JPEB Vol. 10, No. 1, 2025, pp: 100-113

Jurnal Penelitian Ekonomi dan Bisnis

journal homepage: http://jpeb.dinus.ac.id

The Role of the Independent Board of commissioners, Ownership, and Accountant Reputation on Social Disclosure: Case of Emerging Market

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Article Information

Article history:
Submitted: January 2025
Revised : February 2025
Accepted : March 2025

Keywords:
Social responsibility
Independent Board of Directors
Public Accountant
Public Ownership Proportion
Legitimacy
Social Disclosure

Abstract

This study aimed to examine the effect of an independent board of commissioners, public accountant reputation, and public ownership proportion on social disclosure which is the purpose of the agency and legitimacy theory testing. It was carried out on the energy, manufacturing, and basic material companies listed on the Indonesian stock exchange in 2021. The sample of this study were 55 companies selected using a purposive random sampling technique. Sample were selected based on the criteria of CSR reporting availability. The ordinary least square was used to test the hypotheses. The testing result showed that public accountants and the proportion of share ownership by the public have a significant effect on social disclosure. This is due to the existence of public accountants and diversified ownership by the public increasing the supervision; as there is a quality assurance and the involvement of several parties in supervision. However, this research proved that the independent board of commissioners does not have a significant effect on social disclosure. This is because, in developing countries such as Indonesia, the role and function as well as compromising attitudes towards CEOs often take place. The distinction of this research showed that problems of agency and legitimacy theory often takes place due to permissiveness, politeness, and reluctance culture which extends to professional work matters. This study has limitations in variable measurement. Therefore, further studies should measure other variables related to the effectiveness of monitoring

How to Cite: Hadi, N., Citradewi, A., Ekaningrum, I. R., Triyani, A., & Setyahuni, S. W. The Role of the Independent Board of commissioners, Ownership, and Accountant Reputation on Social Disclosure: Case of Emerging Market. *Jurnal Penelitian Ekonomi Dan Bisnis, 10*(1), 100–113. https://doi.org/10.33633/jpeb.v10i1.11933

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2442-2442-5028 (Print ISSN)
2460-4291 (Online ISSN)
DOI: 10.33633/jpeb.v10i1.11933

INTRODUCTION

The development of public education and knowledge fosters awareness of social and environmental problems, which demand transparency and good corporate governance (Shakil *et al*., 2019). Moreover, company operations often create gaps in community welfare and environmental damage. This triggers additional claims against the companies (Alyousef & Alsughayer, 2021; Harun *et al*., 2020). Therefore, companies need to enhance corporate social responsibility (CSR) as an attitude of empathy for environmental damage (Carroll, 2016). CSR contains legitimacy useful for suppressing stakeholder claims due to the negative impact of company operations (Bondy *et al*., 2012; Hmaittane, 2019). This legitimacy could also help increase sales, competitive advantage, and company value (Chang, 2017; Virtania & Siregar, 2017; Xie *et al*., 2019). Companies have an interest in increasing the supervision of their operations in line with the principles of good corporate governance (GCG) (Harun *et al*., 2020). This is realized through the effectiveness of the board of commissioners, auditing by reputable public accountants, and public ownership proportion (Agyemang Osei *et al*., 2019a; Dang *et al*., 2021; Murphy, 2022). Optimizing the independent board of commissioners, public accountants, and public ownership proportion means involving independent and professional parties in monitoring and ensuring disclosure to protect their interests (Harun *et al*., 2020; Taufik, 2021). This implies that social disclosure contains legitimacy and economic content (Karim *et al*., 2019), (O' & Donovan, 1999). Extensive disclosure is not made by all companies, even when they have sufficient monitoring tools. On the contrary, companies take costs and benefits into account in their disclosure policies (Zulfiqar *et al*., 2019). There are risks content in disclosure policy, such as high costs, unguaranteed effectiveness (Agyemang Osei *et al*., 2019a; Hadi & Udin, 2021; Ikram *et al*., 2020), waste, and disruption of profitability (Hajar *et al*., 2019; Ortega *et al*., 2018). Some companies consider social costs a burden; it has nothing to do with their operations (Al-Naser *et al*., 2021; Ayu *et al*., 2020). Furthermore, other companies carry out CSR and disclosure only to get rid of their obligations and life service by doing it haphazardly (Ahmed *et al*., 2019; Ellili, 2020). Some companies are of the opinion if disclosure in annual report is seen as less effective especially for non-state-owned companies, high cost, and carry it out just to get rid of obligation. This gap between empirical facts and theories has triggered the research problem. Therefore, this study aimed to examine the effect of an independent s, public accountant reputation, and public ownership proportion (good governance elements) on monitoring social disclosure.

