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The Role of Board Gender Diversity, Age Diversity, and Foreign Experience on CSR

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ABSTRACT. This research aims to provide empirical evidence regarding the role of board gender diversity, age diversity and foreign experience on corporate social responsibility (CSR). This research was conducted on property and real estate sector companies listed on the Indonesia Stock Exchange 2018-2022. The research sample obtained 210 observations taken through purposive sampling. Data analysis was carried out using regression analysis with Stata software. The research results prove that board gender diversity has a negative influence on CSR, age diversity has a positive influence on CSR and foreign experience has an influence on CSR.

Keyword: Board Gender Diversity; Age Diversity; Foreign Experience; Corporate Social Responsibility
JEL Classification: G34, Q56

INTRODUCTION

Corporate social responsibility (CSR) has received the considerable attention of both researchers and practitioners in business fields during recent decades (Kim et al., 2018). CSR may be defined as those activities involving "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (Gul et al., 2020). Currently, many companies report environmental and social issues to increase stakeholder trust because company operational activities cause various environmental problems. The company's responsibility towards the environment around the company is not a burden but as recognition from the surrounding environment to improve its good image in the eyes of the community, thereby increasing the company's sustainability (Nuzulia, 2023).

Corporate Sustainability is an alternative model of company growth and profit maximization. This concept states that company growth and profitability are important, but the company's ability to contribute to economic development, environmental protection and social justice and equality is also important (Widarti et al., 2022). Disclosure of corporate social responsibility is a social responsibility treatment carried out by a company that can make a positive contribution to the surrounding community. If done well, the company will be able to achieve its main goal, namely generating large profits, increasing access to capital, increasing sales, increasing company productivity and improving the company's image by disclosing corporate social responsibility (Septianingsih & Muslih, 2019).

In Indonesia, the urgency regarding environmental aspects is regulated by Financial Services Authority Regulation Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers and Public Companies, to realize sustainable development that is able to maintain economic stability and is inclusive, an economic system is needed national aspects that prioritize harmony between economic, social and environmental aspects. The form of corporate responsibility towards the environment is expressed by the company through a Sustainability Report as a report announced to the public which contains the economic, financial, social and environmental performance of an Financial Services Institution, Issuer and Public Company in running a sustainable business.

CSR management depends on governance from management. The role of top level management is very important in implementing good corporate governance. Every policy and assessment taken by the board of commissioners and board of directors will influence the company's strategy (Matitaputty & Davianti, 2020). Nazir & Afza (2018) revealed that aspects of good governance will encourage companies to have advantages in two aspects. First, by efficiently utilizing financial and human resources to make profitable investments so that it can increase share prices, company value and investor confidence. Second, the company has a lower cost of equity capital because the costs for shareholders to monitor managers are much lower so it can build an optimistic market reputation in the capital markets.

The management team as the company's human resources plays an important role in making decisions, capturing opportunities and understanding the company's strengths and weaknesses (I. Mostafiz & Goh, 2018; Burvill et al., 2018; Dong, 2016). Nazir & Afza (2018) reveals that managers have the right to access and control over company resources as well as making decisions that are in line with personal goals and the goals of shareholders. In this research, three types of diversity in the board of directors are explained, namely gender diversity, age and foreign experience. Greater gender diversity on corporate boards is the proposition that board gender diversity drives better decision making and thereby improves corporate performance. Niittymies (2020) revealed that the level of experience in a specific context can influence complex internationalization decision making under conditions of uncertainty.

Stakeholder theory states that a company is not an entity that only operates for its own interests, but must provide benefits to its stakeholders (shareholders, creditors, consumers, suppliers, government, society, analysts and other parties). Thus, the existence of a company is greatly influenced by the support provided by stakeholders to the company (Widarti et al., 2022). The aim of stakeholder theory and legitimacy theory is to bridge the stakeholder environment and effectively maintain the relationship between the company and its surrounding environment. CSR disclosures are used to explain the types of activities carried out by companies to improve company performance (Widarti et al., 2022).

Research on gender diversity, foreign experience and age of the board of directors on CSR is still limited and shows inconsistent results. Research on Nuzulia (2023), Septianingsih & Muslih (2019), dan Matitaputty & Davianti (2020) shows that gender diversity on the board of directors and board of commissioners does not have a significant effect on corporate social responsibility disclosure. Sugiharto et al. (2023) shows that gender diversity on the board of directors and board of commissioners does not have a significant effect on corporate social responsibility disclosure. Parwati & Dewi (2021) states that gender diversity has an impact on social responsibility or CSR.

