THE INFLUANCE OF COMPANY CHARACTERISTICS TOWARD CORPORATE SOCIAL RESPONSIBILITY (CSR) DISCLOSURE (Empirical Study of Mining Company Listed in Indonesia Stock Exchange)

THESIS

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ABSTRACT

The aim of this research is to obtain empirical evidence about the influence of company characteristics toward corporate social responsibility (CSR) disclosure The corporate social responsibility disclosures include details of the environment, human rights, labor, product and service impact, product responsibility and society. Review of previous researches show the inconsistencies. These inconsistencies contribute substantially to the diversity of result. This research attempts to correct with used five corporate characteristics as variables. They are company size, profitability, leverage, board of commissioner, and management. Company size is proxies by total asset, profitability by return on asset, leverage used is leverage ratio, board of commissioner by total of board of commissioner in company and management by total number of management in company. The sample of this research was extracted with stratified random sampling method. The population is 14 Mining companies, which are listed at Indonesia Stock Exchange (IDX). The 82 items disclosure of corporate annual reports was analyzed as a sample. The 82 items to disclose corporate social responsibility is according to Global Reporting Initiatives (2006). The technique for examining hypothesis is multiple regression analysis by using SPSS 17.00 programs. The results indicate that company size and leverage have a significant influence on the corporate social responsibility disclosure, but profitability, board of commissioner and management have no significant influence on the corporate social responsibility disclosure.

Key words: *Corporate social responsibility, Disclosure, Company Characteristics, Asset; Profitability; Leverage; Board of Commissioner; Management, Mining Company.*

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INTRODUCTION

1.1 Background

A company is not living in a vacuum room. The company in running their business both direct and indirect will interact with environment around their business. In other words, it is inevitable for a company to interact with its social environment. Usually, management has responsible just to creditor and shareholders. But with new paradigm the management must responsible to all of stakeholders (Fitri, 2009). Many companies get many critics because of lack of society awareness. Indonesia witness various protest action conducted by some stockholders at management levels related to its performance. The public societies protest, even demonstrate to the company since the pollution and the company waste destroy the environment (Rahman, 2008).

The above phenomenon shows that there social conflicts faced by Indonesian companies. It is proven that there are still many companies ignoring social harmony. If those bad relations are done in the long run, it will affect the company growth itself. To recover this bad relation, the companies do several activities to build a better relationship with their environment. Although some companies are managing environmental and social issue in an ad hoc manner, others are controlling through established management systems, and in some cases supported by a company culture that promoted certain behaviors. And recently, we have observed a growing trend of companies addressing environmental and social issues through a more defined and organized process, some strategies in interacting and communicating with its environment (Lyon, 2004).

Part of strategies in interacting and communicating is changing from the company to the stakeholders. In recent years there has been increasing dissatisfaction with traditional financial reporting and its ability to provide stakeholders with sufficient information on a company's ability to create wealth. In the early 2000s for instance, Pricewaterhouse Coopers conducted a survey to find out the type of information investors need (Bozzolan, Favotto and Ricerri, 2003). Surprisingly, among the top ten type of information, only three of them are financial information, while the other seven are the intangibles or non financial. And among those 7, some of them are information which refer to the social or environment information or disclosure.

The United State has had such kind of information format that has been agreed together to identify company that has and has not fulfilled the disclosure about the environment. Whereas in Indonesia, social responsibility disclosure still be voluntary. It means if the advantage achieved by the company is more than cost expensed to do this disclosure, so the company will disclose the information about their social activities. Conversely, if the cost to do the disclosure is greater than the activity, so the company will not disclose. Although there is no requirement that specifically roles about obligation to do this disclosure, in the IAS 1 in paragraph 14 implicitly suggested disclosing the responsibility about environment and social problem.

The application of corporate social responsibility (CSR) in Indonesia started from beginning of year 2000s. Although, in practice CSR is not become the general habit in company, but in globalization era with develop of information and technology, so it's make company have to run of CSR. Probably, the CSR become one of standard in business that company must follow it, like standard of ISO.

Reporting on the implementation of social and environmental responsibilities in a limited liability company annual reports in Indonesia have been required by Article 66 Paragraph 2 of Law No.40 / 2007 on Limited Liability Companies. Since the last few years Bapepam-LK has also issued rules that require emitter to disclose the implementation of Corporate Social Responsibility (CSR) in corporate annual reports (Darwin, 2008).

Wiley (2010) stated that the objective of financial statement is to provide information about the financial position, performance, and changes in financial position of an entity that is useful to a wide range of users in making economic decisions such as an investor deciding whether sell or hold an investment in the entity, or employees assessing an entity's ability to provide benefits to them. Owen (2005) said that the Enron case in America has caused more companies give greater attention to sustainability reporting and corporate social responsibility. Issues relating to reputation, risk management and competitive advantages seem to be a force that encourages companies to make disclosure of social information.

Some scholars have been examining the implementation of Corporate Social Responsibility, Belkaoui (1989) cited in Anggraini (2006) found that: (1) social disclosure has positive relation with the company social performance, (2) there is a positive relation between social disclosure and politics visibility, (3) there is a negative relation between social disclosure and the rate of financial leverage. Eipsten & Freedmen (1994) cited in Anggraini (2006) found that individual investors are attracted to social information reported in the financial report. That information is in the form of security and product quality and the environment activity. Besides that, the investor also wants the information about employee and public social relationship. Filbeck and Gorman (2004) conducted a research to the relationship between environmental and financial performance of public utilities and the results state that there is no positive relationship between them.

Company environmental and social impact depends on characteristic and type of operation of company. The high impact of social and environmental from characteristic operation of company will claim accomplishment of high social responsibility also. Activity of social responsibility will be socialized to public through annual report and sustainability report of company.

This research is replicate of previous research that had been done by Fitri (2009), and then the writer does research with different of variable, sample, period of time, and data sources. The variable of research has 5 (five) variables are size of company, profitability, leverage, board of commissioner and management. In this research, the sample is mining company listed in Indonesia Stock Exchange during the years 2007-2009 based on annual report and sustainability report.

The selection of mining companies is based on the consideration of number of CSR items disclosed in sustainability reports. Mining company's core operations is closely related to environmental issues. The total of the items expected to be disclosed by the mining companies is not equal with non-mining company (The Company that its operations are not closely related to environmental issues). Thus, in the researcher's view, CSR disclosures influence on company characteristics in mining companies.

Based on background that have been explain, writer interested to do research about influences of company's characteristics toward of corporate social responsibility (CSR disclosure.

1.2 Problem Definition

Based on background stated above, then the problems the writer would like to discuss in this research are:

1. How does the company size influence to Corporate Social Responsibility (CSR) disclosure in mining company listed in Indonesia Stock Exchange?
2. How does profitability influence to Corporate Social Responsibility (CSR) disclosure in mining company listed in Indonesia Stock Exchange?
3. How does leverage influence to Corporate Social Responsibility (CSR) disclosure in mining company listed in Indonesia Stock Exchange?

4. How does board of commissioner influence to Corporate Social Responsibility (CSR) disclosure in mining company listed in Indonesia Stock Exchange?
5. How does management influence to Corporate Social Responsibility (CSR) disclosure in mining company listed in Indonesia Stock Exchange?

1.3 Research Objective

The objectives that the writer wants to reach by doing this research is to analyze and to know the size of company, profitability, leverage, and board of commissioner influence to disclosure of Corporate Social Responsibility (CSR) in mining company listed in Indonesia Stock Exchange.

1. To obtain empirical evidence about influence of company size toward Corporate Social Responsibility (CSR) disclosure in Mining company listed in Indonesia Stock Exchange.
2. To obtain empirical evidence about influence of profitability toward Corporate Social Responsibility (CSR) disclosure in Mining company listed in Indonesia Stock Exchange.
3. To obtain empirical evidence about influence of leverage toward Corporate Social Responsibility (CSR) disclosure in mining company listed in Indonesia Stock Exchange.
4. To analyze the board of commissioner influence of Corporate Social Responsibility (CSR) disclosure in Mining company listed in Indonesia Stock Exchange.

5. To analyze management influence of Corporate Social Responsibility (CSR) disclosure in Mining company listed in Indonesia Stock Exchange.

