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BOARD OF DIRECTORS' TENDENCIES TOWARD PROFITABILITY AND ENVIRONMENTAL PERFORMANCE IN INDONESIA

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ABSTRACT

This study investigates the impact of board diversity on profitability and environmental performance. The PROPER ratings are designed to address the shortcomings in corporate social responsibility (CSR) disclosures. Moreover, Tobin's Q and business volume ensure consistency in sales and market performance. Consequently, this study contributes to understanding directors' tendency to profitability and/ or environmental concerns, resulting in tremendous corporate governance literature. BOD diversity includes gender, age, education level, expertise, and nationality. In total, 272 data were analysed in the panel data test from 68 companies in 2017-2020. There is a homogeneous composition of the board, which consists mostly of men, older people, bachelor's degrees, and locals. However, BOD expertise is quite heterogeneous. The presence of male and local directors can improve financial performance, but they delegitimise the environment. The old directors cause Tobin's Q to decline, and vice versa for local directors, but they are apathetic to the environment. Surprisingly, board education level improves environmental performance, while accounting expertise has the opposite effect, but they adversely affect financial performance. To attain Sustainable Development Goal No. 5 gender equality, the government must intervene in regulations while companies accommodated. The complex business, including profit and environmental performance, demonstrates the strategic importance of accounting expertise; hence, their proportion needs to be increased. Additionally, homogeneity affects performance stagnation; thus, younger, higher education (master) levels and more foreign directors need to be increased.

Keywords: board diversity; financial performance; PROPER; environmental performance; tendency.

INTRODUCTION

Corporate *social* responsibility(CSR) has become an important issue for companies where it is used as a public communication tool(Wilburn &

Wilburn, 2014; Yopie & Robin, 2023; Anita & Amalia, 2021; Wati & Malik, 2021). CSR aims to increase awareness of fulfilling increasing demands from various stakeholder groups for company legitimacy(Khan et al., 2019). In previous research, CSR performance was generally assessed by disclosing the CSR index(Biswas et al., 2018; Khan et al., 2019; Lu & Herremans, 2019). Technically, the CSR index is measured by comparing the actual value disclosed with the maximum value of disclosure(Abu Qa'dan & Suwaidan, 2019; Hussain et al., 2018; Muttakin et al., 2015). Instead, we consider that CSR should be assessed by the quality of the company's environmental performance. This means that CSR should be investigated directly for the quality of environmental performance, such as environmentally friendly or environmentally damaging activities(Flammer, 2013). Approach fromFlammer (2013)succeeded in showing the tendency of companies to side with the environment rather than just publications using dummy techniques.

Unfortunately, the approach ofFlammer (2013)difficult to do due to limitations in obtaining data sources. The availability of data is the root of the problem where if a company provides information on environmental damage it means it is the same as "killing" itself or degrading its legitimacy. As an alternative, measuring CSR which shows a company's tendency to manage the environment is by ranking it by a trusted institution. In Indonesia, the Ministry of the Environment since 2002 has established the "Company Performance Rating Assessment Program in Environmental Management" (PROPER) which aims to encourage companies to comply with regulations that lead to environmental management. Furthermore, PROPER is specifically for industries that have a significant impact on the environment where the ranking results are presented by giving a color. The following colors sequentially present environmental management performance from best to worst: gold, green, blue, red, and black(García et al., 2007). Unfortunately, there is still minimal research using PROPER measurements as a company's CSR performance. Therefore, this research aims to measure a company's CSR performance through PROPER ratings as a form of systematization of environmental impact management in Indonesia.

Table 1. PROPER Ranking Data 2017-2020

PROPER	2020		2019		2018		2017	
	N	%	N	%	N	%	N	%
Black	2	0.10 %	2	0.09 %	2	0.11 %	1	0.06 %
Red	233	11.53 %	303	14.15 %	241	12.87 %	130	7.28 %
Blue	162	80.60	150	70.39	145	77.67	148	83.20

PROPER	2020		2019		2018		2017	
	N	%	N	%	N	%	N	%
	9	%	7	%	4	%	6	%
Green	125	6.19 %	303	14.15 %	155	8.28 %	150	8.40 %
Gold	32	1.58 %	26	1.21 %	20	1.07 %	19	1.06 %
Total	2021	100%	2141	100%	1872	100%	1786	100%

Note: N is the number of companies

Referring to the 2017-2020 PROPER ranking in table 1, the majority of companies in Indonesia received a blue PROPER ranking of 80.60%. The blue rating is given to companies that carry out environmental management in accordance with applicable regulations. The blue rating is the minimum point for a company to be declared to comply with non-damaging environmental management. The above achievements are quite inversely proportional when compared withTaufik (2021)AndTaufik & William (2021)who rated CSR quite low because they only got scores of 29% and 27% respectively. This comparison reconfirms that there is a significant difference between CSR research with dummy scores and CSR ratings where the rating shows the company contributes to environmental improvement outcomes. The good achievement of the CSR rating above also provides an opportunity to investigate the determinant factors of how companies achieve good environmental management, where this paper focuses on corporate governance.