This study intended to prove empirically the role of board of commissioners, public accountant reputation, and public ownership in enhancing social disclosure within the framework of agency and legitimacy theory. The effective function of board of commissioners can improve accountability on accounting information, including social and environmental disclosure. Information accountability can also be enhanced by the good reputation of professional public accountant and the structure of company ownership. The motivation to improve accountability on social disclosure is to get the legitimacy from public. The more reliable the social disclosure, the higher the level of trust of stakeholder on company business activities. The research showed that the effectiveness of social disclosure is not only facilitated by the effectiveness of the independent board of commissioners, public accountant, and diversified public ownership, but there are there internal variables within members which constitute inner power. This is the novelty of the research. The case in developing country like Indonesia which adheres to eastern customs such as politeness, appreciative, and reluctancy strongly influences personal decision made by the person involved. Therefore, this quantitative positivism study examined the relationship between variables using secondary data collected through documentation in the annual report. Data were taken from the energy and manufacturing companies listed on the Indonesian stock exchange in 2021. The collected sample are 55 companies determined through a purposive random sampling technique. Additionally, the data collected were analyzed using ordinary least square.

The second section of the research provided the relevant literature review and discussed the previous studies to support the development of hypotheses. The third section presented the research method, and the fourth section provided the results and discussion of study based on the framework of theory. The conclusion and research limitations as well as the opportunity for the future research were provided in the last section.

The discussion on information accountability, especially on social responsibility, is a form of corporate responsibility to carry out its business activities based on social values (Mamun, 2022). The effort of companies to perform social responsibility aims to enhance agency and legitimacy theory from societies, through transparency on business activities and its impact on the environment and social aspects (Krishnamurthy *et al*., 2022; Mamun, 2022), (O' & Donovan, 1999). In order to ensure the transparency and accountability of information, company must employ a good corporate governance and guarantee an optimal managerial supervision (Yakubu *et al*., 2023).

A good corporate governance plays an important role in ensuring the coherence between corporate activities and social values (Han & Cull, 2022; Mirone *et al*., 2021). The independent board of directors can enhance the corporate transparency (Iswaissi & Falahati, 2017), the quality of accounting disclosures, and supervise the legal aspects of the business activities implemented in the context of agency and legitimacy theory. The optimal function of board of directors can increase the corporate disclosure; hence it can increase the opportunity of getting legitimacy (El Kaddouri, 2022).

In terms of legitimacy theory, legitimacy and disclosure problems are the two company conditions considered by stakeholders (Corciolani *et al*., 2019; Karim *et al*., 2019). Legitimacy problems occur when the expectations of stakeholders and the company conflict regarding organizational operations (Gray *et al*., 2001; Hadi & Udin, 2021); (Tilt, 1994). The solution to this problem is a CSR (alignment of the company towards the community and environment) strategy that promotes intimacy and understanding (Morsing & Spence, 2019; Siriwardhane & Yapa, 2021). Moreover, understanding is realized by building communication and disclosure for people that seem silent because of their limited knowledge (Chung *et al*., 2019; Devie *et al*., 2020). Social disclosure is CSR disclosure and information carried out by companies within the framework of giving, building image, and legitimacy (Harun *et al*., 2020). This disclosure contains agency, legitimacy and economic content (Corciolani *et al*., 2019; Hickman, 2020). Social disclosure is useful for building image, agency problem, and legitimacy (Christensen *et al*., 2021; Quick & Inwinkl, 2020). Furthermore, it increases market confidence and sales and reduces the cost of capital and company performance (Jermsittiparsert *et al*., 2019; Miao *et al*., 2021; Morsing & Spence, 2019; Natalia *et al*., 2019).

The framework for linking legitimacy and disclosure (agency) was explained (O' & Donovan, 1999) . The study stated that a company should maintain congruence between community expectations and perceptions to maintain legitimacy (Hadi & Udin, 2021; Wartick & Mahon, 1994). Companies should build communication and openness to establish a synergistic relationship (Corciolani *et al*., 2019).

