The Role of Corporate Governance in Corporate Human Development Disclosures

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Abstract

Objective – The urgency of this research is to examine the effect of corporate governance on corporate human development disclosures.

Methodology – This study focuses on corporate reporting by twenty-six Regional Development Banks in Indonesia. It encompasses the examination of annual and stand-alone sustainability reports spanning from 2014 to 2021. Additionally, panel data analysis is employed in this research, specifically utilizing the Fixed Effect Model as the chosen analytical approach.

Results – This research result shows that independent commissioners and female directors, as part of corporate governance, have a significant and positive effect on corporate human development disclosures.

Research Implications – The implication of this research argues that independent commissioners and female directors, as part of corporate governance, have capabilities that can optimize corporate human development disclosures. By optimizing corporate human development through effective reporting practices, Regional Development Banks can better fulfill their role as agents of development. Principals and agencies must support each other in optimizing corporate human development.

Novelty/Originality - The level of disclosure is measured based on the corporate human development index with an agency and human capability theory approach. Disclosure of the corporate human development index is voluntary and reflects corporate welfare through items from the human development index.

Keywords: corporate governance, corporate human development disclosures, corporate reporting

1. Introduction

Corporate Governance (CG) plays a crucial role in fostering human development within banking companies. Good company management reflects Good Corporate Governance (GCG) by ensuring that management uses available resources to delegate authority from owners to directors as company management. Human resources are the essential asset of the various resources owned by a bank, occupy a strategic place, and play a role among existing resources (Financial Service Authority, 2022). In order to foster a resilient and highly competitive banking industry that contributes optimally to the economy and effectively anticipates trends in business development and information technology innovation in the digital era, the Financial Services Authority Regulation No. 24/2022 has been enacted. This regulation focuses on the development of human resources quality for commercial banks. With the presence of the Financial Services Authority Regulation, the banking industry, the Financial Service Authority, academics, and other parties jointly support the realization of human resource development goals. To support the development of human resources, especially in
corporations, companies can contribute to realizing the Sustainable Development Goals (SDGs) by sustainably following and implementing the SDGs targets (Hamad et al., 2022). SDGs refer to Human Development Index (HDI) and are responsible for the economy, society, and environment (Jin et al., 2020). For this purpose, the Corporate Human Development Index (CHDI) was built from the HDI. Spangenberg, (2016) brings a human development approach to the corporate level based on the thoughts of Sen, (1999) and suggests CHDI as a management tool to complement Corporate Social Responsibility (CSR) and designed as a guide to decision-makers and external companies. This disclosure offers added value to corporate reporting, helps create socially responsible companies, and fosters human development (Sundström et al., 2019), namely the relationship between HDI and CHDI. The human development paradigm is the basis of the HDI developed through a capability approach. Then, human development is based on rights by adjusting to the company's circumstances, social environment, and other environments (Sen, 1999).

CG is implemented to control the problem agency. In the agency theory perspective, there are complementary relationships when implementing CG mechanisms, namely strengthening internal supervision and minimizing the possibility for managers to withhold information for self-interest (Vishny & Shleifer, 1997). This supervision leads to the detection of disclosures, especially those uncertain human development in corporate reporting. However, GCG is a procedure for managing a bank that applies the principles of transparency, accountability, responsibility, independence, and fairness (Financial Services Authority, 2016). Some of the results of previous studies indicate that not all elements in CG affect the suitability of corporate reporting disclosures. Kaur et al., (2016) research show that independent commissioners affect Human Resource Disclosure (HRD) in most countries, including India. Another argument is that female directors are believed to be more able to increase the board of directors’ independence (Terjesen et al., 2016). Because independence is an essential factor that increases accountability, as well as has the potential to increase the level of disclosure in corporate reporting (Rao et al., 2012) and provide better transparency on sustainability issues (Bravo & Reguera-Alvarado, 2019; Farhan & Mulyany, 2021). Based on the results of a Deloitte, (2021) survey which uses data on 10,493 companies in 51 countries, women directors still account for under 20% (19.7%) of board seats. The results of this survey experienced an increase of 2.8% from the last report of 2019. The results of Altaf, (2022), using systematic literature, show a need for more research exploring the effect of female directors on human development.

