addition, the construction sector followed by 0.67 percent, trade 0.59 percent, and agriculture 0.49 percent.

In line with Malaysia, in 2017, the Malaysian economy continued to appear strong, with higher growth than expected, which amounted to 5.8 percent, and projected growth of 5.3 percent for 2018, according to the IMF. This country is heading towards achieving high income status. The Malaysian economy shows resilience and strong performance. Growth goes above potential, driven by strong global demand for electronic goods and better trading requirements for commodities, such as oil and gas. Domestically, strong Malaysian employment opportunities increase private consumption, and investment also helps drive growth.

This positive investment trend is supported by a positive response from capital markets in both countries. This encourages companies in Indonesia and Malaysia to achieve their goals. Almost all companies have the same goal of maximizing profits. Profit is often referred to as profit or profit. Profit is needed by the company to sustain the life of the company. Therefore, so that the company can continue to advance and develop in the economy, it is expected that the company can make a profit. In general, in assessing good earnings quality can be measured using Earning Response Coefficient (ERC), which is a form of measuring information content in earnings..

Scott (2015) states that the ERC measures the presence of abnormal returns in response to unexpected components of profits reported by the company that issued the shares. The ERC value is predicted to be higher if the company's profit is more persistent in the future. Likewise, if the quality of earnings is getting better, it is predicted that the ERC value will be higher (Sayekti and Wondabio, 2007). To achieve high profits in a company, management and stakeholders are expected to be able to work well together in the management and supervision of the company's operations. One of the key elements in increasing economic efficiency, which includes a series of relationships between the management of the board of commissioners and other shareholders and stakeholders is Good Corporate Governance.

Good Corporate Governance is a set of policies that regulate the relationship between company management, shareholders, creditors, government, employees and internal and external stakeholders related to their rights and obligations, or in other words Good Corporate Governance. to direct and control the company to run efficiently, transparently and consistently with the legislation. The implementation of Good Corporate Governance (GCG) is needed to fulfill the trust of the public and the international community as an absolute requirement for the industrial world to develop well and healthy with the ultimate goal of realizing stakeholder value. Murwaningsari (2008) mentions five main principles contained in Good Corporate Governance (GCG), namely: transparency, accountability, responsibility, and independence. In terms of evaluating the implementation of Good Corporate Governance (GCG), ASEAN countries refer to the ASEAN CG Scorecard.

Furthermore, the main idea of Good Corporate Governance (GCG) or good governance is to realize corporate social responsibility (CSR). The demands of companies to provide transparent information, accountable organizations and better corporate governance (Good Corporate Governance) are increasingly forcing companies to provide information about their social activities, one of which is through a sustainability report. The Sustainability Report is increasingly becoming a necessity for companies to inform their economic, social and environmental performance as well as all stakeholders (Aryanti, 2016). The Sustainability Report contains not only financial performance information but also non-financial information consisting of information on social and environmental activities that emphasize disclosure principles and standards that are able to reflect the overall level of company activity so as to enable the company to grow sustainably.

Continuous reporting is increasingly gaining recognition and appreciation from ASEAN countries. This reporting forms a core component of the practice of Corporate Social Responsibility (CSR) by businesses that assess and disclose non-financial information about their business operations and practices. The ongoing reporting trends that emerge from the company reflect their awareness of the benefits and uses of these reports, such as encouraging companies to be transparent about the details of their operations. This will reflect their commitment to be accountable and accountable for their practices. In the perspective of the company, this transparency enhances its reputation not only in the interests of its customers and consumers, but also in the main investors, and its employees. A company becomes more aware of its operational efficiency, and thus, can work to improve its sustainability efforts and financial performance. In addition, continuous disclosure can be a differentiator for potential stakeholders to invest in the company. Although sustainable reporting is not yet a requirement in Singapore, the number of companies that convey sustainability has grown steadily from 2011, 2013 and 2015, as they are aware of the value of carrying out these actions.

The focus of this study is to examine the effect of information disclosure on Corporate Social Responsibility (CSR) and Implementation of Good Corporate Governance (GCG) on the market response to accounting earnings (Earning Response Coefficient, ERC). disclosure of information on Corporate Social Responsibility (CSR) and the implementation of good Good Corporate Governance (GCG) can be a positive indicator of the company. This is because companies that not only have profit goals but also guarantee the sustainability of the company.