Hussain et al., (2018)stated that the sustainability of the company (going concern) must be based on the triple bottom line concept. This concept consists of profit, people and planet (3P), namely that company operations do not only focus on maximizing profits but also pay attention to the conditions of all stakeholders, both internal and external. Therefore, currently, CSR has shifted to become a company strategy in gaining legitimacy from stakeholders (Taufik, 2021). The implication of legitimacy is that the company does not experience negative financial performance. This cause and effect relationship is then more likely to be labeled as "doing well by doing good"(Falck & Heblich, 2007). On researchArvidsson (2014)it was revealed that 95% of investors focused on profitability, and only the remaining 5% were interested in CSR information. RespondFalck & Heblich (2007), this paper highlights the role of the board of directors, namely their alignment with CSR and/or financial performance. The board of directors has an obligation to manage resources and develop strategies for the company's ongoing operations(Jizi, 2017). Therefore, the board of directors plays an important role in determining behavior that is socially, ethically and environmentally responsible, yet profitable(Hartmann &

Carmenate, 2021; Khan et al., 2019).

The attributes and composition of the board of directors are closely related to the quality and effectiveness of corporate governance practices(Beji et al., 2021; Chandra & Junita, 2021; Yopie & Erika, 2021). Among various aspects of board composition, board diversity is considered more relevant in CSR disclosure. Homogeneous boards, with more similar perspectives, opinions, and collectivities tend to increase conformity in group dynamics leading to lower quality of board discussions, failure, and weak governance in general(Jizi, 2017). The characteristics of the BOD have been widely researched, but the diversity of the board of directors is still rarely investigated. Thus, this researcher aims to find out how the diversity of the board of directors positions itself in choosing between profit and/or CSR, namely either one or both simultaneously.

When a company has good performance and profit generation, the company will demonstrate its quality to the public by providing voluntary disclosure of corporate social responsibility performance. A company's financial performance is often assessed by return on assets (ROA), return on equity (ROE), leverage, Tobins'Q, net profit margin (NPM), business volume over assets (BVOA), and so on. Previous research assessed the company's financial performance from the ROA and ROE values(Assenga et al., 2018; Đặng et al., 2020; Fernández-Temprano & Tejerina-Gaite, 2020). Furthermore,Darko et al. (2016)testing performance using Tobin's Q, whereasFelix & David (2019)AndTaufik & Chua (2021)test using BVOA. This research tends to adopt Tobins'Q and BVOA because they are able to show the company's future value and sales achievements. In research that has been conducted, gender diversity of the board of directors has a significant positive influence on the company's financial performance(Assenga et al., 2018; Đặng et al., 2020; Hartmann & Carmenate, 2021). This means that studies of board of director diversity other than gender are still very minimal. Therefore, this research will cover the shortcomings of previous research where the diversity of the board of directors includes gender, age, education level, expertise, and nationality which is then aimed at showing the alignment of directors between profit and/or CSR.

THEORETICAL FRAMEWORK AND HYPOTHESIS FORMULATION

Stewardship Theory

Naciti (2019)examines the board of directors towards CSR from the perspective of agency and stakeholder theory, whereasJouber (2021)researching the board of directors (BOD) on CSR from the resource dependency theory and resource-based view. Instead, this research will show whether the appointed BOD has the right capabilities to increase profits and/or CSR in terms of gender, age, education level, expertise and nationality. It is generally hypothesized that director resources can increase both capabilities of the BOD, but there are very few papers that show this when referring to stewardship theory. Previous research tends to provide evidence that stewardship theory directs the board of directors to influence the company's financial performance(Wijethilake & Ekanayake, 2020; Taufik & Chua, 2021). In simple terms, stewardship theory emphasizes that BOD is part of corporate governance that is loyal to the company so that it supports the sustainable development of the company's financial performance. Currently, the sustainability of a company does not only depend on financial sustainability but also depends on environmental sustainability. Environmental sustainability is used to gain societal legitimacy. Thus, the company will try to get social support where the company uses resources and "steward" values from the board of directors(Akhter et al., 2022).

Stewardship theory explains the role of contribution and loyalty of a director in carrying out his duties which prioritizes the interests of the company above all else(Hu & Alon, 2014; Keay, 2017; Taufik & Chua, 2021). The key role of the board of directors is to monitor management decisions, set the company's strategic objectives, provide leadership to implement them, oversee business management, and report to shareholders on their stewardship.(Darko et al., 2016). In stewardship theory, directors are seen as loyal to the company. Directors are described as someone who is considered a steward whose behavior is prioritized to support pro-organizational, collectivistic behavior rather than individualistic and self-serving behavior.(Hu & Alon, 2014; Taufik & Chua, 2021). Stewardship theory states that organizations need a structure that allows efficient harmonization between directors and shareholders(Keay, 2017).

Basically, the behavior of the company is to generate profits. However, now companies are not only focused on maximizing profits, but are striking a balance between profit and CSR. This change occurred because the company's operations contained environmental damage, so activities were needed to support the achievement of sustainable development goals (SDGs). Previous research minimizes the relationship limitations of stewardship theory where it only refers to the relationship between the board of directors and the company's financial performance. Thus, this research will investigate how BOD plays a role in improving financial performance and/or CSR performance.

Profitability and CSR: The Role of Gender Diversity of the Board of Directors

The existence of gender diversity on the board of directors is a form of the company offering equal opportunities to every employee without discrimination.Gabaldon et al., (2016) found that men's and women's different perspectives on the environment have a positive effect on decision making in boards(Lu & Herremans, 2019)and influence company performance(Đặng et al., 2020). Research byAssenga et al., (2018), Fėlix

& David (2019), and Hartmann & Carmenate (2021)shows that gender diversity influences company financial performance significantly positively. On the contrary,Ujunwa (2012)found that gender diversity has a significant negative effect on company financial performance. However, in the research resultsDarko et al., (2016)AndTaufik & Chua (2021)did not find the effect of gender diversity on company financial performance. Nevertheless,Taufik & Chua (2021)explained that this happened due to the low proportion of female directors on the board. Referring to stewardship theory, the author proposes the following hypothesis.