1.4 Significance of The Study

The research is expected to provide benefits to many parties, among others:

1. For the writer and the reader is expected to add an understanding regarding the development of environmental accounting and disclosure.
2. For emitter are expected to provide input and suggestions regarding the importance of CSR and disclosure in corporate Sustainability Report and Annual Reports.
3. For investors expected to provide a new discourse in considering those aspects that need to be taken into account in investments that are not solely rely on monetary measures.
4. For researchers in the field of accounting and finance is expected this study can be a reference material for future research.
5. For society, will provide a proactive stimulus as a controller of corporate behaviors and increase public awareness of rights that must be acquired.
6. For regulatory agencies / standards, such as Bapepam, IAI, National Center for Sustainability Reporting (NCSR) and others, the results of this study can be used as consideration for the formulation of social standards as an input in improving the quality of existing standards and regulations.

1.5 Research Scope

The research only focuses to disclose of social responsibility of company in annual report and sustainability report in mining company. The company characteristics are size of company, profitability, leverage, size of board governance and manager. The company sample is mining company listed in Indonesia Stock exchange during the year 2007-2009.

1.6 Writing Systematic

Chapter one is the introduction that explains about problem background, problem definition, purpose and benefits of the research, scope of analysis, limitation of study, and writing systematic. Chapter two is theoretical framework that explains about Corporate Social Responsibility, company characteristics, previous research, research model, and hypothesis development. Chapter three is research methodology that explains about type of the research, type of data used in research, variable, and data gathering technique.

Chapter four is analysis that explains about the analysis of the research results and other factors that could influence the findings applied.Chapter five is conclusion that contains of research conclusions, limitation of the research, suggestions and implications for the company.

CHAPTER II

THEORITICAL FRAMEWORK

2.1 Corporate Social Responsibility (CSR)

2.1.1 Definition of Corporate Social Responsibility (CSR)

Currently there is no definition of Corporate Social Responsibility that is universally accepted by various institutions. Some definitions of Corporate Social Responsibility below show the diversity of understanding of CSR by various organizations.

a) According to World Business Council for Sustainable Development (WBCSD), corporate social responsibility defined as continuing commitment of businesses to behave ethically and contribute to economic development, while improving the quality of life of employees and their families, as well as local communities and the wider community in general.

b) According to online encyclopedia (2011), Corporate Social Responsibility is a concept whereby corporations consider the interest of society by taking responsibility for the impact of their activities on customer, suppliers, employees, shareholders, community, and the environment in all aspect of their operation.

c) According to ISO 26000 Guidance on Social Environmental Responsibility, CSR is:

"The responsibility of an organization against the effects of decisions and activities on society and environment in the form of a transparent and ethical behavior consistent with sustainable development and social welfare; consider the expectations of stakeholders, in accordance with established laws and norms of international behavior; and integrated with the organization as a whole"

d) Undang-undang No.40 year 2007 about Corporate Social Responsibility (CSR) stated that CSR is a company's commitment to support the endurance development in order to increase the quality of live and environment so that it could give advantages both to company and society.

Based on the above definition, Corporate social Responsibility can be defined as responsibility of company toward costumer, supplier, employees, shareholders, community and the environment in all aspect of operation due to company's decisions and activity.

2.1.2 Corporate Social Responsibility Model in indonesia

According to Saidi and Bidin (2004) there are four models or general pattern of Corporate Social Responsibility applied by companies in Indonesia;

1. Direct involvement, the company run the CSR program directly by organizing their own social activities or distribute a donation to society without intermediaries. To perform this idea, companies generally assigned one of his/her senior officials, such as the corporate secretary or public affairs manager, or become part of public relations official duties.
2. By having a foundation, the company founded own foundation under the company or group. This model is adopted commonly done in developed countries. Here the company provides initial funding, regular funds or endowment funds that can be used for operational foundation.
3. In partnership with others, the company held a CSR through cooperation with institutions / non-governmental organizations, government agencies, universities or mass media, both in managing the funds and in conducting social.
4. Support or join in a consortium, company co-founded, or become a member or supporting a social institution which the purpose of establishment is for social activities.

2.1.3 Benefits of Engaging in Corporate Social Responsibility

Corporate Social Responsibility will benefit corporations in multiple ways by operating with a perspective broader and longer than their own immediate, short-term profit. Companies could improve their long-term business potentials by linking company's financial goals and its social goals (Porter, 2002; in Godfrey, 2005, in Adrian 2009). Below are the reasons why corporate engage in CSR:

1. Increased profit

   There is positive relationship between socially responsible business practices and financial performance. Based on DePaul University's study at 1997, the companies with a defined corporate commitment to ethical principles do better financially (based on annual sales/revenues) than companies that do not. Besides that, an 11-year Harvard University study found that "stakeholder-balanced" companies showed four times the growth rate and eight times employment growth when compared to companies that are shareholder-only focused.

2. Access to capital

   Companies that are committed to CSR often have access to capital that would not otherwise be available, due to the increase in Socially Responsible Investment (SRI). Study in 2001 showed that 12% of total investment in USA was of a socially responsible nature. Likewise, there are 313 green, social, and ethical funds operating in Europe in June 2003, showing a 12% increase in the last eighteen months. Furthermore, The Dow Jones Group Sustainability Index, The FTSE Good Index, Morley Fund Management Sustainability Index, BitC Corporate Responsibility Index, all analyze companies' CSR activities (CSRnetwork and Yeldar, 2004). It indicated that there is an increasing attention by the investors toward CSR issues conducted by the company.

3. Reduced operating costs/increased operational efficiency

   Over time, the environmentally management improve the operational efficiency by reducing waste production and water usage, increasing energy efficiency and in some cases, selling recycled materials. For example, the construction firms that consider the impact of their action to environment, social, and economic benefit, do the reusing product on-site. This action will reduces landfill, reduce community and noise disturbance of additional trucks bringing material to the site, reduces the environmental impact of damage caused by heavy truck wheels and reduces cost for the client of buying new material.

4. Enhanced brand image and reputation

   Brand image and reputation are established through the trust of stakeholders. Nowadays, most of customers do not just consider the good and safe products. They also want to know the production process of those products whether in socially and environmentally responsible way. The customers tend to be loyal to these companies. Besides the customers, the government and other regulator also appreciate and give the value added (for example, reducing the red-tape and more cooperative relationship) to the environmentally and socially responsible companies.

5. Increased ability to attract and retain employees

Most of people want to work in a company that conducts CSR activities. They do not just worry about their salary and promotion anymore. For an example, MBA attitude that are willing to take lower pay in order to work for companies that have a more positive social image. Besides that, the employees that have been recruited by these companies will be more satisfied because the company cares with them.

6. Risk management

The more a company is committed to CSR, the less they are exposing themselves to business risk. The risk can be in the term of reputational risk following bad press, e.g. the highly publicized "Nike sweatshops", financial risk, or environmental risk. Today, fund management companies are more vocal and assertive about their expectations regarding a company's evidence of responsibility in order to reduce risks.

7. "Keeping up" with competitors and where the market is

Companies that conduct CSR activities will make a good business sense. They will get business opportunities, competitive advantages, and improved management opportunities. In the other hand, the companies that do not engage in CSR will produce negative impact to their society and environment and negative impact to their own economic self-interest.

2.1.4 Corporate Social Responsibility Disclosure

Disclosure is defined as the presentation of information which needed for optimal operation of efficient capital markets (Hendriksen, 1996 in Nurlela, 2008). There are two kind of disclosure, mandatory and voluntary disclosure. Mandatory disclosure is the disclosure of information that must be done by companies that are based on certain rules or standards. While, voluntary disclosure is the disclosure of information beyond the minimum requirements of applicable regulations.

The objectives of disclosure under the Securities Exchange Commission (SEC) are categorized into two, those are:

1. Protective disclosure which is intended as an effort to protect investors.
2. Informative disclosure which aims to provide appropriate information to report users.

All of the implementation of social responsibility that has been implemented by the company will be disseminated to the public; one of the ways is through social disclosure in the company's sustainability report. Indonesian Institute of Accountants (IAI) implicitly explains that the annual report must accommodate the interests of decision makers.

These explanations are written in the IAS 1 year 2009:

"The company can also provide additional reports such as statements about the environment and value added statement, especially for industries where environmental factors play an important role and for industry that considers employees as a group of report users' that plays an important role."

In the company's sustainability reporting process, disclosure is a qualitative aspect of reporting which plays a crucial role for the user of sustainability report information. Because of its characteristic as qualitative, so that its format is not structured, that can occur directly in the company's annual financial report through the proper title, notes to financial statements or the various inserts, such as footnotes.

Information on the implementation of the Corporate Social Responsibility described in the sustainability report and annual report will be understood and did not result in misinterpretation if that reports are provided with adequate environmental disclosure. Provide sufficient information is expected to be useful in decision making process by the users of sustainability and annual report. CSR information disclosures made by companies are generally voluntary), un-audited, and unregulated (not influenced by specific rules).