Good corporate management will increase shareholder investment value in the long term and ultimately increase stakeholder trust, including investors.

Based on the description of the background above, the authors are interested in conducting research with the title "The Influence of Corporate Social Responsibility Disclosure and Good Corporate Governance on the 2016-2018 Cross-ASEAN Study Crossing Coefficient".

Formulation of the problem

Based on the background described, the formulation of the problem in this study is:

1. Does the Disclosure of Corporate Social Responsibility (CSR) in the sustanaibility report affect the Earnings Response Coefficient?
2. Does the implementation of Good Corporate Governance affect the Earnings Response Coefficient?

LITERATURE REVIEW

Stakeholder Theory

Stakeholder theory says that a company is not an entity that only operates for its own sake but must provide benefits to its stakeholders. Thus, the existence of a company is strongly influenced by the support provided by stakeholders to the company. Corporate social responsibility should go beyond maximizing profit for the benefit of stakeholders (stakeholders), but more broadly that the welfare that can be created by the company is actually not limited to the interests of shareholders, but also to the interests of stakeholders, namely all parties that have an interest or interest towards the company. To meet the needs of stakeholders, the company, among others, issues sustainability reporting which is expected to further increase the value of the company.

Understanding and Development of CSR Theory

The definition of CSR has been developed by many experts. Tsoutsoura (2004) presents various definitions, one of which is "Achieving commercial success in ways that honor ethical values and respect for people, communities, and the natural environment." Whereas the definition of CSR from McWilliam and Siegel (2001), namely "Action that appears to futher some social good, beyond the interest of the firm and that which is required by law ". World Bank in Wibisono (2007) defines CSR: "The commitment of business to contribute to sustainable economic development working with employees and their local community and society representatives at improving quality of life, in ways that are both good for business and good for development ".

From the above definitions, it can be concluded that socially responsible companies have steps and policies and business practices that go beyond the minimum legal requirements and contribute to the welfare of their stakeholders.

According to Porter and Kramer (2006), the reality is that currently the commonly implemented CSR approach is still very fragmented and not associated with corporate strategy. If a company analyzes the prospects of CSR using a framework similar to that of its main business, it will be understood that CSR is not just a cost, an obstacle or just a contribution activity, but a source of opportunity, innovation and competitive advantage.

The Corporate Social Responsibility currently disclosed in the Sustainability Report reports transparently the economic, environmental and social impacts of company activities. Openness about these matters will convince stakeholders that the company has been managed well and that the company has paid attention to the interests of investors and thus will build investor confidence (Anggraini, 2018)

Good Corporate Governance (GCG)

In simple terms corporate governance can be interpreted as a system that regulates and controls companies to create added value for all stakeholders. Corporate governance is governance that deals with interactions between government and society. Prior et al. (2008) define corporate governance as "... a set of provisions that enable the stockholders by exercising voting power to those who operate in the control of the firm to respect their interests.", Namely a set of rules that enable shareholders to obtain support that encourages the company's operational control to be in line and respect the interests of shareholders. Cadbury Committee in Murwaningsari (2008), argues that corporate governance is a set of rules that regulate relations between shareholders, company managers, creditors, government, employees and other internal and external stakeholders related to their rights and obligations or in words another is a system that regulates and controls the company.

ERC (Earning Response Coefficient)

Cho and Jung (1991) in Naimah and Utama (2006) define Earning Response Coefficient (ERC) as the effect of each dollar from surprise earnings on stock returns. This shows that the ERC is a reaction to the profits announced by the company. ERC is also called the accounting profit sensitivity coefficient which is a measure of changes in stock prices against changes in accounting earnings.

According to Scott (2015) there are several things that influence the different market responses to earnings, namely earnings persistence, beta, corporate capital structure, earnings quality, growth opportunities, and information of price. ERC values are predicted to be higher if the company's profits are more persistent in the future, and if the earnings quality is getting better. If Beta reflects systematic risk, the ERC will be lower (Scott, 2015).