H1: Gender diversity of the board of directors has a significant effect on the company's financial performance.

Women show more communal characteristics, such as being helpful, kind, sympathetic, and concerned about the welfare of others than men(Biswas et al., 2018; Hartmann & Carmenate, 2021). Previous research states that male directors are more oriented towards financial performance, while female directors show a more caring orientation towards corporate social responsibility issues.(Gabaldon et al., 2016; Lu & Herremans, 2019). Combining discussions about gender diversity and environmental performance can lead to initiatives that create shared value for companies and the environment with a blend of different schools of thought(Lu & Herremans, 2019). Based on research byAlazzani et al., (2017), Beji et al., (2021), Gulzar et al., (2019), the presence of gender diversity on the board of directors has a significant positive influence on CSR performance. Furthermore,Khan et al., (2019)shows that women move more quickly and definitely take sides in achieving economic, social and environmental sustainability. However,Zhuang et al., (2018)found that the presence of women on the board of directors had a significant negative influence on CSR performance. WhereasAbu Qa'dan & Suwaidan, (2019), Colakoglu et al., (2021), and Formigoni et al., (2021)The regression results show that gender diversity has no effect on the company's CSR performance. Referring to stewardship theory, the author proposes the following hypothesis.

H2: The gender of the board of directors has a significant effect on environmental performance ratings.

Profitability and CSR: The Role of Age Diversity of the Board of Directors

Age is seen as two interchangeable facets because it is associated with greater experience and higher risk aversion on the one hand and thus loss of productivity on the other.(Fernández-Temprano & Tejerina-Gaite, 2020). The age diversity of directors basically involves broad experience, differences in decision making and efficient skills. An older board can contribute a wealth of experience and better opinions(Khan et al., 2019; Thompson & Adasi Manu, 2020), but they are less likely to make changes. Meanwhile, younger boards of directors are more likely to make strategic changes(Fernández-Temprano & Tejerina-Gaite, 2020). Research resultFernández-Temprano & Tejerina-Gaite (2020)AndThompson & Adasi Manu (2020)states that the age of the board of directors has a significant relationship to the company's financial performance. Director age diversity has a beneficial effect on asset management where it directly influences a company's financial performance(Fernández-Temprano & Tejerina-Gaite, 2020).

H3: The age of the board of directors has a significant effect on the company's financial performance.

Younger directors are considered to be more concerned about environmental issues and have more ethics, so that this sensitivity leads to socially and environmentally responsible behavior*(Beji et al.,*2021). Older directors may benefit from greater experience, but they tend to be less eager to embrace change and implement new innovative strategies. On the other hand, younger directors are more adaptive to operate in high-growth and fast-changing environments, as they have a higher ability to absorb, process and learn new ideas and behaviors, such as CSR(Abu Qa'dan & Suwaidan, 2019). StudyBeji et al., (2021)stated that the age of directors has a significant positive contribution to CSR. Meanwhile, a study conducted byAbu Qa'dan & Suwaidan, (2019), Gulzar et al., (2019), Khan et al., (2019)stated that the age diversity of the board of directors was found to be significantly negative on the disclosure of the company's environmental performance. This is because age differences can bring complexity in providing information to stakeholders. Older directors may not accept the opinions of younger directors, thereby creating obstacles to strategic decision-making processes such as CSR(Khan et al., 2019).

H4: The age of the board of directors has a significant effect on environmental performance ratings.

Profitability and CSR: The Role of Diversity in Educational Levels of the Board of Directors

The diversity of educational levels of the board of directors is a valuable resource that contributes to achieving company performance. Companies with directors that are more diverse in terms of education are believed to have greater emotional and mental intelligence, understand information, and are better able to realize new insights and abstractions.(Khan et al., 2019). Furthermore, education is important in shaping individual values and cognitive abilities as well as increasing individual knowledge and skills. Thus, the level of education possessed by members of the board of directors can influence their ability to make the right strategic decisions(Hartmann & Carmenate, 2021). Research byHartmann & Carmenate (2021)AndPérez-Calero et al., (2016)shows positive significant results between the education level of directors and the company's financial performance. Instead, researchFernández-Temprano & Tejerina-Gaite (2020)shows that the education level of the board of

directors has a significant negative effect on the company's financial performance.
H5: The education level of the board of directors has a significant effect on the company's financial performance.

Board directors with higher education develop more CSR perceptions, greater CSR orientation, and support social decision making(Jouber, 2021). CSR requires a comprehensive understanding of various stakeholder interests and demands. Thus, a board of directors with diverse educational backgrounds makes it easier for directors to access the various interests of stakeholders who can help the company better engage in CSR(Chang et al., 2017). Study conducted byChang et al., (2017), Harjoto et al., (2019), and Jouber (2021)shows that there is a positive and significant relationship between the education level of the board of directors and the company's CSR performance. The ability of directors with a high level of education to bring new ideas and perspectives in the social field to learn more about changing expectations of local communities(Jouber, 2021). Nonetheless, researchKhan et al., (2019)shows that the diversity of educational levels of the board of directors does not affect the company's CSR performance. In contrast, studies fromBeji et al., (2021)No relationship was found between the education level of directors and CSR.
H6: The education level of the board of directors has a significant effect on environmental performance ranking.