]Figure 1 shows that the relationship between agency, legitimacy and disclosure causes positive and negative impacts, as indicated in area Z. Meanwhile, the community has expectations and perceptions of the company for its existence in the community, as shown in area Y. They expect the company's existence will help them solve problems such as economic, social, etc. Legitimacy arises when there is congruence between the company as well as community expectations and perceptions (area X). In this case, area X or legitimacy could be expanded through CSR (Corciolani *et al*., 2019; Einwiller & Carroll, 2020) and disclosure (Ahmed *et al*., 2019) ; (Suchman, 2014) strategies. This is because there is communication between the community and the company (agency). Therefore, GCG should be made effective because companies are sometimes not serious about CSR and disclosure implementation. CSR and disclosure contain risks and have high costs, necessitating companies to calculate costs and benefits (agency) (Hu *et al*., 2020; Shakhatreh *et al*., 2020). This shows that GCG implementation is important in increasing monitoring, accountability, and transparency (Tarigan *et al*., 2019).

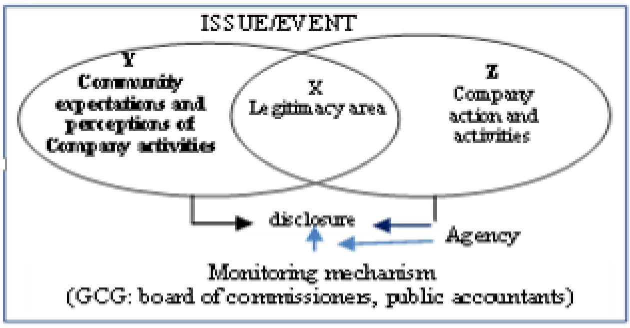

Figure 1. Linkage of Agency and Disclosure
Source: Hadi N and Udin (2021)

The application of the good governace (GCG) principle means that there is a joint and participatory commitment to the implementation of organizational management in line with the principles of: (1) participation; (2) rule of low; (3) transparency; (5) stakeholders at stakeholders; (6) consensus; (7) equity; (8) effectivenees and efficiency; and (9) accountability (W & Triasih, 2020). In line with the awareness of the implementation of social disclosure, the GCG principle mandates companies to implement the principle of transparency and partiality to stakeholders, while also taking into account the principle of efficiency. The way to ensure and strengthen supervision and transparency is to involve independent outside organizations, one of which is the existence of a certain proportion in the membership of the board of directors, the portion of share ownership by the public and the use of reputable public accountants in auditing (Velte, 2019). (Wan-Hussin, 2009) said that the inclusion of independent and professional parties in the company's oversight structure increases transparency. They use a professional attitude in assignments and is free from personal interest. (Qaderi *et al*., 2020) shows that the use of professional accountants turns out to produce better quality financial statements states that the composition of the independent bord of directors' requires corporate social disclosure as a form of transparency (Afifa *et al*., 2020); (Nugraheni *et al*., 2022).

Independent membership of the board of directors guarantees a professional attitude in monitoring company operations (Alyousef & Alsughayer, 2021; Gulzar *et al*., 2019; Nguyen *et al*., 2021); (Post *et al*., 2015) . They are the members which professionally and independently selected by the company to enter the independent board of commissioners, aiming to adopt a professional and independent attitude in their tasks and supervision. In this regard, independent board of directors represent the shareholders' interests in the company (Johl *et al*., 2015). The members are expected to use their professional and independent attitudes in monitoring all company policies and transparency (Agyemang Osei *et al*., 2019a; Karim *et al*., 2020). The more proportional the independent member enters the board directors, the better supervision to show the real condition of the company. According to Nguyen *et al* (2021), (Kathy Rao *et al*., 2012); (Dwekat *et al*., 2022) the proportion of the independent board of directors significantly affects the transparency of company reporting. They are more independent in monitoring because of less conflict of interest (Pham & Tran, 2019). A greater proportion of the independent board of directors widens the social disclosure (Rahma & Aldi, 2020a), (de Villiers *et al*., 2011)

Based on this logic, the first hypothesis was proposed as follows:

H_I: Companies with a larger independent board of commissioners dare to carry out social disclosure.