2.1.5 Corporate Social Responsibility Measurement

According to Global Reporting Initiatives G3 (2006), there are 6 indicator, there are environment, human rights, labor, product and service impact, product responsibility, and society. Each indicator consists of one or more sub-indicator that will be used as indicator in determining Corporate Environmental Responsibility disclosure. Those aspects are as follows;

Environment

1) Materials used by weight or volume

2) Percentage of materials used that are recycled input materials.

3) Direct energy consumption by primary energy source

4) Indirect energy consumption by primary source

5) Energy saved due to conservation and efficiency improvements

6) Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives

7) Initiatives to reduce indirect energy consumption and reductions achieved

8) Total water withdrawal by source

9) Water sources significantly affected by withdrawal of water

10) Percentage and total volume of water recycled and reused

11) Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

12) Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas

13) Habitats protected or restored

14) Strategies, current actions, and future plans for managing impacts on biodiversity.

15) Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk

16) Total direct and indirect greenhouse gas emissions by weight

17) Other relevant indirect greenhouse gas emissions by weight

18) Initiatives to reduce greenhouse gas emissions and reductions achieved

19) Emissions of ozone-depleting substances by weight.

20) NOx, SOx, and other significant air emissions by type and weight.

21) Total water discharge by quality and destination

22) Total weight of waste by type and disposal method

23) Total number and volume of significant spills

24) Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.

25) Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff

26) Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation

27) Percentage of products sold and their packaging materials that are reclaimed by category

28) Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

29) Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce

30) Total environmental protection expenditures and investments by type.

Human Rights

1) Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening

2) Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken

3) Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

4) Total number of incidents of discrimination and actions taken

5) Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights

6) Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor

7) Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor

8) Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations

9) Total number of incidents of violations involving rights of indigenous people and actions taken

Labor

1) Total workforce by employment type, employment contract, and region

2) Total number and rate of employee turnover by age group, gender, and region

3) Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations
4) Percentage of employees covered by collective bargaining agreements
5) Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements
6) Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety program
7) Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region
8) Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases
9) Health and safety topics covered in formal agreements with trade unions. Health and safety topics covered in formal agreements with trade unions
10) Average hours of training per year per employee by employee category
11) Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings
12) Percentage of employees receiving regular performance and career development reviews

13) Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity

14) Ratio of basic salary of men to women by employee category

Product and Service Impact

1) Policies with specific environmental and social components applied to business lines

2) Procedures for assessing and screening environmental and social risks in business lines

3) Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions

4) Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines

5) Interactions with clients/investees/business partners regarding environmental and social risks and opportunities

6) Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector

7) Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose

8) Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by Purpose

9) Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures

10) Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues

11) Percentage of assets subject to positive and negative environmental or social screening

12) Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting

Product Responsibility

1) Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures

2) Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes

3) Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements

4) Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes

5) Practices related to customer satisfaction, including results of surveys measuring customer satisfaction

6) Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship

7) Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising,

8) Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

9) Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

Society

1) Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting

2) Percentage and total number of business units analyzed for risks related to corruption

3) Percentage of employees trained in organization's anti-corruption policies and procedures

4) Actions taken in response to incidents of Corruption

5) Public policy positions and participation in public policy development and lobbying

6) Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country

7) Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes

8) Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations

2.2 Company Characteristics and Corporate Social Responsibility

Company characteristics can be a predictor guidelines of quality disclosure (Lang&Lundholm, 1993) cited in Rizal (2004). Theoretically and empirically, some literature reviews explain company characteristics that capable to explain variation of voluntary disclosure in the Annual Report.

Each company has special characteristic that different between one entity to another. Lang&Landholm (1993), Willance (1994) cite in Rizal (2004) divide company characteristics into three, there are structured relate variables, like company size, leverage, and type of stock ownership. Second performance related variables like profitability, company type and company basis. The third is market related structured like industry type. Company characteristics explain wider variation of voluntary disclosure in the financial reports. Company characteristics in this research refer to size, leverage, profitability, board of commissioner, and management.

2.2.1 Size

In general, company size is comparison of big or small object. According to Poerwadarminta (2009) size interpreted as:

1. Appliances to measure.
2. Something that can to determine, to assessing, etc.
3. Earnings measure length, broadness, width, level of something.

If this is attributed to company or organization, company size can be interpreted as comparison big or small effort from a company or organization. From that definition hereinafter company size is something that can measure or determine value from big and small company.

Company size can be measured by using total asset, selling, or capital of company. One of measuring to show big or small company is size of asset of the company. Total asset selected as proxy of company size measure by considering that asset relative more stable than other measurement and company size represent as independent variable which used to explain variation of disclosure in company financial statement.

Big companies disclose more information than smaller company. Big companies tend have wide of rationale and more complex than small company.

Larger company also have more activities that more affected to society and environment, besides that have tendency of higher level demand public of information. Information here especially to all stockholder, where more stockholder required more report, specially to all stockholder owning attention more to social programs of company.

As in the researcher done by Susanto (1992); Subiantoro (1997); Suribto (1998); Yusmiarti Gunawan (2000); and Marwat (2000) in Anggraini (2006) which found positive influence between size and social disclosure rating. It is caused by agency theory, where the company which has bigger agent cost will disclose wider information to decrease the agency cost. Besides that, big company is more illuminated by the public, wider disclosure is the decreasing politic cost as a form of social responsibility. Small company then will disclose lower quality information compare to big company (Buzby, 1975) cited in Sembiring. It is caused by limited resources and bigger funds needed to perform the annual report. Most of researchers that have done support the relationship between size and company social responsibility (Gray et.al (2001) in Sembiring (2005).

2.2.2 Profitability

Profitability is the ability of company to yield of profit in the effort improving stockholder value. There are some measurements for the determining of company profitability, which is return on equity, return on assets, earning per share, net profit and operating ratio. Variable of profitability in this research use return on asset

(ROA). ROA is comparison between net income after tax with asset to measure return of total investment. This ratio is important ratio to know profitability of company. ROA represent to measure effectiveness of company in yielding advantage by exploiting asset.

Profitability is a factor that makes the management free and flexible to disclose social responsibility to the stockholder stated in Heinze (1976), Hackston & Milne (1996) cited in Anggraini (2006). The higher company profitability rating so bigger the social information disclosure based on Bowman & Haire (1976), Preston (1978), and Hackston & Milne (1996) cited in Anggraini (2006). Hackston & Milne (1996) found that there is no significant relation between profitability and social responsibility and social responsibility disclosure. According to Belkoui and Karpik (1989) cited in Anggraini (2006), social care wants the company (management) to make the company profitable. Therefore, we may assume that profitability has positive relation with company social responsibility rate.

2.2.3 Leverage

Leverage is the use of various financial instrument of borrowed capital, such as margin, to increase the potential return of an investment. Leverage can be created through options, futures, margin and other financial instrument. Leverage of company have relation with social responsibility disclosure, high leverage ratio will monitoring of high cost also. This is means; company with high ratio leverage will provide broader information and detail to fulfill debtor demand than company with lower ratio leverage (Jensen et al: 1976). This matter expressed by Malone et al (1993) that company with higher level of leverage ratio will disclose broader information to satisfy requirement of creditor. In this research, writer use total debt divided total equity also used by Sembiring.

Other opinion say that progressively greater leverage will progressively greater possibility of impinge agreement of credit and company will be report higher profit now and manager have to reduce costs (including expense to disclose social responsibility). According to Belkaoi & Kerpik (1989) cited in Sembiring (2005), decision to disclose the social information will follow certain outflow for disclosure that decreases the company income. If so, companies that have high leverage rate will decrease social disclosure.

2.2.4 Board of Commissioner

The Board of Commissioners has very important roles in the company. The Board of Commissioner is responsible for supervising the performance of Management Board and policies made by the Management Board and giving advice to the Management Board. The effectiveness of a board in monitoring the management is determined by its composition, independence and size (John & Senbet 1998). In order to improve the effectiveness of Indonesian corporate boards, the Indonesian Stock Exchange (IDX) regulation requires publicly listed companies to have independent commissioners not less than 30% of the total number of commissioners. Independent commissioners are expected to monitor managements' compliance with the applicable laws and regulations and they are also expected to ensure the accuracy of information provided by the management (FCGI 2005). Furthermore, the IDX provide some criteria for the independent commissioners;

a. The independent commissioners has no affiliation relationship with the controlling shareowner of the company
b. The independent commissioners has no affiliation relationship with the director and other commissioners of the company
c. The independent commissioners has no double position as the director in other companies affiliated to the related company
d. The independent commissioners should understand capital market laws and regulations
e. The independent commissioners is proposed and appointed by the non-controlling shareholders (minority shareholders) through the general meeting of shareholders.