Profitability and CSR: The Role of Expertise Diversity of the Board of Directors

The expertise of the board of directors in this study is represented by accounting and finance expertise from either higher education institutions or professional certification. The knowledge you have regarding accounting principles and financial reports can support performance and take into account the interests of investors(Johl et al., 2015).Gray & Nowland (2017)proves that the accounting expertise of the board of directors is aligned with the interests of investors, whose absence will reduce profit and share performance. However, in researchThompson & Adasi Manu (2020), the board of directors has a significant negative impact on the company's financial performance. This bad influence is because directors with accounting expertise are appointed only because they are academic representatives, such as professors, in order to improve the company's status.
H7: The expertise of the board of directors has a significant effect on the company's financial performance.

Previous research is very limited in analyzing the relationship between directors with accounting expertise and CSR. The diversity of knowledge and abilities of different board members is critical to speeding up decision making and increasing the board's effectiveness in evaluating

strategy. Additionally, this diversity will encourage the board to share knowledge and generate new knowledge and reduce problems which will help in gaining competitive advantage(Katmon et al., 2019). Board effectiveness depends as much on the director's skills, knowledge, experience, and education as on the relationship dynamics generated on the board(Barroso et al., 2011).Khan et al., (2019)AndKatmon et al., (2019)examines the educational background of directors by combining more than nine different types of education, so that the role of accounting on CSR performance is not explained comprehensively. In fact, the higher education accrediting body, the Association to Advance Collegiate Schools of Business (AACSB), has explicitly required the inclusion of environmental issues in business curricula and provides substantial support for environmental issues.(Ibrahim et al., 2006). The goal of the new curriculum addition is to enable business studies and accounting students to address CSR issues through examining accounting and reporting models to achieve greater transparency and accountability(Holland, 2004).
H8: The expertise of the board of directors has a significant positive effect on environmental performance ratings.

Profitability and CSR: The Role of Civic Diversity of the Board of Directors

The appointment of a board of directors from various countries is a valuable company resource in improving company performance(Khan et al., 2019). Foreign investors tend to hire foreign directors to protect their interests abroad(Assenga et al., 2018). In addition, the presence of foreign directors can attract foreign investors to invest capital in the company. Having foreign members on the board of directors can also signal a higher commitment to accountability and transparency in corporate reporting which can then improve reputation in the capital markets.(Oxelheim & Randøy, 2003). StudyFernández-Temprano & Tejerina-Gaite (2020) and Ujunwa (2012), states a positive and significant relationship between the citizenship of the board of directors and financial performance.Ujunwa (2012)argue that foreign directors reduce agency problems and provide access to foreign capital, as well as greater network contacts and expertise than local directors. Nonetheless, researchAssenga et al., (2018)shows that the nationality of the board of directors has no effect on the company's financial performance because competence is more important than nationality. This is because foreign directors are appointed based on the influence of foreign investors, so they may not have the competencies and capabilities that the company needs.
H9: The nationality of the board of directors has a significant effect on the company's financial performance.

The presence of foreign directors in the boardroom is considered an effective incentive to make executive managers more interested in promoting the company to participate in CSR-related actions(Jouber,

2021). This is because the international experience and knowledge of foreign directors is more likely to realize the need for more transparent accountability regarding broad social and environmental impacts. Thus, they will fight for and promote more CSR implementation(Muttakin et al., 2015). StudyKhan et al., (2019), Muttakin et al., (2015), and Naciti (2019)found that there is a significant and positive relationship between the citizenship of the board of directors and CSR performance. Foreign directors are more likely to take pollution risks into account by controlling the impact of the company's operational activities, such as water pollution and energy consumption(Beji et al., 2021).
H10: The nationality of the board of directors has a significant effect on environmental performance ranking.

RESEARCH DESIGN

Below the blue PROPER, there are red and black PROPER. Red PROPER is for companies that do not meet minimum environmental management standards, while black PROPER is for companies that do not carry out environmental management at all. Above the blue rating, there are green and gold ratings. A company is categorized as green if the company has carried out more environmental management than required. Furthermore, a green rating means that the company carries out more environmental management than required and makes sustainable community development efforts. Finally, a blue rating means that the company has carried out environmental management in accordance with standards, where this is the minimum value that must be achieved to be categorized as non-damaging.

Based on table 1, the companies that received green and gold ratings did not reach 10% (6.19% and 1.58%), on the other hand the majority were blue ranked, namely 80.60%. This interprets the majority of companies carrying out environmental management efforts in the category of only meeting regulations, or not being able to achieve more than minimum standards or community development.

This study uses quantitative methods with sample data, namely all companies listed on the Indonesia Stock Exchange (BEI) in 2017-2020. The author uses companies that are the object of the PROPER rating published by the Ministry of the Environment. The PROPER ranking list can be downloaded via the official website of the Ministry of Environment (www.menlhk.go.id). As a result, there were 68 companies out of 787 companies selected as samples. Next, data*corporate governance*and financial information in this research was collected from company annual reports that have been published on the Indonesia Stock Exchange or*website*each company.

Operational Definition of Variables

The dependent variables in this research are the company's environmental and financial performance. Environmental performance is measured by achieving a company's PROPER rating using a scoring technique*dummy*, where the black rating is given a score of 1; red is given a score of 2; blue is given a score of 3, green is given a score of 4; and gold is given a score of 5. In addition, financial performance is measured by Tobins'Q and*business volume over total assets*(BVOA). These two variables describe the company's long-term financial performance where Tobins'Q represents the value of corporate governance in the market view and BVOA represents the value of company sales. Tobins'Q and BVOA measurements are superior to conventional accounting measurements such as ROA or ROE because they test past accounting book values(Siddiqui, 2015). The independent variables in this research consist of gender diversity, age diversity, education level diversity, expertise diversity, and citizenship diversity of the board of directors. Furthermore, the control variables in the research consist of the number of board of directors and independent board of directors. The measurement of each variable is further presented in table 2. There are 3 models that will be tested to prove the hypothesis presented in the following formula.