This is because investors will assess profits now to predict profits and returns in the future. If the future return is increasingly at risk, then the investor's reaction to the unexpected earnings (EU) of the company is also lower. The company's capital structure also affects the ERC. Increased profit (before interest) for high levered companies means that the company is better for lenders than for shareholders. Therefore, levered companies have a lower ERC compared to low levered companies (Scott, 2015).

Previous Research

The results of the Nuzula and Kato (2010) study on companies in Japan showed that investors responded to the disclosure of corporate CSR. In Indonesia, Nurdin and Cahyandito's (2006) study shows that disclosure of social and environmental themes in annual reports has a significant effect on investor reactions as measured by abnormal returns and volume of stock trading. This is consistent with the research of Sayekti and Wondabio (2007) which states that disclosure of CSR has a negative effect on ERC. Sayekti and Wondabio (2007) reveal that information of earnings will be greater when there is uncertainty about the company's prospects in the future. It is expected that if the company discloses CSR information in its annual report, it can reduce the uncertainty. Thus the disclosure of CSR information will reduce ERC. This indicates that investors appreciate CSR information disclosed by the company as one of the basis for making investment decisions

Rifani (2013) found that Good Corporate Governance that is proxied by CGPI has a positive effect on earnings quality whose measurement uses ERC. Research conducted by Wirajaya (2009) also found that the CGPI announcement contained information that was responded to by the market. This can be seen from the existence of significant abnormal returns around the date of the announcement.

Research Hypothesis

H_1:Disclosure of Corporate Social Responsibility has an effect on Earning Response Coefficient

H_2: Good Corporate Governance has an effect on Earning Response Coefficient

RESEARCH METHOD

Type of Research

This research is causal research, namely research that aims to test hypotheses about the effect of one or several variables on other variables. The researcher used the research design to provide empirical evidence about the effect of disclosure of Corporate Social Responsibility and Good Corporate Governance on Earning Response Coefficient.

Variable Research and Operationalization

1. Corporate Social Responsibility

Disclosure of CSR information in the annual report and business entity sustainability report are calculated using the CSR disclosure index with the GRI standard version 4.0, amounting to 91 items, then re-adjusted to each company. CSRI calculations are carried out by giving a score of 1 if one item is disclosed, and 0 if not disclosed. After scoring all items, the score is summed to obtain the overall score for each company. The CSRI calculation formula is:

$$CSRIj = \frac{\sum Xij}{n_j}$$

CSRIj : Corporate Social Responsibility Index company j

∑Xij : The number of items disclosed by the companyj

n : Number of items for companies based on GRI 4.0 Index (91 items)

2. Good Corporate Governance

Good corporate governance in this research was measured using the ASEAN CG Scorecard 2014 Country Reports and Assesments using the level 1 rating category (179 items).

3. Earnings Response Coefficient

The dependent variable in this research is ERC. To find out the good quality of earnings can be measured using Earnings Response Coefficient (ERC), which is a form of measuring information content in earnings. ERC is formulated with the following equation:

$$\textbf{CARit} = \alpha + \beta\ \textbf{UEit} + \varepsilon$$

Information :

CARit : Cumulative Abnormal Company return i at time t

Ueit : Unexpected Earnings company i at time t

α : Constants

β : The coefficient that shows the ERC

ε : Error

The ERC Estimate in this research is the slopa coefficient obtained from cross sectional regression between Cummulative Abnormal Return (CAR) as a proxy for stock prices with

Unexpected Earning (EU). The measurement of abnormal returns in this research uses Market adjusted models which assume that the best measurement is market index returns (Pincus, 1993 in Widiastuti, 2004) so that there is no need to use estimation periods to form estimation models, because the estimated return securities are the same as index returns market in the same period. In this case, market index returns use returns from the composite stock price index (CSPI). Following is the formula to calculate abnormal return:

CAR = Σ ARit

ARit : Rit - Rmt

$$R_{it} = \frac{P_{it} - P_{it-1}}{P_{it-1}}$$

$$R_{mt} = \frac{IHSG_t - IHSG_{t-1}}{IHSG_{t-1}}$$

Information :
ARIT = Abnormal Return for company i on day t
Ri t= Company daily return on the first day
Rmt = Market index return on the first day
Pit = Company stock price i at the time t
Pit-1 = Company stock price i at time t-1
IHSGt = Joint stock price index at time t
IHSGt-1 = Joint stock price index at time t-1

