Financial Distress, Size, Age, and Corporate Social Responsibility Disclosure: Empirical Study From Indonesia Before and During the COVID-19 Pandemic

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https://dx.doi.org/10.24815/JDAB.V9I1.24590

ABSTRACT

This study aims to investigate the influence of financial distress, company size, and company age on corporate social responsibility disclosure before and during the COVID-19 pandemic. We consider that the existence of this unprecedented situation is useful for understanding how the dynamics of corporate social responsibility disclosure changes during the COVID-19 pandemic. Using purposive sampling method, 114 companies in energy, raw materials, industry, and infrastructure sector that listed in Indonesian Stock Exchanges were selected as research samples. Data were analysed using multiple linear regression analysis. The results revealed that financial distress and company size have positive effects on corporate social responsibility disclosure in the period before and during the COVID-19 pandemic. Meanwhile, the age of the company in the period before and during the COVID-19 pandemic has no effect on corporate social responsibility disclosure.

Financial Distress, Ukuran, Usia, dan Pengungkapan Tanggung Jawab Sosial Perusahaan: Bukti Empiris Dari Indonesia Sebelum dan Selama Pandemi Covid-19

ABSTRAK


1. Introduction

The emergence of coronavirus disease 2019 (COVID-19) at the end of 2019 was a challenge for almost the entire world. The city of Wuhan in China was detected as the place where the coronavirus variant named SARS-CoV-2 appeared on December 1st, 2019. With its rapid spread, WHO as a world health organization finally declared COVID-19 as a pandemic on March 11th, 2020. Based on data released by WHO on November 22nd, 2021, there were 256,966,237 confirmed positive cases of COVID-19 and were 5,151,643 confirmed death toll.

Meanwhile, the first case of the spread of COVID-19 in Indonesia was detected on March 2nd, 2020. With the impact of such a rapid spread, finally the Indonesian government issued various policies to control the COVID-19 pandemic, such as urging all people to keep their distance,
implementing policies to control the COVID-19 pandemic, working from home (WFH) for workers, as well as the implementation of large-scale social restrictions (PSBB) and the enforcement of community activity restrictions (PPKM). These various policies were carried out with the aim of suppressing the increasing spread of the COVID-19 pandemic in Indonesia.

However, according to Caraka et al., (2020), the implementation of the policy carried out by the Indonesian government eventually brought a domino effect that had to be borne, namely the decline of Indonesia's economic condition. The disruption also resulted in an economic recession in 2020, where the Indonesian economy growth was minus 3.49% in the third quarter of 2020. Although the COVID-19 pandemic brought many problems to the world of health and economic aspects, some parties actually believe that this pandemic can be a new opportunity for companies. This is especially related to corporate social responsibility (CSR) disclosure activities.

It is argued that the pandemic has made companies more aware of the proper balance between financial, social and environmental performance, thus the pandemic may encourage the company to be more involved in the CSR activities. Improvement in CSR disclosure can be expected during the crisis situation and the COVID-19 pandemic can be one of the momentum for the companies, (Baboukardos et al., 2021). In line with this, Albuquerque et al (2020) said that there was a negative market reaction to the COVID-19 pandemic during the first quarter of 2020 with less intensity for companies with high environmental and social performance. Previous research provides evidence that companies that are more frequently involved in CSR disclosure practices are more protected from negative events such as corporate scandals, (Rudkin et al., 2019), environmental scandals (Heflin and Wallace, 2017) and the financial crisis (Albuquerque et al., 2020).

Although the companies’ responses vary to a crisis, CSR disclosure during the COVID-19 pandemic can be a strategy of companies to improve their reputation. This is due to companies are seen as empathetic and involved in efforts to help the government fight this crisis. CSR disclosure during the COVID-19 pandemic can build closer relationships among companies, customers, and the public in the context of collaborative efforts to combat the COVID-19 pandemic. Relationship developed during a crisis can be more meaningful than CSR disclosure outside of the current crisis. This has a positive impact on the reputation and assessment of the public and stakeholders of the company's capabilities. As the result, participating actively in CSR strategies and agendas during the COVID-19 pandemic can be the reason for increasing the company's reputation in the public view (He and Harris, 2020).

Putting aside the COVID-19 pandemic issues, financial distress can also be experienced by any company, regardless their size. Even big companies which has established for a long time and among world top rank are still exposed to the risk of financial distress (Arini, 2021). In the time of crisis, companies need to maintain the support and trust of shareholders even more (Mecaj and Bravo, 2014). Some experts argue that, when the company's financial performance information is in poor condition, they tend to choose to distract users of the company's annual report from the financial aspect by disclosing a lot of information related to non-financial aspects (Alfian and Handajani, 2020). This activity aims to reduce the burden in the future to prevent the company from potential bankruptcy
Meanwhile, many researchers also argue that the size and age of the company can affect the CSR disclosures made by the company (Kartini et al., 2019; Puspitaningsih and Pohan, 2016).