TOBI/ BVOA/ PROP = $\beta 0$ + $\beta 1$ GENE + $\beta 2$ AGE + $\beta 3$ EDUL + $\beta 4$ EXPE + $\beta 5$ NATI + $\beta 6$ BODSI + $\beta 7$ BODIN + ε……. (1) (2) (3)

Table 2. Measurement of Research Variables

Variable	Symbol	Formulas
Panel A: Dependent variable		
Business Volume Over Assets	BVOA	*Net Sales*/ Total assets
Tobins'Q	TOBI	*(Total Market Value + Total Book Value of Liabilities) / Total Book Value of Assets*
PROPER	PROP	*Dummies*variables; Black = 1; Red = 2; Blue = 3; Green = 4; Gold = 5
Panel B: Independent variables		
BOD Gender	GENES	Number of female board directors / Number of board directors
BOD Age	AGE	Average age of the board of directors
BOD Education	EDUL	Number of directors with master's degrees / Number of board of directors
BOD Expertise	EXPE	Number of directors educated or certified in accounting / Number of board of directors
BOD Nationality	NATI	Number of foreign directors / Number of board of directors
Panel C: Control variables		
BOD Size	BODSI	Number of board of directors

Variable	Symbol	Formulas
BOD Independent	BODIN	Number of independent directors / number of directors

RESEARCH RESULTS AND DISCUSSION

Descriptive statistics are presented in table 3. The company performance variable is calculated using Tobin's Q which shows a value of 1.8797. This means that the average company performance observed has a book value that is higher than its market value. In other words, company management was successful in managing company assets so that the company in the object of this research reached the overvalued category when tested by the market. The company performance variable calculated using BVOA shows an average value of 0.9021 or 90.21%. This value shows that the company is able to achieve sales up to 90 times greater than the amount of assets owned. Furthermore, the environmental performance variable based on the PROPER rating shows a value of 3.1287, which means that the average company in the object of this research received a blue rating. Thus, it is concluded that on average companies have carried out good environmental management and in accordance with minimum standards.

The average value of gender for the board of directors is 0.1031 or 10%. This value shows that the majority of the board of directors in the company is dominated by men with a percentage of 90%, while the rest are female directors. Furthermore, the average value of the age of the board of directors is 53.67. Furthermore, the highest age of directors is 70 years, while the lowest is 40 years, so this figure shows that age diversity is still low. In conclusion, the average age of the board of directors, namely 53.67 years, is classified in the old age group because it is more than 50 years old.(Khan et al., 2019). This raises the question of whether the board of directors is effective and productive in improving the company's performance both financially and environmentally with older directors. Furthermore, the average value of the board of directors' education level is 0.3583. This figure shows that the number of directors who have a master's degree is 35.83%. Furthermore, the average value of board of directors' expertise is 0.3229. This value shows that the number of directors who have expertise in accounting is 32.29% and directors who do not have an accounting background are 64.17%. The proportion of expertise is actually stated to be quite diverse considering that companies also need expertise other than accounting and finance, such as engineering, information technology, management and law; However, is business complexity simply represented by these proportions? Furthermore, the average value of nationality of the board of directors is 0.1786. This figure shows that only 17.86% of directors are foreign citizens, where the majority of directors are Indonesian citizens. So it can be concluded that the board of directors lacks diversity except for expertise, while the rest are minorities.

The average value of the number of board of directors is 5.5882. This figure shows that the average company in Indonesia has 5 to 6 directors. However, it was also found that there were companies that had a board of directors of 11 and 2 directors. The average score for independent directors is 0.0993 or 9.93%.

Table 3. Descriptive statistics

Variable	Min	Max	Mean	Std Dev
BVOA (x 100%)	0.0411	7.2776	0.9021	0.6638
TOBI (n)	0.2845	23.2858	1.8797	2.7162
PROP (n)	2,0000	5,0000	3.1287	0.5517
GENES (x 100%)	0.0000	0.6667	0.1031	0.1502
Agent)	39.67	70.5	53.6732	10.0559
EDUL (x 100%)	0.0000	1,0000	0.3583	0.2841
EXPE (x 100%)	0.0000	4,0000	0.3229	0.3327
NATI (x 100%)	0.0000	0.8000	0.1786	0.2368
BODSI (n)	2,0000	11,0000	5.5882	1.9419
BODIN (x 100%)	0.0000	0.5000	0.0993	0.1268

Note: BVOA is Business Volume Over Assets, TOBI is Tobin's Q, PROP is PROPER, GEN is BOD gender, AGE is BOD age, EDUL is BOD education, EXPE is BOD expertise, NATI is BOD nationality, BODSI is BOD size, and BODIN is BOD independent.

Hypothesis Results

In this research, analysis of financial and CSR performance is separated to find out whether BOD capabilities are appropriate to improve each performance. Then, separate the analysis based on performance so that you can more objectively explore the tendency of BOD's bias towards financial performance and/or CSR. This is very useful for formulating social and practical implications by reflecting government regulations and company policies.