Sulistyo & Hatane (2020) stated that age has no effect on CSR. Meanwhile, the characteristics of the board of directors (age, multiple directorship and expertise) have a positive effect on CSR practices (Anjani, 2018). Reinforced again, the age diversity of directors has a negative effect on CSR disclosure (Putri, 2023). Meanwhile, in research regarding foreign experience and CSR, the author has not found related research results in Indonesia. Therefore, we assume that the diversity of the board of directors including gender diversity, foreign experience and age influences the company's CSR.

This prospective study was designed to provide empirical evidence on whether gender diversity, foreign experience, and age of the board of directors and CEOs can influence corporate CSR decisions. This study provides benefits and contributions by providing new knowledge on CSR variability explained by board diversity including gender diversity, foreign experience, and age. This study provides novelty by considering foreign experience as a factor influencing corporate CSR.

Board Gender Diversity on CSR

Gender diversity is the proportion of women's representation at the top management level (Diana Annisa et al., 2023). Companies with high environmental and social exposure demonstrate the ability of women to influence sustainability performance because the views and insights possessed by women provide another discourse in making effective decisions regarding environmental and social reports. On the other hand, the finding that the typicality, regulations and background in a country also influence the significance of gender diversity on corporate sustainability performance, does not necessarily mean that the ability of women who sit on the board is reduced or not taken into account.

According to stakeholder theory, the presence of a female board of commissioners can increase the independence of a female board of commissioners in carrying out CSR activities, which can provide good quality disclosure of corporate social responsibility (Sugiharto et al., 2023). Sugiharto et al. (2023) shows that partially the gender diversity variable on the board of commissioners has a significant negative effect on disclosure of corporate social responsibility. Parwati & Dewi (2021) states that gender diversity has an impact on social responsibility or CSR. Gender diversity has a significant effect on corporate sustainability performance both directly and through mediation or moderation from other variables. The composition of gender diversity in the composition of the company's board of directors, board of commissioners, managers and employees shows that most of them have a significant influence on sustainability performance (Widarti et al., 2022). Based on the description above, the first alternative hypothesis proposed in this research is as follows:

H1: board gender diversity has an positive influence on CSR.

Age Diversity on CSR

Wasito et al. (2016) supports the concept that effective Corporate Governance can encourage companies to integrate social responsibility in their business decisions. Age can be seen as an asset for the board, because age can reflect experience and decision making, such as openness to technological adaptation and better judgment so that they are better able to avoid risks (Sulistyo & Hatane, 2020). Older directors have more experience, networks and better judgment so they are better able to avoid risks. Because older directors have extensive experience and think about risks, they are actually more careful and reluctant in taking risks and disclosing CSR.

Meanwhile, younger directors are considered more dynamic, smarter, open to technological changes, and active in driving business success and future planning, bringing different perspectives and ideas to the company, and being more innovative. Previous research results state that the age of the board of directors has a positive effect on CSR practices. The age diversity of directors has a negative effect on CSR disclosure. Based on the description above, the second alternative hypothesis proposed in this research is:

H2: Age diversity has an positive influence on CSR.

Foreign Experiences on CSR

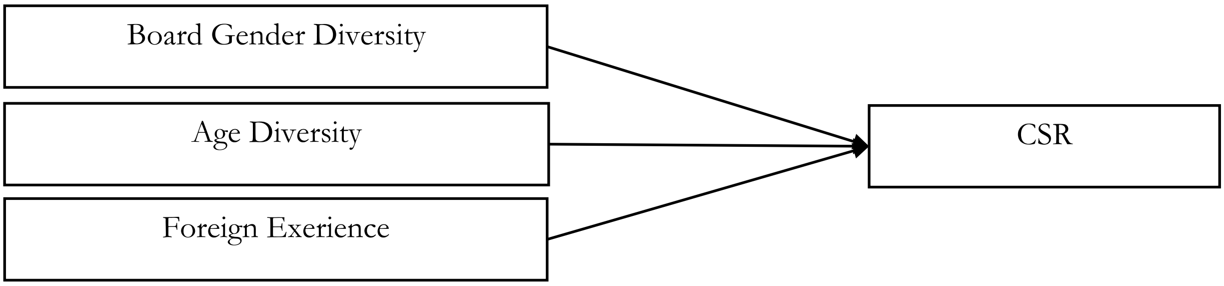
Management is considered a company resource which plays an important role in capturing opportunities for the company (Burvill et al., 2018). Management capability in managing the company's resources can be viewed from cognitive aspects, one of which is experience. Experience is considered capable of developing managers' knowledge in assessing the strengths and weaknesses of company resources and making appropriate decisions. Kang et al. (2019) revealed that experience is considered a strategy for accumulating knowledge in relation to qualitative aspects to gain competitive advantage.