In general, the characteristics of large companies are better known and attract the attention of the public including investors than those of small-scale companies. By having more information about the company, it will reduce the uncertainty that the company has. While the age of the company gives an idea of how long the company's ability survives in running its business. Thus, companies that have been around for a long time will have a lot of information about the company and will be useful for stakeholders. In addition, companies that have been around for a long time will better understand what information their users need.

This study aims to determine the effect of financial distress, company size, and company age on corporate social responsibility disclosure in the period before and during the COVID-19 pandemic. Interestingly, about 50 years ago, long before the COVID-19 pandemic, an economist who won the Nobel Prize in economics named Milton Friedman in 1970 was opposed to what constitutes corporate social responsibility. According to Friedman (1970) in his writings, corporate social responsibility is only to generate the maximum profit. We consider that this unprecedented situation makes this study interesting to understand how the dynamics of CSR changes during the COVID-19 pandemic. This study is expected to make a substantial contribution to science in this field. This study can enrich the existing literature and add the understanding for company that CSR is not only viewed as a cost that must be incurred by the company but also can be an effective medium to improve the company's reputation.

2. Theoretical framework and hypothesis development

Signalling theory

Signals are actions that companies use to provide clues to investors about how management views the company's prospects. This signal comes in the form of information about what management has done to fulfill the owner's wishes. The information provided by the company is important because it influences the investment decisions of parties outside the company. This information is very important for investors because information basically presents explanation, record, or descriptions about the past, present and future business conditions and the way of affecting the company (Brigham and Daves 2017).

Information published in the form of announcements will provide a signal to investors in making investment decisions. Stakeholders can appreciate companies involved in CSR activities. Disclosure of company activities related to CSR is one way to send a positive signal to stakeholders and the market about the company's prospects in the future that are guaranteed by the company. CSR disclosure can send promotional signals or other information that shows the company is better than other companies because it has concern for the economic, environmental and social impacts of the company's activities.

Corporate social responsibility

CSR which stands for corporate social responsibility is a topic that has been widely accepted. According to the Word Bank, CSR is an obligation for companies in their efforts to contribute to sustainable economic development in order to improve the quality of life, which has an impact on both the economy and social life.

Meanwhile, based on The Law of The Republic of Indonesia Number 40 of 2007 CSR is defined as a company's commitment to be involved in sustainable economic development in order to improve the quality of life and the environment that is beneficial, both for the company and for the
surrounding community and the general public. By disclosing CSR, there are many good impacts that the company gets, such as increasing the company's economic performance through increased sales, market legitimacy, and investor appreciation as well as increasing owner's welfare value so that CSR is not only viewed as a responsibility that must be paid by the company (social cost) but also as an investment in order to support the company's excellence in the eyes of investors and other stakeholders.

Garriga and Melé (2004) note that there are four types of CSR theory that developed in the 20th century. The first is instrumental theories, where CSR is only a tool to achieve profit and wealth creation. Both political theories with a focus on political considerations and the relationship between business and society. The three integrative theories focus on meeting the expectations and demands of society as values that are integrated into the business.

The four ethical theories that emphasize the right treatment to achieve something good for society. All these theories show how the social responsibility of each business has different antecedents and ideologies. Meanwhile, Smith (2003) said that organizations view CSR through two aspects.

The first aspect is normative, where ethical theories promote the idea of exceeding the expectations of shareholders who are driven by morality and the desire to do good. The second aspect is the business case, which emphasizes CSR as a tool that can increase economic benefits for the company although in the past organizations often considered CSR as a threat to profits.

**Development of corporate social responsibility**

In 1950 the term CSR began to develop. At this time, a character named Howard R. Bowen expressed his opinion about the obligation of business to pursue a policy or make decisions that are in accordance with the goals and values of society (Carroll, 2021). In Howard R. Bowen's view, corporate social responsibility or obligation is based on the conformity of corporate goals and values with different societal goals and values. There are two premises in this case.

The first is that in running its business the company must follow the guidelines that have been set by the community. In this case, the company has a social contract that includes a number of rights and obligations. The social contract will change along with the changing conditions of society, but whatever changes occur, the social contract will be a way for businesses to align business goals with community goals whose implementation is manifested in the form of corporate social responsibility.

The second premise is that business people act as moral agents in a society. Decision making by top management is a reflection of the values of top management. Meanwhile, to have harmony between company values and community values, company leaders must adjust their behavior to the values inherent in society.

In this modern era, CSR has been defined by various parties over the years. However, this actually makes this concept ambiguous and unclear. At this time, the definition of CSR is divided into two general categories. The first definition of CSR departs from those who suggest broader business obligations to society. Based on the concept of CSR expressed in 1960 by Keith Davis, corporate responsibility does not only focus on economic responsibility but also includes social responsibility.