Table 4. Relationship between Board of Directors Diversity and Financial Performance and CSR

Variable	TOBI	BVOA	PROP
GENES	4,986***	0.619**	-0.971***
	-1,882	(0.262)	(0.212)
AGE	-0.0591**	-0.00619	-0.00350
	(0.0287)	(0.00755)	(0.00634)
EDUL	0.33263889	-0.312***	0.221**
	(0.418)	(0.104)	(0.111)
EXPE	0.33472222	0.12361111	-0.139**
	(0.531)	(0.139)	(0.0677)

Variable	TOBI	BVOA	PROP
NATI	3,052***	0.18194444	-0.183
	(0.776)	(0.185)	(0.138)
BODSI	0.348**	0.1625	0.0324**
	(0.150)	(0.0212)	(0.0146)
BODIN	2,508**	0.772***	-0.218
	-1,225	(0.298)	(0.293)
Constant	1,629	1,013**	3,256***
	-1,745	(0.419)	(0.384)
Observations	272	272	272
R-squared	82.38	84.76	80.59

Note: Note: BVOA is Business Volume Over Assets, TOBI is Tobin's Q, PROP is PROPER, GEN is BOD gender, AGE is BOD age, EDUL is BOD education, EXPE is BOD expertise, NATI is BOD Nationality, BODSI is BOD size, and BODIN is BOD independent; ***p<0.01, **p<0.05, *p<0.

Empirical results from panel data regression on the gender BOD variable have a positive and significant effect on Tobin's Q and BVOA with coefficients of 5.283 and 0.676 with a margin of error of 1%. The same results were found in research byAssenga et al., (2018), Đặng et al., (2020), and Hartmann & Carmenate (2021). From the results of this regression, it can be concluded that male board directors tend to maximize profits. As a comparison, BOD gender has a negative and significant effect on environmental performance with a coefficient of -0.969 with a margin of error of 1%. The results of the same research byMuttakin et al., (2015). From the results of this regression, it can be concluded that male board directors do not have a tendency towards environmental management issues. Thus, it is concluded that H1 and H2 are accepted.

BOD age is proven to have a significant negative effect on financial performance as measured by Tobin's Q. The regression coefficient value shows -0.0197 with a margin of error of 10%. Furthermore, financial performance as measured by BVOA shows an insignificant relationship with a coefficient of 0.00284. Furthermore, the empirical results of PROPER show an insignificant relationship with a coefficient of -0.00412. The results of the same research carried out by the studyKhan et al., (2019). If possible, companies can elaborate on young and old directors to complement each other, so that companies can take advantage of these differences to improve the performance of directors. Thus, it is concludedthat H3 is partially proven, while H4 is not proven.

Meanwhile, H5 is partially proven. This happens because the education level of the board of directors has no effect on Tobin's Q, namely 0.33263889. On the other hand, the education level of the board of directors has a negative and significant effect on BVOA, namely -0.262 with a margin of error of 1%. Educational diversity among board members can lead to a segmented work environment where there are social barriers between groups with different backgrounds. On the other hand, H6 is proven because it shows a positive and significant relationship between board of directors' education and environmental performance, namely 0.215 with an error rate of 5%. The results of this study are consistent withJouber (2021)AndChang et al. (2017)stated the same discovery.

The regression results of the accounting expertise variable from BOD show an insignificant influence on financial performance with a coefficient of 0.34583333 on Tobin's Q and 0.11527778 on BVOA. Research byAssenga et al., (2018)stated the same findings.On the other hand, the regression results of the influence of BOD accounting expertise on environmental performance are significantly negative with a coefficient of -0.130 and a margin of error of 5%. So it can be concluded that H7 is not proven, while H8 is proven.

Finally, BOD nationality has a significant positive influence on Tobin's Q with a coefficient of 3.226 and an error rate of 10%. Study results byMuttakin et al., (2015)AndFernández-Temprano & Tejerina-Gaite, (2020)found the same results.However, BOD nationality is not significant to BVOA with a coefficient of 0.18194444. Thus, H9 is partially proven. Furthermore, the regression results show that there is no effect of BOD citizenship on environmental performance with a coefficient of -0.183. So it can be concluded that H10 is not proven. The results of this study are the same asColakoglu et al., (2021).

Discussion of Findings

Tendency of Board of Directors Diversity on Financial Performance

Board of Directors Gender Diversity and Financial Performance

Based on table 3, the board of directors is dominated by men with a percentage reaching 90%, so the remaining 10% are female directors. The results of the empirical test (table 4), the gender of the board of directors has a significant positive effect on Tobin's Q and BVOA, respectively 5.283 and 0.676 with a margin of error of 1%. These results indicate that male BOD has the capability to improve financial performance because men are more skeptical and more oriented towards financial performance. However, this does not mean that this paper does not support gender equality. Instead, referBeji et al. (2021)that women are often not appointed to strategic positions even when they are able to reach top management positions. Even if they join the board of directors, it is difficult to influence the boardroom when their proportion is so small that they are unable to effect effective change(Taufik & Chua, 2021).

In fact, past research shows that companies with strong female representation at board level and top management perform better than those without it.(Darko et al., 2016). Women's leadership style is said to be more participative, democratic and communal than men's leadership style which tends to be autocratic(Đặng et al., 2020). Therefore, the presence of women on the board is said to be more risk averse than men, especially when making investment decisions such as mergers and acquisitions so that companies with women on the board have lower liabilities (risk).(Assenga et al., 2018).

Board of Directors Age Diversity and Financial Performance

The average age of directors is 54 years, which means they are categorized as old(Khan et al., 2019). Overall, the age diversity of the board of directors has a significant negative influence on Tobin's Q of -0.0591 at 5%. Not only that, older directors are also unable to improve BVOA performance, which is a representation of how directors increase sales. This happened because it did not have a significant effect of 0.0061. Older directors tend not to make changes, while younger directors tend to make strategic changes(Fernández-Temprano & Tejerina-Gaite, 2020). On the other hand, the presence of young directors is expected to increase the company's income figures with existing knowledge and experience. On researchFernández-Temprano & Tejerina-Gaite (2020)It was found that the age diversity of directors had a significant positive influence on the company's financial performance. Therefore, it can be said that directors who are older have less operational performance capabilities, so companies need to increase the heterogeneity of the board of directors.