Reporting on human development is essential for further investigation, especially in banks as one of the strategic institutions in a country. Banks function to promote economic growth (Ghofar & Noviandry, 2018) and act as intermediary institutions between surplus sector units that store excess funds and deficit sector units that store funds (Fahrul & Rusliati, 2016; Song & Thakor, 2019). However, the research results of Dienes et al. (2016) show that government ownership of a company is not a driving force for corporate reporting that focuses on sustainability. Financial reports do not provide adequate information to stakeholders and do not provide recognition for intangible assets such as Human Resources (HR) (Aggarwal, 2022). However, HR are the most prominent asset and are considered the company’s driving force (Hossen et al., 2018; Yuliati, 2016) and the mission of Regional Development Banks (RDBs) as development agents. Therefore, RDBs need to use added value as a benchmark for increasing welfare, such as created by optimal company management and productive resources (Chusnah et al., 2014).

This research is essential considering that previous studies regarding RDB (Lembang, 2019) focused more on HDI in the macro context but still needed to focus on CHDI in the micro context. The CHDI proposed by Spangenberg, (2016) has yet to be proven empirically. The urgency of this research is to examine the effect of corporate governance on corporate human development disclosures. Through examining corporate governance of corporate human development, especially regarding the
agency and human capability theory approach, the present research contributes to the social science, accounting, economics, management, and business literature, specifically corporate governance and human development research. In a practical context, this research enriches new insight for regulators and RDBs regarding CG and CHDI.

The article is structured as follows. Firstly, it begins with an introduction that provides an overview of the research topic. Following that, a thorough review of the literature is presented, accompanied by the theoretical framework that underpins the development of hypotheses. The research methodology section follows, elucidating the process of obtaining research samples. The results and discussion section delves into the findings, engaging in a comprehensive analysis and confirming the theory and previous research through examination of the discussion results. Subsequently, the conclusions section provides a concise summary of the main findings and their implications. Lastly, the limitations of the study are acknowledged, along with potential areas for future research.

2. Literature Review, Theoretical Framework, and Hypothesis Development

2.1 Agency and Human Capability Theory

This research is based on agency and human capability theory approaches. Within the agency theory framework, as explained by Jensen & Meckling, (1976), agency cost arises because of the information asymmetry between shareholders and managers or between shareholders with a controlling interest compared to minority interests. The agency conflicts that often occur in Indonesia are between majority and minority shareholders because majority shareholders oversee managers’ performance and ask managers to make decisions that benefit majority shareholders (Wiranata & Nugrahanti, 2013). Agency theory is the most dominant theory used by previous researchers in building relationships between gender board diversity and conformity in corporate reporting (Redondo & Bilbao, 2018). Based on agency theory, gender diversity can show the corporate governance structure, ensure fulfillment of the best interests of stakeholders and ultimately increase the company’s welfare (Guping et al., 2020; Rodríguez-Gutiérrez et al., 2019).

Besides agency theory, the capabilities possessed by HR in a company can support the achievement of company goals. In the theory of human capabilities, a person can choose and expand the ability of human functions (Sen, 1999). The human capability theory perspective emerged as an alternative theory for measuring individual well-being (Xu, 2002). Amartya Sen pioneered the capability approach in the 1980s (Gasper, 2007), which stated that human development should expand capabilities and choices (Sen, 2013) as well as achievement (Edewor, 2014). Amartya Sen argued that human development outcomes should expand people’s capabilities, choices, and achievements (Anand & Sen, 1994). Human development is a process of increasing one’s freedom of choice and expanding the ability of human function (Sen, 1999, 2013).