While Unexpected Earning (EU) is calculated as a change in earnings per share of a company before the current year's extraordinary item is reduced by company earnings per share before the previous year's extraordinary items, and scaled by the share price per share at the end of the previous period (Kothari & Zimmerman, 1995 ; Billings, 1999 in accounting which is realized to accounting profit (Widiastuti, 2002), or can be described by the following formula:

$$UE_{it} = \frac{E_{it} - E_{1,t-1}}{|E_{it-1}|}$$

i t UE = Unexpected Earning company i in period t
it E = accounting profit of company i in period t
it-1 E = company accounting profit i in period t-1

Population and Research Samples

The population in this study is the TOP 50 manufacturing companies in Indonesia and Malaysia that are members of the ASEAN CG Scorecard Country Reports and Assesments. Sampling is done by purposive sampling which is part of a non-probability sampling method. For members of the population who do not meet the requirements, they are not selected as research samples.

Sampling is based on the following criteria:

1. Manufacturing companies included in the ASEAN TOP 50 Country Reports and Assessment Scorecard in each country.
2. The company publishes financial statements using English.
3. The company uses the standard Global Reporting Initiative (GRI) version 4.0 (G4) in disclosure of Corporate Social Responsibility
4. The company has complete data in accordance with the needs of the research sample.

Data Collection Technique
The method of collecting data in this research is carried out in the following ways:
1. Documentation, which is data collection available on the object of research.
2. Library Studies, namely from the literature that deals with problems in writing this research.

Data analysis method
Data analysis was performed using the SPSS 23 program which included analysis as follows:
1. Test Descriptive Statistics
2. Classical Assumption Test consisting of, Normality Test, Multicolonity Test, Heteroscedasticity Test, and Autocorrelation Test
3. Feasibility Test Model consisting of Analysis of the Determination Coefficient (R2 test), Simultaneous Regression Coefficient Test (F Test) and Partial Test (t Test)

DISCUSSION

Description of Research Object
Based on data obtained from the official website of the ASEAN Corporate Governance Scorecard or http://www.theacmf.org it is known that companies that enter the criteria in purposive sampling during the study year (2016-2018) are 40 companies.

Data Analysis Results
Data analysis was performed using SPSS 23. The analytical method used in this study included analysis of descriptive statistics, and multiple regression analysis.

Descriptive statistics
The results of the descriptive statistical test explain that CSR variables have a range of values from 0.09 to 0.71. The average value of CSR is 0.4077 and the standard deviation is 0.15021 which means that the distribution of data is not too varied, the data is quite good for regression, the distribution of data tends to be close to the average value.

Variables of Good Corporate Governance when viewed from the average variable, information is obtained that the average overall number of items revealed by the company is approximately 121 items from 179 items that must be disclosed. This shows the level of achievement of the results of an effort that meets the requirements, showing the propriety and regularity of the company's operations in accordance with the CG concept. The more complex days of activities in the business world, which means the potential risks and challenges also have the potential to increase. Therefore, the application of GCG principles is needed so that no parties are harmed. The implementation of GCG is expected to be useful to add and maximize company value.

Variable Earnings Response Coefficient stocks have a range of values from 0.65 to 0.76. Earnings Response Coefficient value means positive (good) because it exceeds the value of Expected Rate of Return. The average value of Earnings Response Coefficient for sample companies in 2016-2018 is 0.356, which means that the average sample company is able to exceed the value of Expected Rate of Return.

Classic assumption test
The classic assumption test is done so that the regression model in the study is significant and representative. In multiple regression analysis it is necessary to avoid the existence of classical assumptions so that problems do not arise. The basic assumption is that data is normally distributed, there is no heteroscedacity, multicolonity, and autocorrelation.

1. Normality Test
Normality test aims to determine the normality of a data distribution or not. From the output above, it can be seen that the Asymp value model. Sig. (2tailed) = 0.200, then according to the provisions of 0.200> 0.05 then the residual value is normal. Then the data on the model can be said to be normally distributed.