Diversity in Educational Levels of the Board of Directors and Financial Performance

Based on descriptive statistical tables, the average number of directors with a master's degree is 35.83%. Unfortunately, from the research results, the presence of educational diversity in directors does not have a positive influence on the company. The educational diversity of the board of directors was found to be significantly negative on BVOA and had no effect on Tobin's Q. The reason was the small proportion of directors with master's degrees on the board. Research byHartmann & Carmenate (2021)AndPérez-Calero et al., (2016)It was found that the education level of directors has a positive influence on the company. A higher level of education will provide board members with a greater capacity for information processing and participation in corporate strategy(Pérez-Calero et al., 2016). Thus, a higher level of educational qualification will serve as a strategic resource(Ujunwa, 2012). Therefore, companies must recruit directors with a higher level of education to support higher profitability.

Board of Directors Expertise Diversity and Financial Performance

Based on descriptive statistics, only 32.29% of the board of directors have accounting education or certification and the remainder have no accounting background. Directors need an understanding of accounting to manage their company, so that accounting is closely related to better quality accounting reports which explain the flow of financial performance. The research results stated that there was no significant relationship found between the board of directors' expertise in accounting and BVOA with a value of 0.1236 or Tobins'Q with a value of 0.3347. Even though the board of directors is quite diverse because it also requires directors with other skills, such as*engineering*, information technology, management, and law. However, due to the complexity of the business, the company lacks directors who are able to put pressure on sales, the flow of funds, and even cheat on profits. This study supports the findingsGray & Nowland (2017)that the presence of an accountant on the board of directors has benefits for the company. Therefore, companies need to believe that skills in accounting can support the company's financial performance.

Board of Directors Citizenship Diversity and Financial Performance

Based on descriptive statistics, only 17.86% of the board of directors have foreign citizenship, so it can be concluded that the majority of the board of directors are local citizens. The research results show a significant positive relationship with Tobins'Q with a value of 30.52% by 1%. This research states that local directors are believed to be more capable of carrying out their duties and responsibilities. However, the proportion of local directors cannot create sales because the empirical results are not significant for BVOA of 0.1819. With different backgrounds, foreign directors can add valuable and diverse skills that local directors do not have(Ujunwa, 2012). So it is necessary to equalize the proportion of local and domestic directors to support the development of the company's financial performance.

The Tendency of Board of Directors Diversity on Environmental Performance

Board of Directors Gender Diversity and Environmental Performance

Empirical results show that gender diversity has a significant negative effect on PROPER with a value of -0.971 with a margin of error of 1%. These results show that the proportion of male directors of 61% does not support good environmental management, but on the contrary, it is destructive. The presence of women on the board of directors can increase the company's legitimacy and can provide more connections with the external environment such as society(Assenga et al., 2018). Furthermore, women are more oriented towards social issues than men so more women on boards makes it possible to take CSR initiatives and improve environmental performance(Hussain et al., 2018). Thus, it is concluded that to improve CSR performance, companies can consider increasing the proportion of women on the board of directors.

Board of Directors Age Diversity and Environmental Performance

Referring to the results of hypothesis testing, the age diversity of the board of directors does not show a significant relationship to PROPER performance with a value of 0.0035.Based on table 3, the mean age of directors in the ranks is 53 which is categorized as old, so the proportion of young directors is still small which then influences the research results. These results provide legitimacy that CSR performance requires young directors so that the dominance of old directors needs to be reduced. The reason is that younger directors are more concerned and show sensitivity that leads to socially and environmentally responsible behavior(Beji et al., 2021). Older council members are more concerned and ready to accept issues related to community welfare, while younger members are more concerned and ready to face matters related to ethical and environmental factors.(Gulzar et al., 2019). Thus, the presence of young directors in the board of directors can increase the company's legitimacy in society.

Diversity in Educational Levels of the Board of Directors and Environmental Performance

The results of the hypothesis test show that diversity in the education level of the board of directors has a significant positive effect on PROPER performance with a value of 0.221 with a margin of error of 5%. Empirical results prove that diversity in the education level of the board of directors has a good influence on improving CSR performance. CSR requires a comprehensive understanding of the interests and demands of various stakeholders, where a diverse board of directors with access to a wide range of stakeholders can help companies better engage in CSR activities(Chang et al., 2017). Directors with higher education graduates have higher levels of CSR perceptions, expectations and attitudes than directors with lower education(Jouber, 2021). Therefore, companies must retain and recruit directors with master's education or above in order to increase the company's legitimacy.

Board of Directors Expertise Diversity and Environmental Performance

Empirical results show that the diversity of board of directors' expertise in accounting has a negative effect on PROPER performance with a value of -0.139 with a margin of error of 5%. Based on the descriptive statistical table, directors with accounting expertise only have a proportion of 32.29%. In fact, this proportion can be said to be quite diverse because companies also need directors with other skills, such as*engineering*, information technology, management, and law. However, the empirical results show substantial evidence that the proportion of directors with accounting expertise is less able to have good environmental performance implications. Business legitimacy from the community is needed and should be obtained more from the representation of directors with accounting expertise. This is because they have learned the importance of CSR. The proof is, to expand knowledge and provide substantial support for CSR issues, AACSB as a higher education accreditation body explicitly requires the inclusion of environmental issues into the business curriculum.(Ibrahim et al., 2006). Therefore, companies must believe that the presence of accountants on the board can improve the company's CSR performance.