2.2 Independent Commissioners and Corporate Human Development Disclosures

Independent commissioners who are part of CG are independent parties and have no affiliation with company management or directors, shareholders, and the board of commissioners (Pratiwi & Yulianto, 2016). The company needs independent commissioners to carry out the supervisory function of management to manage the company (Bowrin, 2018). The presence of an independent commissioner in the company can encourage management to work for the benefit of stakeholders and adequately perform the company’s resource management function. Forms of tangible evidence that the company manages company resources well and optimally can be done through voluntary reporting. Voluntary disclosure of corporate human development can be used to demonstrate that social/human, economic, institutional, and
environmental indicators are managed optimally and adequately by company management and can be informed by stakeholder decision-makers. Social impacts can result from the sustainability of a company and stakeholders who demand alignment with welfare (Spangenberg, 2008). Kaur et al., (2016) research show that independent commissioners affect HRD in most countries, including India. In contrast, in the Indonesian context, Rorong & Lasdi, (2020) research tested CG on HRD in 55 banking companies listed on the Indonesia Stock Exchange, showing that the independent commissioner does not affect HRD. Independent commissioners are believed to have the capability to optimize corporate human development disclosures. Therefore, the first hypothesis in this research is that independent commissioners have a positive effect on corporate human development disclosures.

2.3 Female Directors and Corporate Human Development Disclosures

Besides independent commissioners, female directors have essential for voluntary reporting. Thus, not only are independent commissioners who are part of CG, but women who are at the top of leadership in a company should be able to contribute to making decisions, especially regarding corporate human development. The human development approach is more sensitive to gender equality, which expands the capabilities and functions of individuals, including women (Fukuda-Parr, 2003). Female directors were more committed, involved, prepared, and diligent, creating a good atmosphere in the meeting room. The female director can solve the company's environmental dependencies and trigger the emergence of innovations (Fanani & Alfiyanti, 2020; Torchia et al., 2018). According to Triana & Asri, (2017), the role of female directors is more excellent in terms of job responsibilities. Women in the corporate context are entitled to opportunity and equality in optimizing corporate human development. The CHDI in this research, which was developed from the HDI, includes aspects of the HDI, namely social/human indicators and economic, institutional, and environmental indicators. Research by Tran et al., (2021), who tested CG on corporate sustainability disclosure in Southeast Asian countries, showed female directors affected by Corporate Sustainability Disclosure (CSD). Besides that, research by Rao et al., (2012), who tested CG on environmental reporting in companies listed on the Australian Stock Exchange, showed that female directors affected environmental reporting. Then, the research results of Huse & Solberg, (2006) found that the presence of female directors affected financial and non-financial reporting. The results research of Putri & Nasih, (2022) on the annual and sustainability reports of companies listed on the Indonesian Stock Exchange show that female directors affect Environmental Social Governance Disclosure (ESGD). Female directors are believed to be more actively involved, have better preparation and independence, and can optimize corporate human development disclosures. Therefore, the second hypothesis in this research is that female directors have a positive effect on corporate human development disclosures.

3. Research Method

3.1 Population and Sample

The population used in this research are RDBs in Indonesia registered in the Financial Services Authority until 2021. The research sample is selected using several criteria that must be met, which issues company reports and has complete research data. The reporting period for RDBs in research is eight years, from 2014-2021. According to the research criteria, the final sample is twenty-six RDBs with two hundred-eight observations. Research data were obtained from RDBs reports, including annual and stand-alone sustainability reports. Reporting data is downloaded through the website of each RDBs.

3.2 Operationalization of Variables
This research measures corporate human development using content analysis. The index refers to the CHDI, consisting of fifteen items developed (Spangenberg, 2016). This research uses the ratio to measure the level of CHDI disclosure, namely the number of disclosures divided by the maximum number of disclosures, as said Said et al., (2013) did. The company will earn a value of one if disclosing information related to human development disclosure, while not getting a value of zero if it does not disclose the information in Table 1.