The selection of public accountants is a crucial issue. The reputation of accounting and the scope of the administration determine the number of audit fees, and reputable accountants demand the companies provide data broadly and accurately (Ernstberger *et al*., 2020). This often undesirable by the serving management personnel. A public accountant is an external party who provides auditing services by adhering to audit standards and provide their services with a professional and independent attitude (Lei *et al*., 2020). They will provide professional and independent assurance services for the auditee's financial report (Htay *et al*., 2012), including the quality of the disclosure (Quick & Inwinkl, 2020). Accountants ensure no misstatements and information discordance because of their position as *pareto optimal* (Hickman, 2020). This means they should guarantee adequate disclosure, including CSR implementation. Moreover, accountants affiliated with the big five are accountable for their reputation (Averhals *et al*., 2020; Ernstberger *et al*., 2020). Studies on social disclosure have shown that the social disclosure of companies audited by public accountants affiliated with the big five is significantly affected (Averhals *et al*., 2020). According to Kim (2021), the quality of accountants significantly determines voluntary disclosure. Therefore, the second hypothesis was proposed as follows:

H_2: Companies audited by public accountants affiliated with the big five carry out social disclosure.

Public ownership is the number of shares of a company owned by the public that has no control of the company. As rational parties, they have an interest in protecting their interests in the company, both in terms of legitimacy and information, thus they require widespread disclosure of financial and non-financial information in the context of decision-making (Qaderi *et al*., 2020). The principle of good governance explains that company management needs to be carried out in a transparent, equity, accountable manner and still take stakeholders' interests into account in the context of legitimacy. Therefore, all company activities need to be expressed, including their partiality to the public such as CSR implementation because they are vulnerable to legitimacy. The greater proportion of share ownership by the public, the greater external supervision as many parties involved in supervision due to shares owned by the public, the wider the quality of reports and disclosures(Huang *et al*., 2017).

The proportion of public ownership can potentially increase demands on the quality of reporting and the extent of corporate disclosure (Alshbili & Elamer, 2020; Miao *et al*., 2021). The public ownership proportion increases the quality of company monitoring and disclosure (Alshbili &

Elamer, 2020; Miao *et al*., 2021). The amount of public ownership means that the companies' shares are diversified to the public. This implies that many parties are interested in monitoring the companies (Ellili, 2020; Rahma & Aldi, 2020b). Furthermore, companies with a large public ownership proportion tend to disclose widely (Alshbili *et al*., 2020; Hickman, 2020; Murphy, 2022). Ellili (2020) stated that companies with a large public ownership proportion make extensive disclosure. In line with this, the third hypothesis was proposed as follows:

H_3: Companies with a larger public ownership proportion carry out social disclosure.

METHOD

This study employed a quantitative positivism approach to examine the effect of the independent board of commissioner's proportion, public accountant reputation, and public ownership proportion on social disclosure. The research was carried out on energy, manufacturing, and basic material industry companies listed on the Indonesian stock exchange. These three industries were chosen because they significantly impact the community and the environment. The sample comprised 55 companies determined using purposive random sampling, with the following criteria: first, the object of this research is public listed companies in Indonesia; second, the company should be on the manufacturer and energy sectors, and the company should report sustainability reporting based on 2016 GRI standard.

Additionally, the study used secondary data obtained using the documentation method with content analysis procedures in the annual report. There are four variables with the following operations:

Table 1. Variables Measurement

Variable	Scale
Independent Board of commissioners	$\frac{Independent\ Board\ of\ commissioners}{Total\ Board\ of\ commissioners}$
Public Accountant Reputation	Dummy
Public Ownership Proportion	Ratio
The extent of Social Disclosure (index social disclosure) SDC_i: Disclosure of company i SDCpn: Disclosure of all Companies	$\frac{\sum SDC_i}{\sum SDC_{pn}}$

Source: Primary data, 2023

Data were processed using multiple linear regressions or ordinary least squares with the formula:

$Y = a + b_1X1 + b_2X_2 + b_3X_3 + e$

Where:

Y = Extent of Social Disclosure

X_1 = Board of commissioners

X_2 = Public Accountant Reputation

X_3 = Public Ownership Proportion

a = Constant

b = Beta

FINDINGS

Descriptive Statistics

The study was carried out on energy and manufacturing companies listed on the Indonesian stock exchange in 2021. The sample of this study are 55 companies involved in the manufacturing, energy, and basic material industries. Companies in energy, manufacturing, and basic material industries are more at risk in environmental and social issues than companies in other industry. Hence, we choose energy, manufacturing and basic material companies as our focus of study. Table 2 describes the sample selection data.