In response to the independence issues of the board as the governing body, Fama and Jensen (1983) argue that outside directors (independent commissioners) are more efficient in monitoring the management and will not collude with the management. Therefore, under the separation of ownership and control, independent commissioners facilitate the governance functions of the board.

Board of commissioner represents high internal control mechanism in charge to monitor top management action. Composition of labor as board of commissioner member represents important matter in monitoring management activity effectively.

Board of commissioner consist of inside and outside director that have to access special information to help board of commissioner and also make them as effective tool in decision of operation. While, board of commissioner function is to observe management of company executed by management (director) to determine management fulfill their responsibility in developing and carrying out operationof company intern. According to Sembiring there is three important characteristic of board of commissioner supporting management activity. The characteristic are: (1) composition, (2) dissociation between board of commissioner head with Chief Executive Officer (CEO), and (3) size of board of commissioner.

Item and quality information report which is prepared by management can influence decision making and policy of company. Management has motivation to express beneficial information and hide information which do not profit. Beneficial information will be expressed, while information which do not profit seen to be not be expressed. As its result, all stockholders will not know peculiarly information hidden. To overcome the mentioned, stockholder delegate their authority in monitoring management activity to board of commissioner.

Relate to size of board of commissioner, Coller and Gregory (1999) stated in Sembiring (1005) express that progressively greater amount of board of commissioner member, hence will progressively easy to control CEO and monitoring conducted will be effective progressively.

2.2.5 Management

Management is process of coordinating work activities so that they are completed efficiently and effectively with and through other people. Manager means that anyone who is responsible for subordinate and other organizational resource. Managers perform five management functions are planning, organizing, commanding, coordinating and controlling.

Organization or company need effective managers, it is because:

1. Organization serve society

   Organizations are important because they are social institutions and must be managed within the confines of certain culturally accepted values and needs. They allow us to live together in a civilized way and to accomplish things as a society. Many organizations and the people who manage them have been responsible for achievements ranging from the conquest of outer space to the invention of computers because their managers have been responsive to the social needs served by these achievements.

2. Organizations accomplish objective

   Organization and the people who manage them perform this essential function by coordinating the efforts of different individuals, they enable us to reach goals that would otherwise be much more difficult or even impossible to achieve.

3. Organization preserve knowledge

Organizations are essential because they store and protect most of the important knowledge that our civilization has gathered and recorded. They help to make that knowledge a continuous bridge between past, present, and future generations. Organizations themselves add to our knowledge by developing new and more efficient ways of doing things.

4. Organizations provide careers

Organizations are also important because they provide their employees with a source of livelihood, depending on the style and effectiveness of their managers, and perhaps even personal satisfaction and self-fulfillment. Associate career opportunities with business corporations also other organization, such as hospitals, school, and government agencies offer managerial guidance toward rewarding careers.

Item and quality information report which is prepared by management can influence decision making and policy of company.

2.3 Previous Research Review

Research on CSR has been done by several researchers. Some researchers believe that a good implementation of CSR will encourage companies to make better performance, in terms of increase in sales, build image, and improve employee morale.

Sembiring (2005) measures that dependent variable is social disclosure in the financial statements and the independent variable are size is proxied by total asset; profitability by return on asset; profile classify high-profile and low-profile; leverage used is leverage ratio; board of commissioner by total of board of commissioner in company. The researcher concludes that his study is profitability and leverage has no significant effect with corporate social responsibility (CSR) disclosure. Board of commissioner and company size has positive influence with corporate social responsibility (CSR) disclosure.

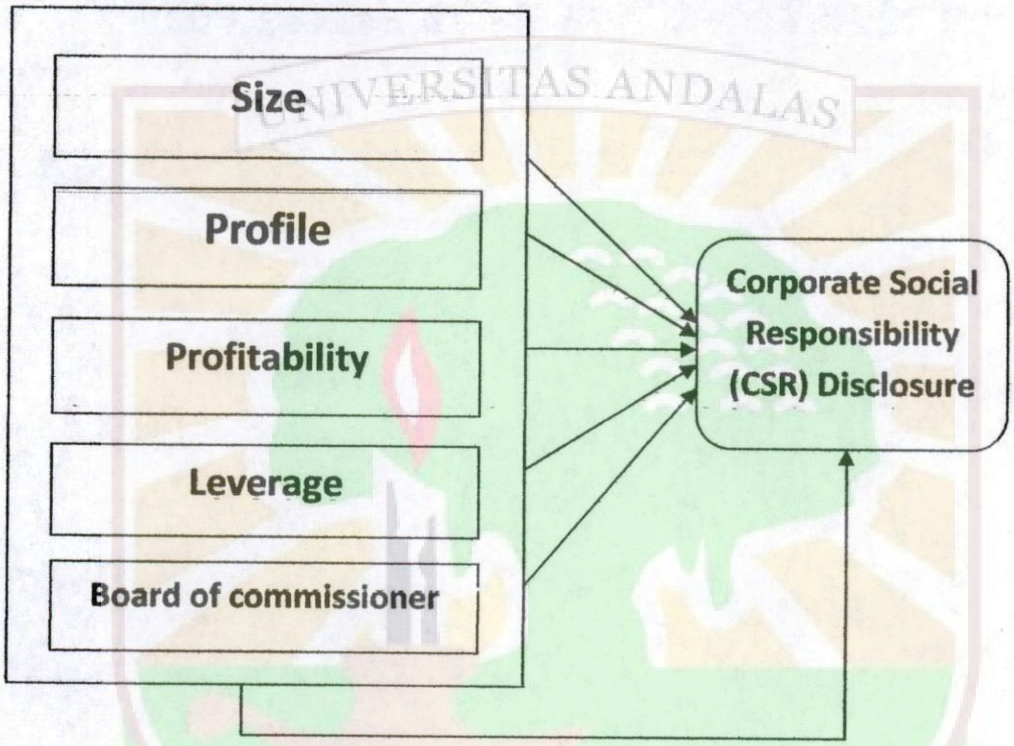
Anggraini (2006) measures that dependent variable is social disclosure in the financial statements and the independent variable are size is proxied by total asset; profitability by return on asset; profile classify high-profile and low-profile; leverage used is leverage ratio. The researcher concludes that her study is size, profitability and leverage has no significant effect with corporate social responsibility (CSR) disclosure.

Rahman (2008) measure that the dependent variable is social disclosure in the financial statement and the independent variable are size is proxied by total asset; profitability by net profit margin; profile classify high-profile and low-profile; management ownership based on stock ownership percentage; leverage used is leverage ratio. The researcher concludes that his study is significantly influence between company characteristics (that are proxied by the management ownership, leverage, size, profitability, and company profile) and social responsibility disclosure.

Fitri (2009) measure that the dependent variable is corporate social responsibility disclosure and independent variables are size is proxied by total asset; profitability by return on asset; board of commissioner by total of board of commissioner in company; leverage used is leverage ratio. The researcher concludes that her study is company size and leverage has negative influence with corporate social responsibility (CSR) disclosure. Profitability has no significant effect with corporate social responsibility (CSR) disclosure. Board of commissioner has positive influence with corporate social responsibility (CSR) disclosure.

This study is a replication of previous research that has been done by Dian Fitri (2009) with the difference lies in the measurement of research variables, the sample used, and the period of research. The variable of research has 5 (five) variables are size of company, profitability, leverage, board of commissioner and management. CSR index calculation in the previous study carried out by using content analysis model as used by previous researcher Sembiring (2005). Corporate Social Responsibility index is measured by using content analysis based on indicators published by the Global Reporting Initiatives (GRI) (2006). The sample used in this research are mining companies listed in Indonesia Stock Exchange in year 2008 to 2009 which publishes annual reports and sustainability reports on the research period.

2.4 Research Model



The diagram shows relationship between the independent variables and the dependent variable. Size, profile, profitability, leverage and board of commissioner are independent variables and corporate social responsibility is dependent variable. Independent variables influence to dependent variable. Size, profile, profitability, leverage and board of commissioner are influence to corporate social responsibility.

2.5 Hyphothesis Development

From the above mentioned discussion the researcher expects the following hyphothesis:

H1 : The company size has a positive and significance influence toward corporate social responsibility disclosure.

H2 : The profitability has a positive and significance influence toward corporate social responsibility disclosure.