Boards with foreign experience usually work or study in developed countries, which equips them with professional knowledge, advanced management experience, high operational skills, and more effective knowledge of competition rules. Therefore, overseas executives may be better able to use the competitive advantage of innovation to gain profits quickly. This research assumes that foreign experience has an influence on CSR. With more experience, you can make good decisions for the company's CSR. Based on the description above, the third alternative hypothesis proposed in this research is:

H3: foreign experience has an positive influence on CSR.

This research can be summarized through the following conceptual model:

Figure 1. Research Conceptual Model



Source: model developed by author

METHODS

The approach adopted in this research is quantitative causal. This approach was chosen because it is in line with the research objectives, this research aims to provide empirical evidence whether gender diversity, foreign experience and age of the board of directors have an influence on the company's CSR decisions.

The research period is five (5) years starting in 2018-2022. The population of this research is all real estate and property sector companies listed on the Indonesia Stock Exchange in 2018-2022. The real estate and property sector is a business sector that operates in the field of property ownership, such as land, buildings, and infrastructure. The difference between the two lies in the focus and ownership. The research period of 5 years was chosen to meet the research sample. The type of data used in this research is secondary data originating from annual reports available on the Indonesian Stock Exchange and those provided by related companies.

The sample in the study was selected using a non-probability sampling method, the non-probability sampling technique used was purposive sampling, the method and technique were chosen to obtain a sample according to the criteria, the sampling criteria for this research are as follows: a) Property and real estate companies that listed on the Indonesian Stock Exchange in 2018-2022. b) Property and real estate companies that have complete data related to CSR, gender diversity, age and foreign experience of the board of directors for 2018-2022. Based on the above criteria, a research sample of 210 was obtained.

The variables used in this research consist of three types, including 1) dependent variable, the dependent variable is CSR. 2) independent variables, the independent variables in this research are board gender diversity, age diversity and foreign experience. 3) control variables, consisting of ROA, WCTA, Firm size and DER. The operational definition of variables can be explained through the following table 1.

Table 1. Operational Definition of Variables

Variable	Definition	Measurement
CSR	commitment of the company or business world to contribute to sustainable economic development by paying attention to corporate social responsibility and emphasizing a balance between attention to economic, social and environmental aspects.	Score 1 for companies that have an environmental CSR program, score 0 for companies that do not have an environmental CSR program.
Board gender diversity	Board gender diversity is defined as gender diversity among board members.	Number of female on board of directors / total number of board of directors
Foreign experience	Council with foreign experience if he has experience in studying or working abroad.	Number of board directors with foreign experience / total number of board directors
Age diversity	The age of the board of directors is under 50 years	Number of board of directors with age < 50 / total number of board of directors
ROA	ratio of net profit to total assets	Net profit / total asset
WCTA	Ratio of working capital to total asset	Working capital / total asset
DAR	Ratio total debt to total asset	Total debt / total asset

Source: (Lee & Thong, 2022); (Liu et al., 2021).

The analytical tool used in this research is inferential statistics, which is used to estimate the variability of the dependent variable by referring to the variability of the independent variable. The inferential statistical technique used is linear regression (OLS). Regression analysis and data management in this research is supported by Stata software.

$$\mathrm{CSR} = \beta 0 + \beta 1\,\mathrm{BGD} + \beta 2\,\mathrm{AGE} + \beta 3\,\mathrm{PAS} + \beta 4\,\mathrm{ROA} + \beta 5\,\mathrm{WCTA} + \beta 6\,\mathrm{FSIZE} + \beta 7\,\mathrm{DER} + e \ldots\ldots.1$$

Description:
CSR : Social responsibility
BGD : board gender diversity
AGE : age
PAS : foreign experience
ROA : return on assets
WCTA : working capital/total assets
FSIZE : firm size
DER : debt to equity ratio
β0 : constant

β1- β7 : variable coefficient
e : error term

RESULT AND DISCUSSION

We investigate whether board gender diversity, age diversity and foreign experience influence CSR. The analysis used is regression analysis with CSR as the dependent variable, board gender diversity, age and foreign experience as independent variables and ROA, WCTA, firm size and DAR as control variables. The estimation results of the regression model are presented in Table 2.

The research results in Table 2 show a coefficient of determination (R-sq) of 0.480, which means that the independent variable is able to explain 48 percent of the variation in the company's capital structure. The F-Statistics results represented by the p-value ($0.0002 < 0.05$) from F-statistics provide evidence that the regression model is suitable for predicting variations in company CSR. The t statistics results show that the independent variable board gender diversity has a significant negative influence on CSR ($0.040 < 0.05$), so the first hypothesis is rejected. Second, the age diversity of the board of directors has a positive influence on CSR ($0.057 < 0.10$), so the second alternative hypothesis is accepted. Third, the foreign experience of the board of directors has a positive influence on CSR ($0.046 < 0.05$), so the third alternative hypothesis is accepted.