The second definition is those who argue that business responsibility is only to maximize profits within legal limits and ethical constraints as stated by Milton Friedman (1970) in his writings which says that corporate social responsibility is to run a business according to wishes of the owner of a company with the main objective of making as much money as possible. At the same time heeding the basic rules laid down in a society as regulated by laws and regulations.
In general, this principle holds that the first thing a company should prioritize is making a profit. Meanwhile, outside looking for profit will only interfere with the efficiency and effectiveness of the company.

**Corporate social responsibility as a corporate strategy**

In the post-World War II era, a general discussion of CSR was initiated by Frank Abrams and Howard Bowen. Abrams (1951) saw that business management became a profession and resulted in the emergence of a strong sense of responsibility to society (Carroll, 2021). Meanwhile, Howard Bowen in his writings became the center of attention when he asked an oft-quoted question, namely: what responsibilities to society might entrepreneurs expect? (Carroll, 2021).

In understanding the concept of CSR, it will be easier to ask who the company manager (manager) is actually responsible for. Friedman (1970) said that, corporate social responsibility is running a business in accordance with the wishes of the owner of the company with the main goal of making as much money as possible.

Friedman's (1970) statement is generally polarized between those who believe that business has a much broader social responsibility and those who feel that the social mission of business is simply to make profit, while other social goals should be left to the government (Aslaksen et al., 2021). However, opposing views of social responsibility will probably agree that the world has become complex over the last 50 years, and business has become increasingly complex and requires balancing many different priorities.

In addition, the emergence of a more socially responsible approach to business and investment has refocused the priorities of corporate leadership and investors, whether or not they truly believe in broader social goals for business. Business plays an important role in the economy by creating jobs, encouraging innovation and providing goods and services.

After some 50 years since Milton Friedman's (1970) declaration, this narrow view of shareholder-centred corporations has hurt society. Long before the onset of the COVID-19 pandemic crisis, businesses' singular focus on profit was criticized for causing the degradation of nature and biodiversity, leading to worsening global warming, stagnating wages and exacerbating economic inequality.

The COVID-19 pandemic poses challenges for companies and organizations in disclosing CSR. He and Harris (2020) in their research say that, some companies are trying to take advantage by raising prices or making misleading claims about their products from this crisis. So that COVID-19 has tested the company's commitment to ethical business behavior and CSR disclosure.

The difficult economic pressures as a result of the impact of the COVID-19 pandemic have pushed companies to pursue short-term profits, sometimes even through fraud and abuse and reduce long-term CSR investments (He and Harris, 2020). However, there are still many companies that resist unethical business practices during this crisis by proactively engaging in various CSR activities, especially those that can offer direct assistance to combat the COVID-19 pandemic.

Thus, this phenomenon offers significant opportunities for those who have a more conscious and sharp CSR approach, such as the existence of manufacturing companies that change their production activities by producing ventilators, personal protective equipment, hand sanitizers and so on (He and Harris, 2020). The company's authentic CSR disclosures will build stronger relationships with customers and the wider community, as they have built stronger expectations during the crisis regarding their efforts to combat the COVID-19 pandemic. Thus, companies must be able to see the great opportunities that arise in connection with the COVID-19 pandemic by being actively involved in CSR disclosure through their CSR strategies and agendas.
Financial distress and COVID-19

Financial distress or financial difficulties occurs due to a prolonged period of strategic and operational decline. Meanwhile, according to Wruck (1990), financial distress is a condition when the cash flow is not sufficient to cover the current obligations of the company. According to Platt and Platt (2002), the decline in financial conditions that occur in the company will cause the company to go bankrupt.

The existence of abnormal conditions such as the crisis due to the COVID-19 pandemic increases the risk of the company being in poor financial performance. According to Caplan (1964) in Goyal et al., (2021) crises occur when the problems that arise are more complicated than the availability of resources to deal with them. This situation causes financial instability in the form of changes in income, expenditure, investment, and debt levels.

According to Farooq et al., (2021), financial distress imposes direct and indirect costs. Direct costs include legal, administrative, and consulting costs related to bankruptcy, while indirect costs include decreased business operations, lower employee morale, etc. The direct costs that arise due to financial distress generally range from 1% to 5% of the company's value, while the indirect costs are very significant, ranging from 11% to 17% of the company's value based on a decrease in the income of the bankrupt company.

Prediction of financial distress

Edward Altman, an economist and professor from New York's Stern School of Business in 1968 succeeded in developing a model to predict the possibility of financial distress. This prediction became known as the Altman Z Score. At first Altman developed his prediction model for public companies in the manufacturing sector in America, then a few years later modifications were made to the prediction model for certain sectors.