### Table 1. Corporate Human Development Index

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institution</td>
<td>(1) The corporate identity (2) The corporate memory (3) The social</td>
</tr>
<tr>
<td></td>
<td>cohesion (4) The industrial relations (5) The norm compliance</td>
</tr>
<tr>
<td>Social/human</td>
<td>(6) The education, skills, know-how, motivation (7) The employment</td>
</tr>
<tr>
<td></td>
<td>permanence (8) The health and safety, premature retirement</td>
</tr>
<tr>
<td>Economy</td>
<td>(9) The solvability (10) The profitability (11) The growth (returns,</td>
</tr>
<tr>
<td></td>
<td>market share) (12) The management and staff remuneration</td>
</tr>
<tr>
<td>Environment</td>
<td>(13) The abiotic resources, including water and air (14) Disclose the</td>
</tr>
<tr>
<td></td>
<td>biotic, resources, and biodiversity (15) The emissions and immissions</td>
</tr>
</tbody>
</table>

Adapted: Spangenberg, (2016)

This research used independent commissioners and female directors as part of corporate governance. It measures using the independent commissioner divided by the total commissioner, such as research by Hussain et al., (2018) to determine the independent commissioner. To determine the variable of female director in this research, it measures using a dummy variable by giving a value of one if the company has a woman director and a value of zero if the company’s director is not a female, such as research of Fanani & Alfiyanti, (2020).

In providing voluntary information on corporate reporting, there are determining factors, namely firm size, and firm profitability (Ananzeh, 2022). Furthermore, this research has included some additional control variables indicated as significant determinants of human development disclosures. Following previous evidence by (Scafarto & Dimitropoulos, 2018; Stuebs & Sun, 2015), the control variable is the firm size, estimated as the natural logarithm of total annual assets. Then, following evidence by Rorong & Lasdi, (2020), the other control variable is firm profitability is measured by the total net income to total assets.

### 3.3 Analysis Method

This research analyzes RBDs reporting to show rationality in the discussion using a quantitative approach (Sitorus, 2019) of the effect of CG on corporate human development disclosures. This research used multiple regression analysis for panel data to test the hypothesis. This research’s panel data regression model uses Corporate Human Development Index (CHDI) as the dependent variable. In contrast, the independent variables consist of the proportion of Commissioner Independent (CI), Female Director (FD), Firm Size (FS), and Firm Profitability (FP).

The form of the multiple linear regression model used is as follows:

\[
\text{CHDI}_{i,t} = \beta_0 + \beta_1 \text{CI}_{i,t} + \beta_2 \text{FD}_{i,t} + \beta_3 \text{FS}_{i,t} + \beta_4 \text{FP}_{i,t} + \epsilon_{i,t}
\]

Besides that, this research uses the Econometric Views (E-Views) application. This research uses the E-Views application to estimate the best panel data regression model among the three approaches, namely Common Effect Model (CEM), Fixed Effect
Model (FEM), and Random Effect Model (REM) (Gujarati & Porter, 2009). In testing the model, the Chow, Hausman, and Lagrange Multiplier tests were used to obtain the best model. p-value and significance value are used as a reference for selecting the best model in hypothesis testing. The best model is selected among the three approaches by comparing the p-value with the significance level. In the Chow test, when the p-value is less than the level of significance ($\alpha = 0.05$), it can be concluded that FEM is better than CEM. Furthermore, in the Hausman test, when the p-value is smaller than the significance level ($\alpha=0.05$), FEM is better than REM. Then the Lagrange test is carried out if the Chow and Hausman tests give different results. Lagrange testing is done to choose between REM and CEM. If the p-value is smaller than the significance level ($\alpha = 0.05$), it can be concluded that REM was selected as the best model. Vice versa, if the p-value is higher than the significance level ($\alpha=0.05$), it can be concluded that CEM was selected as the best model.

4. Results
4.1 Result

Table 2 presents the results of descriptive statistics for each variable used in this research. The mean value was 72.59% for the Corporate Human Development Index (CHDI) in 2014-2021, ranging from 60% to 87%. Besides that, the mean value was 65.91% for the proportion of independent commissioners.