Table 2. Sample Description

No	Industries	Total
1.	number of companies in energy industry	22
2.	number of companies in manufacturing industry	8
3.	number of companies in basic material industry	25
4.	number of companies not disclose CSR reporting	(0)
5.	number of companies having uncomplete data on CSR	(0)
6.	Total Sample selected	55

Source: Primary data, 2023

Table 2 shows that the sample comprises 22 energy industry companies, 8 manufacturing companies, and 25 basic material companies listed on the Indonesian stock exchange in 2021. The company's social disclosure (CSR) was identified and grouped according to GRI 4.0 using a content analysis procedure. Table 3 shows the content analysis results obtained by the disclosure area and CSR categories.

Table 3. Characteristics of CSR

No	CSR	Number
1.	Direct economic value generated and distributed (A)	55
2.	Financial implications and other risks and opportunities for organizational activities due to climate change (B)	41
3.	Scope of the organization's obligations under defined benefit plans (C)	55
4.	Financial assistance received from the government (D)	0
5.	The ratio of standard wage (entry-level) by gender compared to the regional minimum wage in significant operational locations (E)	41
6.	Comparison of senior management hired from local communities at significant operating sites (F)	41
7.	Development and impact of infrastructure investments and services provided (G)	55
8.	Significant indirect economic impact (H)	55
9.	Comparison of purchasing from local suppliers at significant operational locations (I)	45
	Total	**388**

Source: Primary data, 2023

As seen in table 3, the CSR identification refers to GRI 4.0 which groups CSR practices into 9 categories. There are also four CSR categories with 30 disclosures. Category A comprises CSR activities with economic content directly distributed to the community. Moreover, category C relates to internal expenditure through increased employee welfare, defined and post-employment benefits, and investment in infrastructure and services. Category H is related to company activities with an indirect impact on social welfare. The second order is the disclosure of category B regarding environmental impact protection and conservation with 41 activities. Furthermore, category I concern the company's alignment with local suppliers with 45 activities. Category F implies the opportunity to employ local workers with 41 activities. Additionally, category E is related to gender alignment and fulfillment of the minimum wage with 41 activities. The undisclosed category with 0 activities is D regarding financial assistance from companies to the government.

Table 4 describes the variables, where disclosure has a minimum value of 5.00 and a maximum of 8.00. The company has an independent board of commissioners of between 1 to 5 members. Almost all sample companies were audited by the big five public accountants. Also, share ownership by the public has a minimum value of 15% to 74.67%. The details are shown in table 4.

Jurnal Penelitian Ekonomi dan Bisnis (JPEB) Vol. 10, No. 1, 2025, pp: 100-113
DOI: 10.33633/jpeb.v10i1.11933

Table 4. Descriptive Statistics

Variables	Minimum	Maximum	Mean	Std. Deviation
The extent of Social Disclosure	5.00	8.0	5.9667	1.06620
Independent Board of commissioners	1.00	5.00	2.2667	1.01483
Public Accountant	0.00	1.00	0.5333	0.50742
Public Ownership Proportion	15.00	74.67	29.5050	25.1540

Source: Primary data, 2023

Table 4 describes the number of independent board of commissioners in each company ranges from 1 to 5 people, which means that each company will be supervised by an independent board. They are members of the board of commissioners from external elements who do not have personal interest in the company. All sample companies have also been audited by reputable public accountants affiliated with the big five, who can guarantee broad disclosure of activities that occur in the company, including social disclosure. From the shares proportion data in table 4, the proportion of shares owned by the public ranges from 15% to 74%; with such conditions it is expected that companies have an adequate supervision from external shareholders.

Statistics Result

A classical assumption test was performed before data analysis using the ordinary list square. The results showed that the model is free of multicollinearity and homoscedasticity, as shown in table 5.

Table 5. The Classic Assumption Test Results

Multicollinearity	Tolerance	VIF
Independent Board of commissioners	0.987	1.013
Public Accountant Reputation	0.882	1.134
Public Owners Proportion	0.891	1.123

Source: Primary data, 2023

Table 5 shows that the model is free from multicollinearity as indicated by a tolerance value of less than 0.1 and a VIF value of around 1. The model free from homoscedasticity is shown in Figure 2, where the scatterplot does not form a particular pattern.