Altman Z Score prediction model is a multivariate analysis that can be used to measure the financial health of a company that is widely used by various stakeholders such as creditors, investors, government, regulators, auditors, and management. The bankruptcy prediction accuracy at the start of the Altman investigation in 1968 was 72% in the two years prior to the company's bankruptcy. On this basis, Altman again conducted a series of follow-up studies that occurred in three different time periods until 1999 with an accuracy rate of 80-90%.

Finally, Altman reviewed the Altman Z Score model to obtain the most appropriate model and can be used in various types of industries, both for publicly-listed and non-go public companies. In this third modification of the Altman Z Score model, Altman removes the X5 indicator, namely sales/total assets. Altman thinks that by eliminating these indicators it can minimize the effect of the industry on each company.

Another reason to remove the indicator is that it is very different in industries with different total assets. (Altman & Hotchkiss, 2006). The modifications of the third Altman Z Score model are:

\[
Z = 6.56X_1 + 3.26X_2 + 6.72X_3 + 1.05X_4
\]

Where:

- \(X_1\) = Working capital/Total assets
- \(X_2\) = Retained earnings/Total assets
- \(X_3\) = Earnings before interest and taxes/Total assets
- \(X_4\) = Book value of equity/Book value of total liabilities

Effect of financial distress on CSR disclosure

According to Brigham and Daves (2007), there are four factors that cause companies to be in financial distress, namely (1) economic factors, (2) financial factors, (3) disaster neglect, and (4) fraud. Financial distress occurs as a result of a series of errors such as misjudgment and interrelated weaknesses that can be contributed directly or indirectly to company management.
According to Alfian and Handajani (2020) all companies increase their disclosures in the year when the company is in financial difficulty. According to agency theory, companies that are experiencing financial distress will provide more information to the public. This is done to reduce the company's burden that occurs in the future and avoid potential bankruptcy (Gantyowati and Nugraheni, 2014).

Meanwhile, Alfian and Handajani (2020) say that quality companies will not publish bad news if it happens, and bad companies prefer to report only good news. Meanwhile, according to Nasir & Abdullah (2004) in Alfian and Handajani (2020) said that companies that are experiencing financial distress will not tend to disclose information compared to when the company is in good condition.

Research conducted to investigate the effect of financial distress on corporate social responsibility disclosure is still rarely done. According to research by Mecaj and Bravo (2014) found that financial distress has a positive effect on CSR disclosure. While the results of research by Gantyowati and Nugraheni (2014) say that financial distress has a negative effect on voluntary disclosure. Based on this, the following research hypothesis is formulated to determine the effect of financial distress on CSR disclosure:

H1a: Financial distress has a positive effect on corporate social responsibility disclosure before the COVID-19 pandemic

H1b: Financial distress has a positive effect on corporate social responsibility disclosure during the COVID-19 pandemic

**Effect of company size on CSR disclosure**

In general, large companies can be more easily recognized so that they can attract public attention quickly compared to smaller companies, including the attention of investors. Its large size indicates that the company is in a stable condition so that the more information investors can have in their investment decisions. Having more information about the company will reduce business uncertainty.

According to Kartini et al., (2019) company size is a scale that can be used to classify the size of a business entity. Therefore, the size of the company can affect the level of CSR disclosure because large companies are business entities that are more difficult to distinguish from political pressure than small companies.

Based on the research of Kartini et al., (2019), it is known that company size has a positive effect on CSR disclosure. So based on this, the following research hypothesis was formulated to determine the effect of company size on CSR disclosure:

H2a: Company size has a positive effect on corporate social responsibility disclosure before the COVID-19 pandemic

H2b: Company size has a positive effect on corporate social responsibility disclosure during the COVID-19 pandemic

**Effect of company age on CSR disclosure**

According to Utami and Prastiti (2011), in influencing CSR disclosure, company age can be associated with legitimacy theory. The age of the company shows the company's ability to run its business from its inception to the present. Older companies generally have better internal controls, so they can continue to exist. In other words, the age of the company reflects how the company manages the risks and impacts related to the COVID-19 pandemic.

In addition, the longer the age of the company, the more information stakeholders will receive, including information about social responsibility activities as a form of corporate responsibility to the community. This will make the company continue to be accepted in the community. A long company age will make the company understand better the information needs of its users (Trijaya & Riswandari, 2017). Older companies are more aware of information that has a positive impact on business.
According to Puspitaningsih and Pohan (2016), the selection of company age as one of the variables to determine the extent of disclosure is carried out by considering the fact that companies with longer operating experience also meet the information needs of the company so that investors no longer have to spend a lot of money. According to research by Setiawan et al., (2018) the age of the company has a significant effect on CSR disclosure. Based on this explanation, the following research hypothesis is formulated to determine the effect of company age on CSR disclosure:

H₃a: Company age has a positive effect on corporate social responsibility disclosure before the COVID-19 pandemic
H₃b: Company age has a positive effect on corporate social responsibility disclosure during the COVID-19 pandemic

3. Research method

Quantitative research methods are used in this study by using secondary data sources in the form of Annual Reports available and obtained through the Indonesia Stock Exchange website as well as on the official websites of each company.