<table>
<thead>
<tr>
<th></th>
<th>CHDI</th>
<th>CI</th>
<th>FD</th>
<th>FS</th>
<th>FP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.7259</td>
<td>0.6591</td>
<td>0.5000</td>
<td>28.3684</td>
<td>2.7960</td>
</tr>
<tr>
<td>Median</td>
<td>0.7000</td>
<td>0.6700</td>
<td>0.5000</td>
<td>30.7700</td>
<td>2.8150</td>
</tr>
<tr>
<td>Maximum</td>
<td>0.8700</td>
<td>1.0000</td>
<td>1.0000</td>
<td>32.5800</td>
<td>3.8900</td>
</tr>
<tr>
<td>Minimum</td>
<td>0.6000</td>
<td>0.5000</td>
<td>0.0000</td>
<td>23.9885</td>
<td>1.4000</td>
</tr>
<tr>
<td>Observations</td>
<td>208</td>
<td>208</td>
<td>208</td>
<td>208</td>
<td>208</td>
</tr>
</tbody>
</table>

The Fixed Effect Model (FEM) is the best model after analyzing through E-Views that show the Chow and Hausman tests. The panel data regression of Panel Least Square obtained after going through the Chow-test <0.05 and Hausman-test with a probability value of <0.05 is shown in Table 3. This research is not continued with the Lagrange test because the FEM model is the best based on the Chow and Hausman test selection. The test hypothesis compares the significance level of the t-test results with the significance value used to perform the partial test.

<table>
<thead>
<tr>
<th>Test of type</th>
<th>F – Value</th>
<th>Chi – Sq Statistic</th>
<th>P – Value</th>
<th>The Right Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chow Test (cross-section F Test)</td>
<td>3.0892</td>
<td>0</td>
<td>0.0000</td>
<td>Fixed</td>
</tr>
<tr>
<td>Chow Test (cross-section Chi-square)</td>
<td>74.9610</td>
<td>0</td>
<td>0.0000</td>
<td>Effect Model</td>
</tr>
<tr>
<td>Hausman Test (cross-section random)</td>
<td>77.1133</td>
<td>0</td>
<td>0.0000</td>
<td>Fixed Effect Model</td>
</tr>
</tbody>
</table>

Table 4 summarizes the effects of the test of multiple linear regression. The Adjusted R Square coefficient of 0.3599 shows a 35.99% contribution in predicting human development, explained by independent commissioners, female directors, firm size, and firm profitability. The independent commissioners and female directors variable have a significance level of <0.05, which means there is a significant and positive effect on corporate human development disclosures.

Besides that, the size of firms and profitability of firms variable has a significance level of <0.05, which means that the size of firms affects corporate human
development disclosures. The firm size coefficient of \(-0.0064\) (negative sign) and the firm profitability of \(-0.0373\) (negative sign) indicate that the firm size and the firm profitability have a negative effect on corporate human development disclosures. This negative effect can be interpreted as the larger the firm size, the lower its corporate human development disclosures, and vice versa. Then, this negative effect can be interpreted as the larger the firm profitability, the lower its corporate human development disclosures, and vice versa.

The results of the model significance test (F test) in Table 4 show a probability value of \(0.000 < \alpha = 5\%\) with an F test value of \(5.0128\). Thus it can be stated that the model is feasible for making predictions. Based on the results of testing the significance of individual parameters with the t-test in Table 4 shows that the proportion of independent commissioners of 0.6391 has a significant and positive effect on corporate human development disclosures. This result means the first hypothesis is accepted. The results of this research indicate that independent commissioners ensure that corporate management is in line with the interests of shareholders. Thus the results of this research do not support Rorong & Lasdi, (2020) research. However, the results of this research support Kaur et al., (2016) research. Although many commissioners create opportunities for more time in supervision and are more effective in management control (Moumen et al., 2016), it hopes effectiveness in supervising human development. The number of independent commissioners should be increased to make corporate oversight more intensive. Ideally, the supervision carried out on management will be more intensive if there are many independent commissioners (Yulianto, 2017). Based on the Financial Services Authority, (2016), Regulation Number 55/POJK.03/2016, the number of Bank Independent Commissioners is at least 50\% of the total number of members of the Board of Commissioners. This research supports the descriptive statistics presented in Table 2, showing that the proportion of independent commissioners is 50\% to 100\%.