H3 : The leverage has a positive and significance influence toward corporate social responsibility disclosure.

H4 : The board of commissioner has a positive and significance influence toward corporate social disclosure.

H5 : The management has a positive and significance influence toward corporate social responsibility disclosure.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Design

This research is a descriptive research. Sekaran (2003) defines descriptive research as research which undertaken in order to ascertain and be able to describe the characteristic of the variables of interest in a situation with the goal to offer the researcher a profile or to describe relevant aspect of the phenomena of interest. This research empirically test hypothesizes and describe the relationship between dependent variable (corporate social responsibility disclosure) and independent variable (company's size, profitability, leverage, board of commissioner, and manager) using the tool of Statistical Program For Social Science (SPSS).

3.2 Variable and Measurement

3.2.1 Dependent Variable

Dependent variable in this research is corporate social responsibility (CSR) information contained on the company's annual report and sustainability. Corporate Social Responsibility disclosure is measured by corporate social responsibility index (CSR Index). Corporate Social Responsibility index is measured by using content analysis based on indicators published by the Global Reporting Initiatives (GRI). The Global Reporting Initiative (GRI) is a framework of internationally accepted guidelines and principles for companies and organizations to report on corporate responsibility and sustainability performance.

Measurement of corporate social responsibility is carried out by using Content analysis approach which generally used by previous researcher about CSR. Lindenmann (1983) figured out content analysis as a tool for getting messages delivered from communication process, encoding, classifying messages accurately and objectively and then summarizing and describing the messages quantitatively.

Calculation of Corporate Social Responsibility index is done by using content analysis approach, where for each CSR item in research instrument will be given score 1 if item was disclosed and score 0 if it was not disclosed. (Haniffa et al, 2005). Furthermore, score from each item is summarized to get total score for each company. Formula to determine the CSR index is as follows;

$$\text{CSR Index}_j = \frac{\sum Xij}{n_j}$$

Where:

CSR Index_j : *corporate social responsibility index for company* j

n_j : The amount of company j item, $n_j \leq 30$

x_{ij} : dummy variabel: 1 = if *item* i was disclosed

0 = if *item* i was not disclosed

3.2.2 Independent Variable

3.2.2.1 Size

Company size is the independent variable which is usually used to explain disclosure variation in the company financial report. Big company is more illuminated by the public, wider disclosure is the decreasing politic cost as a form of social responsibility. Small company then will disclose lower quality information compare to big company (Buzby, 1975). It is caused by limited resources and bigger funds needed to perform the annual report. Most of researchers that have done support the relationship between size and company social responsibility (Gray et.al (2001). In mathematical, the variable size formulated by:

Size = Ln Total Asset it

Total Asset it = total asset company i in period of t

3.2.2.2 Profitability

Profitability is a factor that makes the management free and flexible to disclose social responsibility to the stockholder stated by Heinze (1976), Hackston & Milne (1996). Bowman & Haire (1976), Preston (1978), and Hackston & Milne (1996) said that the higher company profitability rating so bigger the social information disclosure. ROA used to measure company effectively in generates profit by exploiting the asset that company has. Ever greater of ROA or ROI show that performance which progressively goodbess, (Robbert Ang, 1997; page !8.32- 18.33). Because level of return ever greater. Mathematically ROA can be formulated as follows:

$$ROA = \frac{\text{Net income After Tax}}{\text{Total asset}}$$

3.2.2.3 Leverage

Leverage is the use of various financial instrument of borrowed capital, such as margin, to increase the potential return of an investment. Leverage can be created through options, futures, margin and other financial instrument. According to Belkaoi & Kerpik (1989), decision to disclose the social information will follow certain outflow for disclosure that decreases the company income. If so, companies that have high leverage rate will decrease social disclosure. Mathematically, leverage can be formulated as follows:

$$L = \frac{\text{Total Debt}}{\text{Equity}} \times 100\%$$

3.2.2.4 Board of Commissioner

The Board of Commissioners has very important roles in the company. The Board of Commissioner is responsible for supervising the performance of Management Board and policies made by the Management Board and giving advice to the Management Board. The effectiveness of a board in monitoring the management is determined by its composition, independence and size (John & Senbet 1998).

In response to the independence issues of the board as the governing body, Fama and Jensen (1983) argue that outside directors (independent commissioners) are more efficient in monitoring the management and will not collude with the management. Therefore, under the separation of ownership and control, independent commissioners facilitate the governance functions of the board.

Board of commissioner measure the number of board of commissioner member in company. Board of commissioner measure consistence of Sembiring research that seen from the number of amount of board of commissioner member in company.

3.2.2.5 Management

Management is process of coordinating work activities so that they are completed efficiently and effectively with and through other people. Manager means that anyone who is responsible for subordinate and other organizational resource. Managers perform five management functions are planning, organizing, commanding, coordinating and controlling.

Organization or company need effective managers, it is because organization serves society, organizations accomplish objective, organization preserve knowledge, and organizations provide careers. Management in this research measure the number of manager member in company.

3.3 Population, Sample and Sampling

Object in this research is all mining company listed in Indonesia Stock Exchange for year 2007-2009. Sample used in this research is chosen by using purposive sampling method, which is obtaining sample according to specific types or criteria that can provide the desired information (Sekaran, 2003). It is important to ensure that only firm listed and actively traded in IDX which included as the sample in this research. So that, this research does not included Delisted and Newly listed firm during research period.

Companies that will be sample in this research should fulfil the following criteria:

1. Eleven of Mining companies will be sample in this research that listed in Indonesia Stock Exchange during research period for year 2007-2009.
2. Issued the sustainability for year 2007-2009 and/or Disclosed Environmental Responsibility in annual report for year 2007-2009.
3. Mining companies listed in Indonesia Stock Exchange that provide the complete data based on research needed.

3.4 Source and Data Collection Method

Research is done by using secondary data. Secondary data refer to information gathered by someone other than the researcher conducting the current study (Sekaran, 2006). Data used in this research is quantitative data which consist of:

1. Corporate Social Responsibility disclosure data in Sustainability and/or Annual Report derived from companies' websites and/or Indonesian Stock Exchange website.
2. Data during research period derived from Indonesian Capital Market Directory (ICMD), sites www.yahoofinance.com and www.idx.com

   Data collection method in this research is done through Documentation technique where data is collected by making a notes, tabulation and copy of archive and financial report from sample companies.

3.5 Data Analysis Method

Data is processed by using Statistical Program For Social Science (SPSS) software and to analyze the data, in this research use simple regression analysis model. Simple regression Analysis model that used is:

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 4X5 + e$$

Where:

Y = CSR disclosure

α = Constanta

β = regression coefficient for independent variable

X1 = company size

X2 = profitability

X3 = leverage

X4 = board governance size

X5 = manager

e = other unidentified variable

Steps in data processing are as follows;

1. Summarizing CSR disclosure by using dichotomy approach that is for each CSR item on the research instrument will be scored 1 if item was disclosed and scored 0 if item was not disclosed.
2. Totalling the score from each item to obtain overall score for each company.
3. Calculating CSR index by dividing the total score that obtain by company with total score expected could be achieved by that company.
4. Summarizing company size, profitability, leverage, board of commissioner, and management data for each sample company

5. Doing regression analysis between dependent variable that is CSR index (Y) with independent variable that is company size (X1), profitability (X2), leverage (X3), board of commissioner (X4), and management (X5).
6. Doing test of Classic assumption.

   Classic assumption test is done before hypothesis testing. This test is important in multiple regression process in order to convince that the data is reliable.

   Classic assumptions test used in this research consist of:

   a. Normality test. This test is done to test whether in the regression model, dependent and independent variable are distributed normally or not.
   b. Autocorrelation test. It is done to investigate whether any relation between error factor at t period with t-1 period.
7. Doing hypothesis testing.

   Hypothesis testing is done to understand how independent variables influence the dependent variable. Hypothesis testing is done through the following steps:

   a. Calculating the determination coefficient (R^2) to measure how big dependent variable variation can be explained together by independent variable. Criteria for determination coefficient is $0 < R^2 < 1$, where if value of R^2 close to 1, means that independent variable give nearly all information required to predict dependent variable.

b. Doing f test to find whether all independent variables that included in regression model, can influence the dependent, if they are influencing dependent together. The statistical F-test is observed from the ANOVA table. If the F value > F table or the value of Sig is < α (0.05), it is assumed that the capability of independent variables to dependent variable, if they are influencing the dependent variable together.

c. Doing t test to see partially significance independent variable with dependent variable. T test has significance criteria as 5%, where if probability < 0,05 means independent variable has a significance influence toward dependent variable and if probability > 0,05 means independent variable does not has significance influence toward dependent variable.