Population and samples

The population of this study is all companies in the energy, raw material, industrial, and infrastructure sectors listed on the Indonesia Stock Exchange in the period before the COVID-19 pandemic (2019) and the period during the COVID-19 pandemic (2020). In determining the research sample, a purposive sampling method was used with several criteria as shown in Table 1. The Indonesia Stock Exchange is one of the strongest exchanges in Asia apart from China and India, (Setiawan & Putra, 2019).

Meanwhile, the reasons for choosing companies in the energy, raw materials, industry, and infrastructure sectors were chosen because the operating activities of these companies have relatively more impacts on the existence of the community and the surrounding environment. The details of the sample used in this study are as follows:

<table>
<thead>
<tr>
<th>Information</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies in the energy, raw materials, industry, and infrastructure sectors listed on the Indonesia Stock Exchange (IDX) for the 2019-2020 period</td>
<td>268</td>
</tr>
<tr>
<td>Companies in the energy, raw materials, industry, and infrastructure sectors that were excluded because they had incomplete research data for the 2019-2020 period</td>
<td>91</td>
</tr>
<tr>
<td>Companies in the energy, raw materials, industry, and infrastructure sectors issued for using USD for the 2019-2020 period</td>
<td>63</td>
</tr>
<tr>
<td>Number of samples that meet the criteria</td>
<td>114</td>
</tr>
</tbody>
</table>

Dependent variable

Corporate Social Responsibility Disclosure (CSRD) is measured by the CSR disclosure standards issued by the Global Report Initiative (GRI) in the GRI G-4 standard which consists of 91 disclosure indicators. This measurement is done by comparing the items on the checklist form with the elements disclosed by the company.

If element Y is disclosed, it will be given a value of 1. Yet, if element Y is not disclosed, it will
be given a value of 0 on the checklist form. After identifying and comparing the disclosed elements, then the index is calculated using the CSRD\(_i\) proxy or by using the following formula:

\[
\text{CSRD}_i = \frac{\sum X_i}{n}
\]

Where:
- CSRD\(_i\) = Corporate social responsibility disclosure company \(i\)
- \(\sum X_i\) = The number of items is worth 1 in company \(i\)
- \(n\) = Total of all CSR disclosure indicator items (\(n=91\))

**Independent variables**

**Financial distress**

Financial distress is measured using the prediction model developed by Altman and Hotchkiss (2006) using the Altman Z Score formula as follows:

\[
Z = 6.56X_1 + 3.26X_2 + 6.72X_3 + 1.05X_4
\]

Where:
- \(X_1\) = Working capital/Total assets
- \(X_2\) = Retained earnings/Total assets
- \(X_3\) = Earnings before interest and taxes/Total assets
- \(X_4\) = Book value of equity/Book Value of Total Liabilities

**Company size**

Company size (Size) is measured by using the natural logarithm of total assets. The purpose of using this measurement is to reduce the difference between large and small companies so that their total assets can be distributed normally (Trijaya & Riswandari, 2017). Company size is measured by the following formula:

\[
\text{Size} = \ln \text{Total Asset}
\]

**Company age**

Company age is measured by calculating how long the company has been in existence (Trijaya & Riswandari, 2017). Company age is measured by the following formula:

\[
\text{Age} = \text{Research Year} - \text{Company Established}
\]

**Data analysis technique**

The data analysis technique used in this study is multiple linear regression analysis, where the equation interprets the relationship between the dependent variable (Y) and the independent variable (X) in this study. To examine the effect of financial distress, company size, and company age on corporate social responsibility disclosure in the period before and during the COVID-19 pandemic, regression testing was carried out twice.

The first regression test was before the COVID-19 pandemic (2019), while the second regression test was during the COVID-19 pandemic (2020) using cross-sectional data using the EViews-10 software so that the regression model in this study is as follows:

**Model 1: Before the COVID-19 Pandemic**

\[
\text{CSRD}_i = \beta_0 + \beta_1FD + \beta_0\text{SIZE} + \beta_0\text{AGE} + e
\]

**Model 2: During the COVID-19 Pandemic**

\[
\text{CSRD}_i = \beta_0 + \beta_1FD + \beta_0\text{SIZE} + \beta_0\text{AGE} + e
\]

Where:
- CSRD\(_i\) = Corporate social responsibility
- \(\beta_0\) = Constant
- \(FD\) = Financial distress
- \(\text{SIZE}\) = Company size
- \(\text{AGE}\) = Company age
- \(e\) = Error.

In addition, to ensure that the regression equation made is a good regression model, such as having accuracy in estimation, unbiased, and
consistent, the classical assumptions of normality, multicollinearity, heteroscedasticity, and autocorrelation were tested beforehand for each period.