Table 4. Multiple Regression Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Prediction</th>
<th>Coefficient</th>
<th>Significance</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>CI</td>
<td>+</td>
<td>0.6391</td>
<td>0.0018*</td>
<td>Accepted</td>
</tr>
<tr>
<td>FD</td>
<td>+</td>
<td>0.1044</td>
<td>0.0000*</td>
<td>Accepted</td>
</tr>
<tr>
<td>FS</td>
<td></td>
<td>-0.0064</td>
<td>0.0193</td>
<td></td>
</tr>
<tr>
<td>FP</td>
<td></td>
<td>-0.0373</td>
<td>0.0028</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td></td>
<td>0.5375</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-squared</td>
<td></td>
<td>0.4495</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted</td>
<td></td>
<td>0.3599</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-squared</td>
<td></td>
<td>0.50128</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prob</td>
<td></td>
<td>0.0000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CHDI is the dependent variable that explains corporate human development disclosures. CI, FD, FS, and FP are independent variables that explain independent commissioners, female directors, firm size, and firm profitability. *significant sign 5%.

Based on Table 4, the panel data regression equation is obtained as follows:

\[
CHDI = 0.5375 + 0.6391CI + 0.1044FD - 0.0064FS - 0.0373FP + \epsilon_t
\]

As a part of corporate governance, in the context of other than independent commissioners, the results of the t-test on the effect of female directors on human development disclosure show \(0.1044\), which has a significant and positive effect. This result means the second hypothesis is accepted. The findings of this study indicate that a large number of female directors indicates an increase in oversight in corporate governance, including human development. Thus the results of the research support
(Huse & Solberg, 2006; Putri & Nasih, 2022; Rao et al., 2012; Tran et al., 2021) research that female directors affect financial and non-financial reporting, including corporate human development disclosure.

In the context of the control variable, based on the multiple regression results in Table 4, it shows that the size and profitability of firms affect corporate human development disclosures. Many RDBs' assets and profitability affect corporate human development disclosures. The company's ability to generate large income reflects its ability to distribute this income according to its natural ecosystem (Hermawan et al., 2018; Winarno & Sawarjuwono, 2021) because the existence of a company contributes to society in economic, social, and environmental aspects (Ahmad et al., 2023; Trireksani & Djajadikerta, 2016). Implementation of green accounting is a company effort to minimize environmental problems (Fatwadi et al., 2016). An environmentally friendly financial company can influence the behavior of other business actors to be socially responsible (Handajani et al., 2019) and contribute to corporate human development (Lombo & Trani, 2013; Ratnamiasih et al., 2022).

4.2 Discussions

Based on the results of this research confirm the agency theory. According to agency theory (Jensen & Meckling, 1976), an independent board of commissioners is considered the highest internal control mechanism responsible for monitoring top management policies. One of the mechanisms that can monitor corporate welfare and sustainability through corporate human development is CG (Aras et al., 2017). CG is a set of mechanisms that are carried out to ensure investment returns made by investors (Shleifer & Vishny, 1997). Independent commissioners have responsibilities, namely encouraging supervision (Nur et al., 2019) and implementing the principles of GCG. GCG determines the performance and responsibility of an entity, including social, economic, and environmental performance and responsibility resulting from the entity's business activities and operations (Kend, 2015). Consistent and sustainable implementation of CG is one aspect of improving company performance related to how companies can be managed and controlled (Rankin et al., 2012), as well as protecting stakeholders and the interests of society (Bhasin & Shaikh, 2013). CG is the party that oversees not only the company's operational activities but also maintains the trust of shareholders and can play a role in corporate human development. CG and other financial indicators are complementary corporate factors for sustainability (Aras et al., 2018). Independent commissioners optimize the function of monitoring and detecting human development disclosures in corporate reporting. Then, the female directors as agents optimize capabilities to support principals for human capabilities.