CHAPTER IV

RESEARCH RESULTS AND DISCUSSION

4.1 Sample Overview

This research was conducted to measure the influence of independent variables, size of company, profile, profitability, leverage and board of commissioner, to dependent variables described by corporate social responsibility (CSR) disclosure. The object of this study is mining companies listed in Indonesia Stock Exchange (IDX) from the years 2007-2009 which publishes annual reports and sustainability reports during the study period. Based on the criteria established, it acquired five mining companies which qualify as samples in this study. List of companies sampled are presented in Table 4.1.

Table 4.1
List of sample companies

No	Code	Name
1	ANTM	Aneka Tambang (Persero) Tbk
2	INCO	International Nickel Indonesia Tbk
3	MEDC	Medco Energi International Tbk
4	BUMI	Bumi Resource Tbk
5	PGAS	Perusahaan Gas Negara (Persero) Tbk
6	ERNG	Energi Mega Persada Tbk
7	ITMG	Indo Tambangnya Megah Tbk
8	TINS	Timah (Persero) Tbk
9	INDY	Indika Energi Tbk
10	PTBA	Tambang Batubara Bukit Asam Tbk
11	ELSA	Elnusa Tbk

Source: Indonesian capital market directory 2009

4.2 Statistical Descriptive

Descriptive statistics in research is a process of transforming research data in the form of tabulation so that it can be easily understood and interpreted. Descriptive statistics analysis was used to identify trends in CSR disclosures in company's annual reports and sustainability reports. In this study, the author uses Global Reporting Initiatives (2006) guideline to measure the CSR index, the indicator which classified as environmental, human rights, labour, product and service impact, product responsibility and social performance. Each indicator consists of one or more affects and each effect consist of one or more sub-effect that will be used as indicator in determining Corporate Environmental Responsibility disclosure. Those aspects are as follows;

Environment

a) Material

1. Materials used by weight or volume
2. Percentage of materials used that are recycled input materials.

b) Energy

3. Direct energy consumption by primary energy source
4. Indirect energy consumption by primary source
5. Energy saved due to conservation and efficiency improvements

6. Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives
7. Initiatives to reduce indirect energy consumption and reductions achieved

c) ***Water***

8. Total water withdrawal by source
9. Water sources significantly affected by withdrawal of water
10. Percentage and total volume of water recycled and reused

d) ***Biodiversity***

11. Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
12. Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas
13. Habitats protected or restored
14. Strategies, current actions, and future plans for managing impacts on biodiversity.
15. Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk

e) ***Emissions, Effluents, and Waste***

16. Total direct and indirect greenhouse gas emissions by weight

17. Other relevant indirect greenhouse gas emissions by weight

18. Initiatives to reduce greenhouse gas emissions and reductions achieved

19. Emissions of ozone-depleting substances by weight.

20. NOx, SOx, and other significant air emissions by type and weight.

21. Total water discharge by quality and destination

22. Total weight of waste by type and disposal method

23. Total number and volume of significant spills

24. Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.

25. Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff

*f) **Products and Services***

26. Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation

27. Percentage of products sold and their packaging materials that are reclaimed by category

g) Products and Services

28. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

h) Transport

29. Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce

i) Overall

30. Total environmental protection expenditures and investments by type.

Human Rights

a) Investment and Procurement Practices

1. Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening

2) Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken

3) Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

b) Non-discrimination

4) Total number of incidents of discrimination and actions taken

c) Freedom of Association and Collective Bargaining

5) Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights

d) Child Labor

6) Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor

e) Forced and Compulsory Labor

7) Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor

f) Security Practices

8) Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations

g) Indigenous Rights

9) Total number of incidents of violations involving rights of indigenous people and actions taken

Labor

a) Employment

1) Total workforce by employment type, employment contract, and region

2) Total number and rate of employee turnover by age group, gender, and region

3) Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations

b) Labor/ Management Relations

4) Percentage of employees covered by collective bargaining agreements

5) Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements

c) Occupational Health and Safety

6) Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety program

7) Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region

8) Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases

9) Health and safety topics covered in formal agreements with trade unions. Health and safety topics covered in formal agreements with trade unions

d) Training and Education

10) Average hours of training per year per employee by employee category

11) Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

12) Percentage of employees receiving regular performance and career development reviews

e) Diversity and Equal Opportunity

13) Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity

14) Ratio of basic salary of men to women by employee category

Product and Service Impact

a) Product Portfolio

1) Policies with specific environmental and social components applied to business lines

2) Procedures for assessing and screening environmental and social risks in business lines

3) Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions

4) Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines

5) Interactions with clients/investees/business partners regarding environmental and social risks and opportunities

6) Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector

7) Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose

8) Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by Purpose

b) Audit

9) Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures

c) Active Ownership

10) Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues

11) Percentage of assets subject to positive and negative environmental or social screening

12) Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting

Product Responsibility

a) Customer Health and Safety

1) Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures

2) Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes

***b)* Product and Service Labeling**

3) Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements

4) Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes

5) Practices related to customer satisfaction, including results of surveys measuring customer satisfaction

***c)* Marketing Communications**

6) Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship

7) Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising

***d)* Customer Privacy**

8) Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

e) **Compliance**

9) Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

Society

a) Community

1) Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting

b) Corruption

2) Percentage and total number of business units analyzed for risks related to corruption

3) Percentage of employees trained in organization's anti-corruption policies and procedures

4) Actions taken in response to incidents of Corruption

c) Public Policy

5) Public policy positions and participation in public policy development and lobbying

6) Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country

d) Anti-Competitive Behavior

7) Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes

e) Compliance

8) Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations

From the results of CSR index calculations performed, average CSR disclosures in annual reports and annual corporate sustainability report is shown in the following table.

Table 4.2
Average Annual CSR Index

No	Mining companies	Min	Max	Mean
1	CSR Year 2007	0.6341	0.7439	0.6890
2	CSR Year 2008	0.6463	0.7439	0.6951
3	CSR Year 2009	0.6463	0.7439	0.6951

Sources: Data Analysis

Based on Table 4.2 above, it can be seen that the average CSR disclosures in annual reports and sustainability reports of the sample companies has increased. In general, mining companies average CSR index increased from 0.6890 (maximum index = 1) or equal to 68.9% in 2007 to 0.6951 or equal to 69.51% in 2008 and 2009. The lowest disclosure is 63.41% in year 2007 and the highest is 74.39% every year. Based on the data shown those companies know about importance of social responsibility and environment is shown that the CSR index greater than 50% each year in company's activity. Company is not only responsible to shareholders but also to stakeholders.

Furthermore, CSR disclosures in annual reports and corporate sustainability reports for each sample are shown in Table 4.3 below:

Table 4.3
Mining companies annual CER Index

No	Code	Company	CSR Index		
			2007	2008	2009
1	ATNM	Aneka Tambang Tbk	0.7195	0.7195	0.7195
2	INCO	International Nickel Indonesia Tbk	0.7439	0.7439	0.7439
3	MEDC	Medco Energi International Tbk	0.6707	0.6829	0.6829
4	BUMI	Bumi Resources Tbk	0.7439	0.7439	0.7439
5	PGAS	Perusahaan Gas Negara (Persero) Tbk	0.7073	0.7073	0.7073
6	ERNG	Energi Mega Persada Tbk	0.6341	0.6463	0.6463
7	ITMG	Indo Tambangnya Megah Tbk	0.7195	0.7195	0.7317
8	TINS	Timah (Persero) Tbk	0.6829	0.6951	0.6951
9	INDY	Indika Energi Tbk	0.6829	0.6829	0.6829
10	PTBA	Tambang Batubara Bukit Asam Tbk	0.7317	0.7439	0.7439
11	ELSA	Elnusa Tbk	0.6951	0.6951	0.7073

Source: Data Analysis

Based on Table 4.3 above, it can be seen more clearly the CSR index for each sample companies per year. In particular, CSR disclosures in annual reports and corporate sustainability reports also increased from year to year. The highest CSR disclosure in the year 2007 disclosed by International Nickel Indonesia Tbk and Bumi

Resources Tbk are equal to 0.7439 (maximum index = 1) or equal to 74.39%. The highest CSR disclosure in the year 2008 and 2009 disclosed also by International Nickel Indonesia Tbk, Bumi Resources Tbk and Tambang Batubara Bukit Asam Tbk are equal to 0.7439 or equal to 74.39%. The lowest CSR Disclosure 2007, 2008 and 2009 disclosed by Energi Mega Persada Tbk are aqual to 63.41%, 64.63% and 64.63%. CSR disclosure for each companies from year to year in general the overall more than 50% of the total *items* that must be disclosed.