2. Multicollinearity Test
The results of the analysis using the multicollinearity test indicate that the VIF value is below 10, and the tolerance value is above 0.10. From the results of these tests it can be concluded that the regression model does not have multicollinearity problems

3. Heterocystaticity test
Heterocystaticity test shows that the value of the variable correlation with the Unstandardized Residual has a significance value of more than 0.05. Because the significance is more than 0.05, it can be concluded that there is no problem of heteroscedasticity in the regression model.

4. Autocorrelation Test
The output of the autocorrelation test shows that the DW value generated from the regression model is 1.880. Because the DW value lies between dU and (4-dU) (see in the DW table), the null hypothesis is accepted, which means there is no autocorrelation in the regression.

Model Feasibility Test
1. Analysis of the coefficient of determination (R2)

Table 1
Determination Coefficient Analysis Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.669[a]	.447	.406	.07460

Source: data processed with SPSS 23

Based on the results of the analysis using the coefficient of determination test (R2) contained in table 4.7 shows that the Adjusted R Square value is 0.406, this means that 40.6% of the dependent variable in this study namely Earnings Response Coefficient can be explained by the variables of Corporate Social Responsibility and Good Corporate Governance, while the rest (100% - 40.6% = 59.4%) is explained by other factors outside of this study.

2. Simultaneous Regression Coefficient Test (Test F)

Table 2
F Test Results
ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1.547	7	.101	1.044	.003[b]
Residual	3.572	101	.060		
Total	5.029	108			

a. Dependent Variable: ERC
b. Predictors: (Constant),CSRI, GCG,

Source: data processed with SPSS 23

Prob value. F count (sig.) In the table above the value 0.003 is smaller than the significance level of 0.05 so it can be concluded that the linear regression model that is feasible is used to explain the effect of Corporate Social Responsibility and Good Corporate Governance on Earnings Response Coefficient, and can also it is said that all independent variables together influence the dependent variable.

3. Regression Coefficient Test (t Test)

Table 3
Regression Coefficient Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.044	.075		.583	.001
	CSRI	.036	.080	.040	.450	.003
	GCG	.097	.125	.027	.124	.000

Source: data processed with SPSS 23

The regression equation is as follows:

$$ERC = 0.044 + 0.036CSRI + 0.097\ GCG + e$$

which means :
The constant is 0.044 which means that if the value, CSR index, and GCG are 0, then the Earnings Response Coefficient value is 0.044 one-unit.

The regression variable of the CSR variable is 0.036 which means that if the other independent variables are fixed and the CSR has a 1 unit increase, then the value of Earnings Response Coefficient will also increase by 0.036 one-unit. The coefficient is positive, meaning that there is a positive relationship between CSR and ERC. So that the better the CSR disclosure in the sustainability report, the greater the value of Earnings Response Coefficient. The test results on CSR variables show a significance value of 0.003 (<0.05). Significant value smaller than 0.05 means that the CSR variable has an effect on Earnings Response Coefficient.

The regression coefficient of GCG variable is 0.097 which means that if the other independent variables remain and the GCG variable increases by 1 unit, then the value of Earnings Response Coefficient will increase by 0.097 one-unit. The coefficient is positive, meaning that there is a positive relationship between GCG and ERC. So that the better the implementation of Good Corporate Governance, the greater the value of Earnings Response Coefficient. The test results on the GCG variables showed a significance value of 0.000 (<0.05). Significant value smaller than 0.05 means that the GCG variable has an effect on Earnings Response Coefficient.

DISCUSSION OF REGRESSION RESULTS

Effect of Corporate Social Responsibility on Earnings Response Coefficient

The test results on variables indicate that CSR has an effect on. These results are consistent with the initial assumption that there is a positive correlation of the effect of CSR information disclosure in the sustainability report on information of earnings (ERC), where the higher disclosure of CSR information indicates that the company's good management signal is getting better, so the company value is ERC will also be higher. Management is considered capable of managing its economic resources well in order to meet the interests of its stakeholders along with efforts to achieve optimum profit for the company's operational activities (profit maximization). Thus, the interests of the stakeholders can be fulfilled and the company's reputation will increase, as well as public trust in information reported by the company. Companies are considered to have better earnings quality, so the market response to earnings information (ERC) also increases.