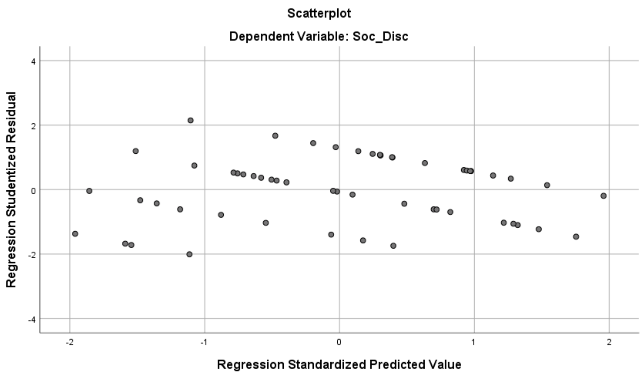

Figure 2. Scatterplot
Source: Primary data, 2023

Data were analyzed to test the hypothesis regarding the independent and dependent variables. The results are shown in table 6.

Table 6. Regression Results

Variables	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	Beta	Std. Error			
Constants	5.256	0.426		12.339	0.000
Independent Board of commissioners	1.237	0.791	0.175	1.563	0.124
Public Accountant Reputation	0.570	0.215	0.315	2.652	0.011
Public Owners Proportion	0.029	0.06	0.601	5.095	0.000
F 9.865 Sig. 0.000					
R^2 0.367					
Adjusted R^2 0.330					

Source: Primary data, 2023

Table 6 shows that data processing yielded an R^2 value of 0.367. This means that only 37% of social disclosure was explained by the independent variable board of commissioners, public accountants, and public ownership. The remaining 63% was explained by other variables outside the model. Furthermore, the calculated F value of 9.865 implies that simultaneously the independent variables are significantly affect social disclosure.

The test of the first hypothesis (H_1) regarding the effect of independent boards of directors on disclosure obtained a t-value of 1.653 dan p-value 0.124, exceeding alpha 0.05. This means that the first hypothesis (H_1) was rejected. The results imply that the effectiveness of an independent directors is lacking in social disclosure monitoring. Therefore, social disclosure published in the annual report is not considered favorite information in establishing legitimacy.

The test of the second hypothesis (H_2) concerning the effect of public accountant reputation on social disclosure yielded a t-value of 2.652 and a p-value of 0.011 which is below alpha 0.05. It can be stated that the second hypothesis was accepted. The results of this research indicate that the presence of public accountants in assessing the appropriateness, fairness and disclosure of reports is very necessary to provide guarantees of honesty and accuracy in reporting standards, including disclosure of corporate social responsibility to the community and the environment. This is important to reduce discordance and agency problems in order to increase societal legitimacy. Moreover, the third hypothesis (H_3) test regarding the public ownership's effect on social disclosure obtained a t-value of 5.095 and a p-value of 0.00 which is below alpha 0.05. The test results prove that the third hypothesis is accepted. This means that the proportion of public ownership increases the monitoring mechanism for corporate reporting, including corporate social responsibility reporting. Shareholders hope that their investment in the company is safe and will gain the trust of the community, such as: the government, other investors, the environment, and others. Stakeholder legitimacy can broadly eliminate risks, therefore extensive social disclosure is a consideration for shareholders, so that rational economic interests in the company can be protected.

DISCUSSION

The results showed that the first hypotheses was rejected. The first hypothesis (H_1) regarding the effect of independent boards of directors on social disclosure was rejected. These results imply that an independent board of commissioners are insignificant in the company. However, it is still needed for monitoring and representing the shareholders' interests because of their independent nature. Its existence is also regulated in the Indonesian stock exchange. The insignificant effect on social disclosure is due to various factors. First, social disclosure is not a special concern for members of the independent board of commissioners. This is because CSR and social disclosure are considered wasteful and costly, with little connection to the company's business. Second, boards of directors and companies share a similar perception that every policy should take the trade of costs and benefits into account. Third, social disclosure in the annual report is considered less favorable, especially for silent people. In the context of eliminating agency problems, the existence of an independent board of commissioners is still needed. What is needed is a policy of increasing the role and function as well as supervisory authority in reporting.

The difference between this research and previous research is that in developing countries it turns out that the role and function of an independent board of commissioners is still not optimal as expected. Many promotional attitudes with the management (CEO) still occur frequently, so that the hope of reducing agency problems is not achieved, including in broad supervision of disclosure of social responsibility which is a condition of legitimacy.