4. Results and discussion

This study aims to determine the effect of financial distress, company size, and company age on the corporate social responsibility disclosure of companies listed on the IDX in the energy, raw materials, industry, and infrastructure sectors before and during the COVID-19 pandemic in Indonesia.

Descriptive statistics test

The Descriptive Statistical Test aims to explain the data as a whole, namely the minimum, maximum, mean, and standard deviation values.

Based on Table 2 and Table 3, it is known that there are 114 observations where the total average CSRD during the COVID-19 pandemic has increased by 12.22% with an average value of 11.77.

This shows that during the COVID-19 pandemic, CSR disclosure activities carried out by companies in Indonesia were more than before the COVID-19 pandemic. While the total average FD during the COVID-19 pandemic was 2.76, this shows that during the COVID-19 pandemic FD decreased by 9.96% when compared to before the COVID-19 pandemic. Meanwhile, the average company size before the COVID-19 pandemic was 28.39 while during the COVID-19 pandemic it was 28.39. While the age of the company has increased because in general the age of the company will increase from time to time.

Table 2. Descriptive statistics before the covid-19 pandemic

<table>
<thead>
<tr>
<th></th>
<th>CSRD</th>
<th>FD</th>
<th>SIZE</th>
<th>AGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>10.49</td>
<td>3.02</td>
<td>28.39</td>
<td>29.03</td>
</tr>
<tr>
<td>Maximum</td>
<td>31.87</td>
<td>9.72</td>
<td>33.03</td>
<td>68.00</td>
</tr>
<tr>
<td>Minimum</td>
<td>1.10</td>
<td>-3.54</td>
<td>24.81</td>
<td>1.00</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>6.89</td>
<td>2.76</td>
<td>1.78</td>
<td>16.07</td>
</tr>
<tr>
<td>Observations</td>
<td>114</td>
<td>114</td>
<td>114</td>
<td>114</td>
</tr>
</tbody>
</table>

Table 3. Descriptive statistics during the COVID-19 pandemic

<table>
<thead>
<tr>
<th></th>
<th>CSRD</th>
<th>FD</th>
<th>SIZE</th>
<th>AGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>11.77</td>
<td>2.76</td>
<td>28.39</td>
<td>30.03</td>
</tr>
<tr>
<td>Maximum</td>
<td>29.67</td>
<td>10.54</td>
<td>33.14</td>
<td>69.00</td>
</tr>
<tr>
<td>Minimum</td>
<td>1.10</td>
<td>-5.05</td>
<td>24.86</td>
<td>2.00</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>7.12</td>
<td>2.86</td>
<td>1.78</td>
<td>16.07</td>
</tr>
<tr>
<td>Observations</td>
<td>114</td>
<td>114</td>
<td>114</td>
<td>114</td>
</tr>
</tbody>
</table>

The increase in CSR disclosure during the COVID-19 pandemic shows that the COVID-19 pandemic has made companies more aware of the importance of a good balance between financial, social and environmental performance for their long-term survival. The COVID-19 pandemic has resulted in the emergence of various problems both in terms of health and in other aspects. Although the company's response to a crisis varies widely, CSR disclosure during the COVID-19 pandemic can be used as a strategy to improve the company's reputation. This is because the company is
considered to be empathetic and involved in efforts to help the government fight the COVID-19 pandemic. In addition, the message of one fate also affects the increase in CSR disclosures made during the COVID-19 pandemic. Meanwhile, the decrease in the average total FD during the COVID-19 pandemic indicates that during 2020 or during the period of the COVID-19 pandemic, companies are more at risk of experiencing financial distress. This can be seen in the minimum value of FD in the period during the COVID-19 pandemic which shows a value of -5.05. This value looks lower when compared to the period before the COVID-19 pandemic of -3.54. It is undeniable that the COVID-19 pandemic has affected the company's performance in 2020, so this phenomenon has caused many companies to experience financial problems due to the weakening economy.

**Classical assumption test**

Before performing regression testing using a cross-sectional data regression approach, the researchers tested the classical assumptions of normality, heteroscedasticity, multicollinearity, and autocorrelation for each model first. The first research model (before the COVID-19 pandemic) was entirely free from the problems of classical assumptions. Meanwhile, in the second research model (during the COVID-19 pandemic) it is known that heteroscedasticity symptoms have occurred.

The problem of data infected with heteroscedasticity symptoms has been resolved by converting the data into logarithmic (log) form. Heteroscedasticity test was carried out by using the Glejser test. After changing the data, based on the results of the Glejser test, the results show that the data is free from the problem of heteroscedasticity.