Board of Directors Citizenship Diversity and Environmental Performance

Empirical results show that the citizenship diversity of the board of directors has no effect on PROPER performance with a value of 0.183. Based on descriptive statistics, the percentage of directors with foreign nationalities in Indonesian companies is very minimal at only 17.86%. So it can be concluded that even though they do not experience language and cultural barriers, local directors are unable to improve the company's CSR performance.Beji et al., (2021)AndNaciti (2019)states that citizenship heterogeneity is able to improve the quality of social and environmental action decision making to increase capabilities and higher sustainable performance. Foreign directors have international experience and knowledge that enables them to be more aware of the need for more transparent accountability regarding social and environmental impacts so that they will champion and promote more CSR implementation(Muttakin et al., 2015). Thus, increasing nationality diversity is very important to promote CSR performance, specifically increasing the proportion of directors with foreign nationalities.

BOD Diversity Trends on Financial and Environmental Performance: A Comparison

Men dominate the proportion of positions on the company's board of directors, where they have a significant positive effect on the company's financial performance, but have a significant negative effect on environmental performance. To achieve gender diversity in the board of directors, Indonesian regulators need to replicate in regulations the minimum quota for the proportion of female directors. Developing countries, such as Malaysia, have set a minimum quota of 30% for the presence of women on the board of directors(Katmon et al., 2019). Of course, companies play a role in providing opportunities for women to serve in companies because they are more oriented towards social and environmental issues. This means that their presence on the board will increase legitimacy.

Board age heterogeneity is still low because older directors dominate the board. This proportion of diversity indicates poor outcomes for financial and environmental performance. Therefore, companies need to provide opportunities for younger directors to lead the company considering that they have sensitivity to social and environmental responsibility.(Beji et al., 2021). In addition, diversity in the age of directors will lead to a positive relationship with company asset management which is directly related to the company's financial performance(Fernández-Temprano & Tejerina-Gaite, 2020). Therefore, board age diversity has an important link to company performance.

The diversity of education levels of the board of directors also shows a low proportion. However, diversity in board education levels is proven to have a significant positive effect on environmental performance, whereas it has a significant negative effect on financial performance. This means that the complexity of a business aimed at making a profit must not ignore the important role of directors' education. Perhaps, CSR can be accommodated by undergraduate graduates, but the complexity of making a profit requires higher education. This happens because directors with higher levels of board education are believed to have the ability to understand information and realize visionary plans(Khan et al., 2019).

The board's accounting expertise is already quite diverse, but the complexity of the business demands a higher proportion of them. The proof is that the expertise of the board of directors is unable to improve financial performance and also reduces the company's CSR performance.Gray & Nowland (2017)proves that the presence of a board with accounting expertise improves the company's profit and share performance. Furthermore, now educational institutions are playing a role in expanding knowledge about CSR so that the role of accountants in improving CSR performance is undeniable. This means that ignoring their role in environmental performance is the same as doubting the accreditation body in supporting environmental issues in the accounting education curriculum.

The nationality diversity of the board of directors was found to tend to be homogeneous where the board was dominated by local directors. Although local directors show an increasing influence on financial performance from the market side, they do not influence sales and environmental performance. To improve this, citizenship heterogeneity is needed. Foreign directors are needed because they have international market connections, thus having a positive impact on sales (Giannetti et al., 2015). In fact, foreign directors are more committed to protecting social interests and preserving nature, so they are more likely to be actively involved in CSR(Muttakin et al., 2015; Beji et al., 2021).

CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS

Conclusion

This research focuses on examining how board of directors' diversity tends to influence financial and/or environmental performance. Financial performance is measured by BVOA and Tobin's Q, while environmental performance is represented by the PROPER rating. Previous research, the role of directors is usually separated between financial and environmental performance, so this research provides a significant contribution to the corporate governance literature. This study found that all board of directors diversity tested including gender, age, education level and citizenship tended to be homogeneous, except for board expertise. The test results show that male directors tend to improve financial performance, but delegitimize environmental performance. Old directors do not affect financial performance and CSR. Directors without a master's degree have good implications for CSR, but are unable to support market and sales performance. Even though it is diverse, the proportion of directors with accounting expertise is thought to be insufficient to deal with business complexity. As a result, the board of directors' expertise is unable to support financial and environmental performance. Finally, local directors are able to improve market performance, but cannot improve sales and environmental performance.

Limitations and Recommendations

As mentioned earlier, the composition of the board of directors tends to be homogeneous. If possible, this study recommends that the government actively intervene in providing interventions for women's existence. The government can follow the example of Malaysia which has determined that 30% of women sit on the board(Katmon et al., 2019). In fact, the company's hope of achieving high profit performance cannot be separated from CSR. The proof is, when companies pay attention to sustainable development goals (SDGs), then companies should consciously uphold the implementation of SDGs No. 5 gender equality. So, women cannot be separated from profit and environmental performance. Furthermore, considering that the homogeneity of the board of directors has a negative impact, companies need to consider increasing the proportion of the board of directors who are younger, have higher education, namely a master's degree, and are foreign nationals. Business complexity also requires attention where directors with accounting expertise are able to accommodate better financial and environmental performance.
Future research can change stewardship theory to resource dependence theory to better understand the skills and competencies of the board of directors (Taufik, 2021). The implications of this theory lead to a more comprehensive test, namely BOD turnover and tenure, to test the effectiveness of the board of directors recruitment system in obtaining competent human resources.(Taufik, 2021; Taufik & Chua, 2021).

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