In line with this, Gulzar *et al* (2019) and Johl *et al*. (2015) found that social disclosure is not a concern and annual reports lack informativeness. This finding also supports (Endrikat *et al*., 2021) that CSR is a waste while the company is an economically rational party. However, the results contradict Uyar *et al* (2020), Agyemang Osei *et al* (2019b), Pham & Tran (2019), and Nasreem *et al* (2017) that an independent board of directors represents shareholders increases the effectiveness of monitoring and reduces information discordance (Anas *et al*., 2022).

The second hypothesis (H_2) regarding the effect of the public accountant on social disclosure was accepted. The results of this research provide empirical evidence that in the context of ensuring the quality of financial reports, material misstatements and the extent of disclosure (accountability) of company reports are very much needed. Referring to the logic of agency theory and legitimacy theory, public accounting provides an adequate level of confidence that financial reports have been prepared in accordance with the correct standards, and have used independent professional judgment in accordance with audit standards. Therefore, it is necessary to select a large and professional accountant, so that the guarantees given can be justified (provide pareto, optimally adequate). The bigger the accountant, the more they carry out professional assignments and the more they have a professional and independent work attitude. The research results contradict the research results of (Shakhatreh *et al*., 2020) that the public accountants' reputation does not affect or determine the quality of disclosure for the financial report. The result was in line with El *et al*. (2016), Shakhatreh *et al*. (2020) and Averhals *et al*. (2020) that public accountants' reputation affects social disclosure. Accountants have interest in protecting their reputation, including extensive assurance of disclosure.

The third hypothesis (H_3) concerning the effect of public owners' proportion on social disclosure was accepted. This research shows that diversifying a company's shares with the public improves monitoring mechanisms, because many parties are involved and have an interest in the company. Shareholders are of the opinion that the company's legitimacy needs to be increased by expanding the company's responsibilities to the environmental and community domains. In line with the logic of legitimacy theory, shareholders are rational parties, therefore they invest in companies that have low risks, including the risk of external complaints which can disrupt the company's business and threaten production. Therefore, information about the company's alignment with the public (social disclosure) is a concern. It is full of legitimacy that is vulnerable to threats to the company's survival.

In the context of agency problems, extensive disclosure is the company's attitude of openness and accountability. This is necessary, because it avoids information discordance which can trigger the emergence and increase of agency problems and agency costs. Shareholders have an interest in having sufficient information, both financial, non-financial, and information regarding social and environmental issues (CSR disclosure). Legitimacy reduces investment risks, public claims and other business risks. This finding contradicts research results by Nguyen *et al*.(2021) that the portion of public ownership is less able to increase monitoring and does not affect disclosure. Also, Huang *et al*.(2017) found that social disclosure is less favorable and ineffective for silent and high-cost stakeholders. In this case, shareholders still consider CSR a waste that could reduce their rights in the company. Alshbili *et al* (2020) and Karim *et al*. (2020) showed that public ownership proportion significantly affects social disclosure. This means that shareholders have interest in monitoring and require transparency shown through CSR disclosure.

CONCLUSIONS

The hypothesis test results showed that CSR is a community demand and a tool for creating legitimacy in the company. Empirical testing of public accountants who audit companies and the proportion of ownership by the public turns out to have a significant effect on CSR (social disclosure) practices and disclosure (hypothesis one/H1 and hypothesis two/H2). These results show that in the context of reducing agency costs and information discordance (agency theory), social disclosure is really needed, because it can reduce the legitimacy problem, namely conveying information on CSR activities which is an attitude of company empathy and social responsibility towards social and environmental problems. well. Despite this, empirical testing of the influence of the board of commissioners on social disclosure turned out to be insignificant (hypothesis three/H3 was rejected). The hypothesis was rejected because in the case of developing countries like Indonesia, it turns out that the representation of the board of commissioners is not yet optimal, because in addition to the authority, roles and functions not being positioned as they should, there is also a tendency for a compromise, presumptive attitude between the board of commissioners and the chief executive officer (CEO) in many policies, including social disclosure policies. Therefore, social disclosure is not yet favorable information.

This research, however, have several limitations. First, variable measurements only focused on the total members of the board of commissioners, the public ownership proportion, and the grouping of public accountants affiliated with the big five. It did not investigate yet the effectiveness of monitoring of CSR reporting. Therefore, further study can focus on this issue. Second, since it only focuses on the public accountant reputation, it will be more interesting of the future research to explore the role of professional social reporting auditor.

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