**Hypothesis test**

Based on the regression model made, it can be seen the results as shown in Table 4 and Table 5 below:

### Table 4. Regression results before the covid-19 pandemic

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-61.82</td>
<td>8.61</td>
<td>-7.18</td>
<td>0.00</td>
</tr>
<tr>
<td>FD</td>
<td>0.78</td>
<td>0.19</td>
<td>4.06</td>
<td>0.00</td>
</tr>
<tr>
<td>SIZE</td>
<td>2.45</td>
<td>0.30</td>
<td>8.17</td>
<td>0.00</td>
</tr>
<tr>
<td>AGE</td>
<td>0.02</td>
<td>0.03</td>
<td>0.50</td>
<td>0.62</td>
</tr>
</tbody>
</table>

R-squared 0.40
Adjusted R-squared 0.38
F-statistic 24.40
Prob(F-statistic) 0.00

### Table 5. Regression results during the covid-19 pandemic

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-57.31</td>
<td>8.94</td>
<td>-6.41</td>
<td>0.00</td>
</tr>
<tr>
<td>FD</td>
<td>0.86</td>
<td>0.19</td>
<td>4.46</td>
<td>0.00</td>
</tr>
<tr>
<td>SIZE</td>
<td>2.36</td>
<td>0.31</td>
<td>7.53</td>
<td>0.00</td>
</tr>
<tr>
<td>AGE</td>
<td>-0.01</td>
<td>0.03</td>
<td>-0.27</td>
<td>0.79</td>
</tr>
</tbody>
</table>

R-squared 0.37
Based on Table 4 and Table 5, in the period before the COVID-19 pandemic, it is known that partially the FD significance value is 0.00 with the coefficient value indicating a positive direction. This means that FD has a positive effect on CSRD. This also has similarities in the period during the COVID-19 pandemic, with a significance value of 0.00 which is lower than 0.05. The coefficient value that shows a positive direction means that, when the company is in a state of financial distress or financial distress, the company will choose to improve the company's performance on non-financial aspects, in this case, on the aspect of CSR disclosure.

This is done by the company on the grounds that, when companies have bad news related to their financial aspects, they can distract users of financial statements with the company's performance on non-financial aspects. When investors want to make an investment, in general they will see how the company's financial performance is.

This of course will be detrimental for companies if they have poor financial performance so that the way that companies can do to distract investors from the financial aspect in determining investment decisions is improving their non-financial performance, such as carrying out CSR disclosure activities as much as possible. In addition, the results of this study also show that, in the period before the COVID-19 pandemic, the partial size significance value of 0.0000 was lower than 0.05 with the coefficient value indicating a positive direction. This also has similarities in the period during the COVID-19 pandemic, with a significance value of 0.00 which is lower than 0.05 with the coefficient value indicating a positive direction.

This means that, both in the period before and during the COVID-19 pandemic, size is known to have a positive effect on CSR disclosure. That means when the size of the company gets bigger, the company will have a good ability to disclose CSR. Meanwhile, the Age variable is known to have no effect on CSRD both during the period before the COVID-19 pandemic with a significant value of 0.62 higher than 0.05 and during the COVID-19 pandemic with a significance value of 0.79 higher than 0.05.

The age of the company does not affect CSR disclosure both in the period before and during the pandemic. This is likely because companies that have been around longer will have more experience, so they can find out what needs are needed by their users. Meanwhile, newly established companies tend to disclose more CSR in order to attract the attention of investors because new companies really need a lot of support from various parties to do business development. In addition, the regression results also show that the probability value of the F-statistic in the period before the COVID-19 pandemic is 0.00 < 0.05, meaning that the FD, size, and age variables affect CSRD together or simultaneously.

The same thing is also seen in the period during the COVID-19 pandemic, where the probability value of the F-statistic is known to be 0.00 < 0.05, meaning that during the COVID-19 pandemic period the variables FD, size, and age also affect CSRD together or simultaneously. Meanwhile, the Adjusted R-squared value in the period before the COVID-19 pandemic of 0.38 means that all independent variables have an effect of 38% on the dependent variable while the remaining 62% is explained by other variables. This means that there are other variables that affect CSR disclosure in the period before the COVID-19 pandemic. Meanwhile, in the period during the COVID-19 pandemic, the Adjusted R-squared value was 0.36 or together all independent variables having an influence of 36% on

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted R-squared</td>
<td>0.36</td>
</tr>
<tr>
<td>F-statistic</td>
<td>21.95</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.00</td>
</tr>
</tbody>
</table>
the dependent variable while the remaining 64% was influenced by other variables.

**The effect of financial distress on corporate social responsibility disclosure**

Based on the results of hypothesis testing, financial distress is known to have a positive effect on CSR disclosure both in the pre-pandemic period and during the COVID-19 pandemic. Thus, hypotheses H₁a and H₁b can be accepted and support the research of Mecaj and Bravo (2014) which state that financial distress has a positive effect on CSR disclosure. This means that, when a company is in a bad financial condition, they will prefer to switch to improve the company's non-financial performance, one of which is CSR disclosure to provide added value to the company even though the company is in financial distress.