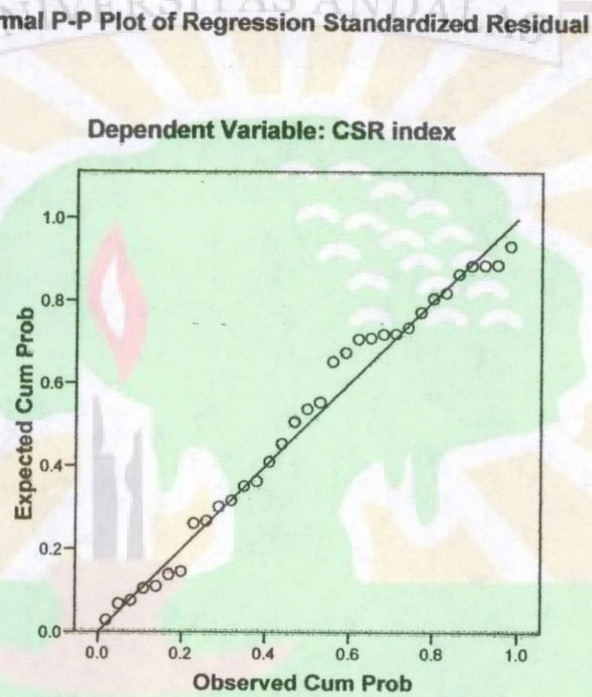
4.3 Classical Assumption Test

Classic assumption test aimed to check whether there is any violation of the assumption of classical regression model. The violation of classical assumptions would cause the regression coefficients have a standard error or variance which is very large then may reduce the reliability of parameter estimation. The violation of classical assumptions can also cause the statistics generated from the analysis of variance to be inaccurate.

4.3.1 Normality Test

Normality test aims to determine the distribution of data in a variable that will be used in research. Tests of normality can be done using a normal table PP Plot of Regression Standardized Residual. If data is spread around the diagonal line and follow the direction of the diagonal line, then the regression model meets the assumptions of normality and if data is spread far from the diagonal line and not follow the direction of the diagonal line, then the regression model did not meet the assumption of normality. The normality of data in this research is shown in the following figure

Figure 4.1 Normality Test Result



From the figure we can show that data is spread around the diagonal line and follow the direction of the diagonal line, and then the regression model meets the assumptions of normality.

4.3.2 Autocorrelation test

The test for autocorrelation is done to get information whether there is some correlation among disturbance variables in one period of time. Autocorrelation is happened in sample with time series data. Autocorrelation test is done to investigate whether any relation between error factor at t period and t-1 period. If there were any relation, it must be any autocorrelation problem. It will be showed in value of Durbin-Watson (DW) (Triton, 2005). Basis for making decision whether autocorrelation exist or not can be seen from the value of Durbin Watson (DW). The standards for the autocorrelation are:

1) $1.361 \leq DW \leq 2.639$, it indicates that autocorrelation are not exist.

2) $2.923 \leq DW \leq 1.077$, it indicates that autocorrelation are exist.

Table 4.4 Autocorrelation Test

Model Summary(b)

Model	Durbin-Watson
1	1.544

a Predictors: (Constant), board of commissioner, profile, profitability, size ,leverage
b Dependent Variable: CSR index

The result obtained in Table 4.4 above shows that the Durbin-Watson value for dependent variable, changes in stock prices, is 1.544. Therefore, Durbin-Watson values obtained were between $1.361 \leq DW \leq 2.639$, it can be concluded that there is no autocorrelation in the regression model used in this study.

4.4 Hypothesis Testing

Hypothesis can be defined as a logically conjectured relationship between two or more variables expressed in the form of a testable statement. Relationships are conjectured on the basis of the network of associations established in the theoretical framework formulated for the research study. By testing the hypotheses and confirming the conjectured relationships, it is expected that solutions can be found to correct the problem encountered (Sekaran, 2003).

Hypothesis testing in the research is to test relationship between independent variable, are size, profile, profitability, leverage, and board of commissioner toward dependent variable is CSR disclosure. This testing is expected that solutions can be found the correct result.

4.4.1 Coefficient Determination (R^2) Test

The coefficient of determination (R^2) is used to view and analyze how big independent variable influences the dependent variable. The Value of *R-square* ranging from 0 to 1. The higher the *R-square* value, in this case if value of (R^2) closer to one, indicates that better model was formulated to explain the corporate social responsibility (CSR).

Table 4.5 Coefficient Determination Test Table

Model Summary(b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.873(a)	.762	.718	.01656	1.544

a Predictors: (Constant), management, profitability, size, leverage, board of commissioner

b Dependent Variable: CSR index

The value of (R^2) in Table 4.5 shows that the board of commissioner, profile, profitability, size and leverage affect the changes in CSR index amounted to 0.762 or 76. The value of (R^2) which is means the ability of independent variables in explaining variation of the dependent variable. The relationships between the two variables are strong; it is shown by The R value of 0.873 or 87.3%.

4.4.2 F Test (ANOVA)

The purpose of the F-Test is to find whether all independent variables that included in regression model, can influence the dependent, if they are influencing dependent together. The statistical F-test is observed from the ANOVA table. If the F value > F table or the value of Sig is < α (0.05), it is assumed that the capability of independent variables to dependent variable, if they are influencing the dependent variable together.

Table 4.6

ANOVA(b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.024	5	.005	17.268	.000(a)
	Residual	.007	27	.000		
	Total	.031	32			

a. Predictors: (Constant), management, profitability, size, leverage, board of commissioner

b. Dependent Variable: CSR index

Based on table 4.6 above, the F value is 17.268 with the significant value 0.000 < 0.05. Meaning of result of test-F shown that the value small than 0.05. It can conclude that variable of board of commissioner, management, profitability, size, and leverage influenced to variable of CSR disclosure in Mining companies listed in IDX.

4.4.3 T Test

T test intended to determine whether the independent variables included in regression models may affect the dependent variable. For each independent variable, if t count > t table or significant value < (0.05), this suggests the independent variables affect the dependent variable significantly, and vice versa.

Table 4.7

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta	Tolerance	VIF	B	Std. Error
1	(Constant)	.421	.041		10.385	.000		
	Size	.011	.002	.775	5.232	.000	.403	2.484
	Profitability	.000	.000	.200	1.795	.084	.710	1.409
	Leverage	-.010	.004	-.292	-2.323	.028	.557	1.796
	board of commissioner	.003	.003	.153	1.032	.311	.404	2.477
	Management	-.003	.002	-.343	-1.981	.058	.294	3.397

a Dependent Variable: CSR index

Based on analysis in table 4.7, its can took a look influence of independent variable partially toward dependent variable as follow:

a. Influence of company's size toward CSR disclosure

Company's size has t value 5.232 and significant 0.000 ($\alpha < 0.05$). It means that company's size has significant influence to CSR disclosure or H1 accepted.

b. **Influence profitability toward CSR disclosure**

Profitability has t value 1.795 and significant 0.084 ($\alpha > 0.05$). It means that profitability has significant influence to CSR disclosure or H2 rejected.

c. Influence of leverage CSR disclosure

Leverage has t value -2.323 and significant 0.028 ($\alpha < 0.05$). It means that leverage does not have significant influence to CSR disclosure or H3 accepted.

d. Influence of management toward CSR disclosure

Management has t value -1.981 and significant 0.058 ($\alpha > 0.05$). It means that management does not have significant influence to CSR disclosure or H4 rejected.

e. Influence of board of commissioner toward CSR disclosure

Board of commissioner has t value 1.032 and significant 0.311 ($\alpha > 0.05$). It means that board of commissioner has significant influence to CSR disclosure or H5 rejected.

Based on Table 4.9 above, the regression equation is formed as follows:

$$\mathbf{Y = 0.421 + 0.011x_1 + 0.000x_2 - 0.010\, x_3 + 0.003\, x_4 - 0.003\, x_5 + \varepsilon}$$

Based on the regression equation above, can be seen that:

1. Constanta (α)

   Constanta value is 0.421, its means that without influence of independent variable, changes in CSR disclosure about 0.421 counts.

2. Coefficient regression (β1) X1

   Coefficient X1 is 0.011 shows that if company's size increase 1 count, so CSR disclosure will be increase 0.011 counts.