The results of this study support the results of research conducted by Utaminingtyas and Ahalik (2010) who get results that investor reaction to earnings announcements can be influenced by disclosure of CSR disclosed by the company in its annual report. The same results were also found in a study made by Murwaningsari (2008) who said that voluntary disclosure had a positive influence on ERC. On the other hand this research is different from the results of research made by Sayekti and Wondabio (2007) and Restuti (2012) who find that disclosure of CSR information in annual report reports negatively affects ERC. Sayekti and Wondabio (2007) revealed that information on earnings will be even greater when there is uncertainty about the company's prospects in the future (Widiastuti, 2006). It is expected that if the company conducts disclosure of CSR information in its annual report, it can reduce the uncertainty. Thus the disclosure of CSR information will reduce ERC. This indicates that investors appreciate CSR information disclosed by the company as one of the basis for making investment decisions.

Effect of Good Corporate Governance on Earnings Response Coefficient

GCG variables have a significant influence on Earnings Response Coefficient. The results of this study support the research conducted by Rifani (2013) who found that Good Corporate Governance has a positive effect on earnings quality calculated by ERC. The better the level of Good Corporate Governance owned by a company it will weaken the agent's actions in manipulating earnings that are detrimental so that the quality of earnings can increase. The implementation of corporate governance is expected to be able to improve the quality of financial reports which ultimately can increase Earning Response Coefficient (ERC). The quality of financial statements can be measured by market reactions to the announcement of financial statements. This ERC is thought to be influenced by the structure of corporate governance, which among others consists of the proportion of independent commissioners and the number of audit committees. In addition, the existence of majority shareholders is also suspected of being able to influence policies and decisions taken by the board of commissioners and audit committee. The audit committee has a very important and strategic role in terms of maintaining the credibility of the financial report preparation process as well as maintaining the creation of an adequate corporate supervision system. The existence of an audit committee is expected to increase the effectiveness of the company, because the audit committee is an integral part of the company's internal control. The task of the audit committee relates to the quality of financial statements, because the audit committee is expected to assist the board of commissioners in carrying out the task of overseeing the financial reporting process by management The existence of an independent commissioner is expected to increase the role of the board of commissioners so as to create good corporate governance within the company.

The benefits of corporate governance will be seen from the premium that investors are willing to pay for the company's equity (market price). If it turns out that investors are willing to pay more, then the market value that implements corporate governance will also be higher than companies that do not apply or disclose corporate governance practices (Wirajaya, 2009). Research conducted by Indrawati (2010) supports the results of this hypothesis research. Indrawati (2010) states that Good corporate governance which is proxied by institutional ownership has a significant positive relationship with ERC variables (earnings quality) which means that high institutional ownership can reduce incentives for earnings manipulation by management which will ultimately improve the quality of reported earnings.

On the other hand Pradnyani (2013) states that the implementation of Good corporate governance has no significant effect on Earnings Response Coefficient. This is because companies in Indonesia have not fully realized the application of GCG as an obligation in the company. The guideline for implementing GCG is only limited to recommendations that have not yet been incorporated into binding legislation, causing many companies to not carry out the principle

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Based on the results of the analysis carried out in this study, it can be concluded that Disclosure of Corporate Social Responsibility (CSR) in a sustanaibility report has a significant effect on Earnings Response Coefficient and the Implementation of Good Corporate Governance also has a significant effect on Earnings Response Coefficient.

LIMITATIONS AND SUGGESTIONS

1. Corporate Social Responsibility index disclosure scores and also the assessment index for the implementation of annual Good Corporate Governance which is assessed by researchers based on interpretation of the sample company annual report information, so as to enable differences in assessment between companies due to subjective researcher interpretation. Management should be required to make separate reports to report on CSR activities and implementation of GCG, which has been supplemented by index scores that are used as references by each company. So that there is no difference in interpretation in making an assessment.
2. Data used in this study are only taken based on secondary data. Further research is expected that researchers use primary and secondary data. The primary data suggested can be in the form of interviews and questionnaires. This is intended so that research is able to obtain more valid results.
3. The absence of provisions on the use of international standard languages in the issuance of financial statements for ASEAN CG Scorecard member countries, so that there are still countries that publish financial statements using their respective country languages. This is what causes the sample in the study to be small. In the future it is expected that there will be a policy in the use of international standard languages for ASEAN CG Scorecard members.

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