Table 2. The Result of Regression Analysis

Variable	Coefficient	Standard Error	t_{test}	*P>/t/*
BGD	-0.3251557	0. 1839709	-1.77	0.040**
AGE	0.1957934	0. 1236871	1.58	0.057*
PAS	0.1858911	1. 1096507	3.851.70	0.046**
ROA	0. 0633576	0.0206294	3.07	0.001***
WCTA	0.1088728	0. 1268361	0.86	0.191
FSIZE	0. 0080972	0. 0197448	0.41	0.341
DAR	0.0266571	0. 1599872	0.17	0.434
Constant	0. 3403199	0.5917355	0.58	0.283*
Prob > F	0.0003			
R^2	0.480			

***,**,* significant at 1%, 5% and 10%

Source: data processed (2024)

Discussion

First, the results of the estimation of the regression model and the results of the t statistics listed in Table 2 conclude that board gender diversity has a negative (coef. = -0.325) and significant (p = 0.040) influence on the company's CSR. The direction of the negative relationship regarding board gender diversity on CSR shows that the greater the proportion of women on the board of directors in the company, the greater the tendency to reduce CSR performance.

This research does not support the stakeholder theory which states that the presence of a female board of commissioners can increase the independence of a female board of commissioners in carrying out CSR activities, where this can provide good quality disclosure of corporate social responsibility (Sugiharto et al., 2023). This research strengthens the research of Sugiharto et al. (2023) which shows that partially the gender diversity variable on the board of commissioners has a significant negative effect on disclosure of corporate social responsibility.

Second, the results of the estimation of the regression model and the results of the t statistics listed in Table 2 conclude that age diversity has a positive (coef. = 0.195) and significant (p = 0.057) influence on the company's CSR. The direction of the positive relationship regarding age diversity on CSR shows that the more the composition of the board of directors is less than 50 years old, the greater the number of good CSR decisions for the company.

Age can be seen as an asset for the board, because age can reflect experience and decision making, such as openness to technological adaptation and better judgment so that it is better able to avoid risks (Sulistyo & Hatane, 2020). This research supports that young directors are considered more dynamic, smarter, open to technological change, and active in driving business success and future planning, bringing different perspectives and ideas to the company, and more innovative. The results of this research support research results which state that the age of the board of directors has a positive effect on CSR practices.

Third, the results of the estimation of the regression model and the results of the t statistics listed in Table 2 conclude that foreign experience has a positive (coef. = 0.185) and significant (p = 0.046) influence on the company's CSR. The direction of the positive relationship regarding foreign experience on CSR shows that the greater the composition of the board of directors with foreign experience, the greater the CSR decisions that are good for the company.

Boards with foreign experience usually work or study in developed countries, which equips them with professional knowledge, advanced management experience, high operational skills, and more effective knowledge of competition rules. Therefore, overseas executives may be better able to use the competitive advantage of innovation to gain profits quickly.

This research provides evidence that foreign experience has a positive influence on CSR. Experience is considered capable of developing managers' knowledge in assessing the strengths and weaknesses of company resources and making appropriate decisions, including CSR decisions. Experience is considered a strategy for accumulating knowledge in relation to qualitative aspects to gain competitive advantage.

CONCLUSION

This research aims to provide empirical evidence regarding the role of board gender diversity, age diversity and foreign experience on CSR. The research results prove that board gender diversity has a negative influence on CSR. This research does not support the stakeholder theory which states that the presence of a female board of commissioners can increase the independence of a female board of commissioners in carrying out CSR activities. Second, age diversity has a positive influence on CSR. Age can reflect experience and decision making, such as openness to technological adaptation and better judgment so that it is better able to avoid risks. Third, foreign experience has an influence on CSR. Experience is considered capable of developing managers' knowledge in assessing the strengths and weaknesses of company resources and making appropriate decisions, including CSR decisions. Thus the research objectives have been achieved.

The research results provide implications for decision making, including: first, companies need to consider the gender composition of the board of directors so that the decisions made can provide good performance for the company. Second, companies need to pay attention to the age of the board of directors because it has been proven that a board of directors under 50 years old is able to provide better CSR decisions. Third, companies need to consider the background experience of the board of directors, where foreign experience has been proven to have a positive influence on CSR decisions. This research is limited to the property and real estate sector, so that further research can carry out research in other business sectors and with more complex testing mechanisms so that the research results can be generalized to other sectors.

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