3. Coefficient regression (β2) X2

   Coefficient X1 is 0.000 shows that if profitability increases 1 count, so CSR disclosure also will be increase 0.000 counts.

4. Coefficient regression (β3) X3

   Coefficient X1 is -0.010 shows that if leverage increase 1 count, so CSR disclosure also will be decrease 0.010 counts.

5. Coefficient regression (β4) X4

   Coefficient X1 is 0.003 shows that if board of commissioner increase 1 count, so CSR disclosure also will be increase 0.003 counts.

6. Coefficient regression (β5) X5

   Coefficient X1 is -0.003 shows that if management increase 1 count, so CSR disclosure will be decrease 0.003 counts.

4.5 The Result of Hypothesis

Table 4.8

Result of Hypothesis Testing

Hypothesis	Sig. (α=0.05)	Significant	Result
H1: Company's size influence toward Corporate Social Responsibility (CSR) disclosure.	0.000 < 0.05	Significant	H1 accepted
H2: Profitability influence toward Corporate Social Responsibility (CSR) disclosure.	0.084 > 0.05	Not significant	H2 rejected
H3: Leverage influence toward Corporate Social Responsibility (CSR) disclosure.	0.028 < 0.05	Significant	H3 accepted
H4: Board of commission influence toward Corporate Social Responsibility (CSR) disclosure.	0.311 > 0.05	Not significant	H4 rejected
H5: Management influence toward Corporate Social Responsibility (CSR) disclosure.	0.058 > 0.05	Not significant	H5 rejected

4.6 Analysis and Discussion

The results of descriptive statistics provide a general picture about CSR for mining companies in Indonesia. The results of this study indicate that CSR disclosure in annual reports and corporate sustainability report of sample companies is increasing from year to year. These results support research done by Sayekti and Wandabio (2007) which found that the company's attention on the CSR has been increased every year.

This study used content analysis, 82 items disclosure consist of 6 categories to measure CSR index based on Global Reporting Initiatives guideline (GRI) (2006). Average CSR index for mining companies who becomes a sample is considered high, ranging from 63.41% to 74.39%. The high figure is due to the CSR information reported not only by a company's annual report, but also in sustainability report that more focuses on disclosure on society, environment and financial.

Level of influence of independent variables (size, profitability, leverage, board of commissioner and management) toward corporate social responsibility (CSR) disclosure that found enough high is 0.762 or 76.2%. Its means size, profile, profitability, leverage and board of commissioner can influence level of CSR disclosure amounted 76.2%. Residual amounted 23.8% influenced by other variables.

Hypothesis based on partial two variables, are size and leverage significant influence toward CSR disclosure, but profitability, board of commissioner and management not significant influence toward CSR disclosure.

First hypothesis states that company's size influence toward corporate social responsibility (CSR) disclosure. Result of research shown that company's size has positive influence and significant toward corporate social responsibility CSR) disclosure. This research accept first hypothesis. It is caused where the company which has bigger will disclose wider information. Besides that, big company is more illuminated by the public as a form of social responsibility disclosure. Small company then will disclose lower quality information compare to big company. It is caused by limited resources and bigger funds needed to perform the annual report. As in the researcher done by Sembiring (2005), Sulastini (2007), Sari (2009) and Dian (2009) which found positive influence between size and social disclosure rating. However, Anggraini (2006) and Rosmita (2007), they hypothesis has different result. It is because some of big size companies have CSR disclosure index small than small size companies.

Second hypothesis stated that profitability influence toward corporate social responsibility (CSR) disclosure. Result of research shown that profitability has no significant influence toward corporate social responsibility (CSR) disclosure. This research reject second hypothesis. Because of that corporate social responsibility of company do not influence to profitability of company. This research consider with research of Sembiring (2005), Anggraini (2005), Rahman (2008), and Dian (2009).

Third hypothesis stated that leverage influence toward corporate social responsibility (CSR) disclosure. Result of research shown that leverage has positive influence and significant toward corporate social responsibility (CSR) disclosure.

This research accept third hypothesis. Because of that corporate social responsibility of company do not influence to leverage of company. This research consider with research of Robert (1992) and Hossain et al (1995). According to Belkaoi & Kerpik (1989), decision to disclose the social information will follow certain outflow for disclosure that decreases the company income. The result does not support theory explain by Sembiring (2005), Anggraini (2005), Rahman (2008), and Dian (2009). has significant influence of leverage to CSR disclosure.

Fourth hypothesis told that board of commissioner influence toward corporate social responsibility (CSR) disclosure. Result of research shown that board of commissioner has no influence and significant toward corporate social responsibility (CSR) disclosure. This research reject fourth hypothesis. So that the disclosure of corporate social responsibility that company do not influence to number of board of commissioner. The result support theory explains by Savitri (2007), Rahman (2007), and Etik (2009). This research doesn't support with research of Coller and Gregory (1999), Beasley (2000), Arifin (2005), Sembiring (2005), Sulastini (2007) and Dian (2009).

Fifth hypothesis told that management influence toward corporate social responsibility (CSR) disclosure. This research reject fifth hypothesis. So that the disclosure of corporate social responsibility that company do influence to number of manager. The result does not support theory explain by Savitri (2007), Rahman (2007), and Etik (2009).

CHAPTER V

CONCLUSION

This chapter provides conclusions drawn from findings and discussion presented in the previous chapter, followed by assessment of the potential limitations present in this study and possible future directions for research.

5.1 Conclusion

This research was conducted on mining companies listed in Indonesia Stock Exchange from 2007-2009 and published annual and/or sustainability reports during the study period. The purpose of this study was to determine the influence of company's characteristics toward corporate social responsibility disclosure (CSR).

The sampling method used was purposive sampling method based on the criteria established in order to obtain qualified companies to test the hypothesis in this study. The data used are secondary data obtained from ICMD, www.idx.co.id , and the official website of the sample companies. Data were processed using a simple regression model with SPSS software tool where previous to the data processing, classical assumption test were performed in order to ascertain that data are normally distributed and satisfy the normality assumption.

Disclosure of corporate social responsibility (CSR) in annual reports and sustainability reports of the sample companies has increased each year. Average CSR index for mining companies who becomes a sample is considered high, ranging from 63.41% to 74.39%. The lower figure is due to the CSR information reported by a company in annual report and specifically in their sustainability report. CSR disclosure for each companies from year to year in general the overall more than 50% of the total *items* that must be disclosed.

Company's size, profitability, leverage, board of commissioner and management has significant influence to Corporate Social Responsibility (CSR) Disclosure. Company's size has positive influence and significant toward corporate social responsibility (CSR) disclosure in Mining company. Profitability has no influence toward corporate social responsibility (CSR) disclosure in Mining Company. Leverage has positive influence and significant influence toward corporate social responsibility (CSR) disclosure in Mining Company. Board of commissioner has no influence and significant toward corporate social responsibility (CSR) disclosure in Mining company. Number of manager has no influence and significant toward corporate social responsibility (CSR) disclosure in Mining company.

5.2 Research Limitations

Limitations of this study are:

1. The research is only conducted for five variables; there are company's size, profitability, leverage, board of commissioner and number of manager.
2. The number of samples used in this research is relatively small because there are few companies that publish sustainability reports and the annual report

were not contain any information about social responsibility. This affect the results achieved in this study is not optimal because it can not represent the company in general.

3. The research is not considered in cost that companies are paid to CSR activities in each company's sample.
4. CER index calculation is done by using Global Reporting Initiatives (GRI) G3 standard, namely the content analysis or dichotomy approach (individual items in the CSR research instrument rated 1 if it is disclosed and the value 0 if not disclosed) regardless of the quality of disclosure.

5.3 Research Implications

Based on the results analysis of the study, it could theoretically known that the company's characteristics has significant influence toward corporate social responsibility (CSR) disclosure. Therefore, for companies that has been made CSR disclosures is hoped to keep and add items that not yet reported or disclosed in their annual or sustainability report. It is expected can increase disclosure of corporate social responsibility (CSR). Companies should consider the quality of CSR disclosure, not just its quantity. This research is also expected to be a reference in further research when analyzing the company's characteristics disclosure and its relation to disclosure Corporate Social Responsibility (CSR).

5.4 Suggestion

Advices that can be given for further research excellence are:

1. Considering with the number of sample and other company's characteristics that are influence to disclosure of corporate social responsibility (CSR).
2. Considering with cost that are paid by each companies to do CSR activities.
3. Considering other relevant information such as political policy, and economics condition.
4. Measuring the CSR disclosure by using numbering scale, such 1-5 scale, so it could provide more accurate information regarding the quality of disclosure published by the company.

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