Besides that, this research confirms the human capability theory. According to human capability theory, human development outcomes should expand people's capabilities, choices, and achievements (Anand & Sen, 1994), including female directors who can expand their choices to develop their capabilities for achievement. Based on the results of previous research, female directors are less vulnerable to corporate fraud (Wahid, 2019), have greater responsibility for managing water resources (Alonso-Almeida, 2012), and are positively related to innovation (Torchia et al., 2018). Independent commissioners and female directors play a role in optimizing human capabilities to realize human development. With human development, individuals or communities can develop human capabilities. The corporate human development disclosures in the RDBs reporting reflected the realization of human development.

Lack of information about human development is one of the main weaknesses in the accounting information disclosed by companies. Disclosure of the CHDI is voluntary and reflects corporate welfare through items from the HDI. Voluntary disclosure is a form of corporate communication to the broader public than disclosure required by capital market regulations (Suhardjanto et al., 2021). In addition, many voluntary disclosures are made by companies because mandatory disclosures are considered unable to provide the information needed by users (Gisbert & Navallas,
Voluntary disclosure, including corporate welfare, is essential to the company, presented widely, and integrated shows CG (Uyar & Kiliç, 2012). Applying CG principles, namely openness, accountability, independence, and fairness within the company, can overcome and minimize conflicts of interest (Susilawati, 2019). The concept of CG was developed to protect the interests of investors and their responsibilities in the financial reporting process (Kayati et al., 2019). CG, through independent commissioners and female directors, is a form of oversight within the company, including regarding accounting information in the annual and sustainability reports.

In addition to financial reporting, which primarily provides information related to finance, sustainability reports should offer broader information to the public about how companies answer society’s calls for sustainable business (Dosinta et al., 2022). Sustainability practices are carried out voluntarily by companies widely to meet the demands and expectations of stakeholders (Handajani et al., 2021). Thus "Sustainable Finance to Support Sustainable Development Goals" directs sustainable finance sector programs to be a solution in achieving Sustainable Development Goals (SDGs) (Financial Service Authority, 2015). The Sustainable Development Goals (SDGs) aim to create a better, more inclusive, and prosperous world by 2030 (United Nations, 2015). The well-being of a company is essential, not only for the company but the parties involved with the company. The well-being of a corporation should be a common interest of all involved parties (Achim et al., 2022).

This research agrees with Dosinta, (2021) research that implies corporate governance mechanisms must continue to work together to intensify oversight to realize the sustainability of banks and support the Government in the SDGs. Banks can succeed if their communities are prosperous and according to society's expectations (Aras et al., 2018; Dosinta & Astarani, 2021; Faisal et al., 2019). Besides that, through the transformation program, RDBs have high and strong competitiveness and can contribute to regional economic growth and equity in Indonesia (Dosinta, 2020), including optimizing human development.

5. Conclusion, Implication, and Limitation

The findings of this research indicate that independent commissioners and female directors are a proxy for corporate governance and have a significant and positive effect on corporate human development disclosures. The human development disclosures in RDBs reporting reflected the realization of human development. Disclosure of the CHDI is voluntary and reflects corporate welfare through items from the HDI. In the context of the control variable, it shows that firm size and firm profitability have a significant and negative effect on corporate human development disclosures. A large number of RDBs assets and profitability affect corporate human development disclosures.

As part of corporate governance, independent commissioners and female directors must continue working together to intensify supervision to optimize human development capabilities to realize RDBs’ sustainability and support the Government in SDGs. Optimizing corporate human development based on detection in corporate reporting can support the mission of RDBs as development agents. The findings of this research contribute to agency and human capability theory. Independent commissioners optimize the function of monitoring and detecting human development disclosures in corporate reporting. The female directors as agents optimize capabilities to support principals for human capabilities disclosures. Besides that, this research indicates that independent commissioners and female directors play a role in optimizing human capabilities to realize human development.

This research was limited to using variables of the independent commissioner and female directors as part of corporate governance. Future research should examine the other variable, such size of directors. Besides that, this research has yet to measure
the quality of corporate human development. Based on the codification in this research, the recommendation for future research is to use human development disclosures to investigate the quality of corporate human development disclosures in corporate reporting.

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