It can be seen that during the COVID-19 pandemic the financial distress experienced by the company increased when compared to the period before the COVID-19 pandemic. This condition is directly proportional to the increase in the average CSR disclosure during the COVID-19 pandemic. According to agency theory, companies that are in financial distress will provide a lot of information to the public with the aim of reducing the company's burden in the future. In addition, the amount of information provided by the company when facing financial distress is nothing but to prevent the company from potential bankruptcy (Gantyowati and Nugraheni, 2014). In line with this, Teoh and Hwang (1990) say that companies that have good quality will not publish bad news if it happens, and bad companies prefer to report only good news.

The COVID-19 pandemic has made the company's financial condition more urgent, so that not a few companies have had to suffer huge losses. The existence of this phenomenon causes companies to have a way to get the company out of a negative image about how bad the company's financial performance is. The results of this study confirm the fact that companies that are in financial difficulty have many agendas related to CSR disclosure. This is supported by descriptive statistics which show that there is an increase in CSR disclosure by companies when the risk of financial distress increases.

This further strengthens the results of previous research by Mecaj and Bravo (2014) where CSR disclosures made by companies increase when companies are in unfavorable financial conditions, so that the financial difficulties experienced by companies affect the increase in CSR disclosures they do. This is certainly not without reason. The company's reluctance to spend more in the future, the risk of losing many sources of funds from investors due to the weakening of investors' interest in investing due to poor financial performance and the company's desire to avoid potential bankruptcy due to losing a lot of support from stakeholders resulted in companies having to shift all focused attention on financial aspects to non-financial aspects by being active in their CSR strategies and agendas.

**The effect of company size on corporate social responsibility disclosure**

Based on the results of hypothesis testing, company size is known to have a positive effect on CSR disclosure both in the period before and during the COVID-19 pandemic. Thus, hypotheses H₂a and H₂b are accepted and support the research conducted by Kartini et al., (2019). The results of the study indicate that the larger the size of the company is, the wider the CSR disclosure will be than any of small companies.

The size of the company indicates that the company is in a stable condition, so it will provide a lot of information for its users, including investors. The existence of a lot of information provided by the company will reduce the uncertainty that exists in the company. This will certainly benefit the company because it will attract many investors to invest. Meanwhile, the average company size has increased during the COVID-19 pandemic. The increase in the average company size was also followed by an increase in the average CSR disclosure during the COVID-19 pandemic. This means that CSR disclosures made by companies
during the COVID-19 pandemic are mostly done when the size of the company increases.

The existence of a condition where larger companies also often face greater pressure to disclose CSR from various community groups which results in increased CSR disclosure practices by companies (Sembiring, 2005). So that larger companies with operating activities and greater influence will have shareholders who are very concerned about non-financial aspects such as CSR disclosure activities. So that it will provide many benefits for social and environmental conditions. In addition, large companies will also maintain positive responses from various parties so that the company's business activities can continue to run smoothly through CSR disclosure activities.

The effect of company size on corporate social responsibility disclosure

Based on the results of hypothesis testing, company age is known to have no effect on CSR disclosure in the period before and during the COVID-19 pandemic. Thus, hypotheses H₃a and H₃b are rejected and do not support the research conducted by Kartini, et al., (2019), but those support the research conducted by Puspitaningsih and Pohan (2016). A longer company age should lead the company to develop sustainably by providing various information about the company.

However, this is not found in this study with the results of the study which states that the age of the company has no effect on CSR disclosure. The results of this study contradict the theory of legitimacy. Older companies, both before and during the COVID-19 pandemic, do not guarantee that they will make wider CSR disclosures. This is because in general a longer company age will make the company have a lot of experience so that they know what information should be disclosed and what should not be disclosed. In contrast to younger companies, they feel that they need to pay more attention to CSR disclosure activities carried out more broadly. This is because, in general, newly established companies want to find and build legitimacy. As a result, one way they can use is to give maximum attention to CSR disclosure.

5. Conclusions

The purpose of this study is to determine the effect of financial distress, company size and company age on corporate social responsibility disclosure before and during the COVID-19 pandemic. Based on the results and discussion of the research, it is known that financial distress has a positive effect on corporate social responsibility disclosure both in the period before and during the COVID-19 pandemic. In line with this, company size is also known to have a positive effect on corporate social responsibility disclosure both before and during the COVID-19 pandemic.

Meanwhile, other results were found on the age of the company which is known that both the period before and during the COVID-19 pandemic has no effect on corporate social responsibility disclosure. The limitation of this research is that the researcher only measures the extent of corporate social responsibility disclosure without classifying the quality of the disclosure. In addition, in conducting research, researchers only focus on certain company sectors listed on the Indonesia Stock Exchange. For further research, it is recommended to increase the number of samples by including all sectors of companies listed on the Indonesia Stock Exchange because basically each sector pays different attention to the existence of CSR in the company's business activities.

References


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