The Factors that Effect to the Disclosure of Corporate Social Responsibility in Manufacturing Companies Listed in Indonesia Stock Exchange

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Abstract

One of the frequently requested information to be disclosed by the company today is the information about corporate social responsibility. The demand by the stakeholders to provide transparent and accountable information and implement good corporate governance is increasingly forcing companies to provide more information about social activities. This research indicates that in testing simultaneously, environmental performance, profitability, leverage, company size and regulation can only affect the corporate social responsibilty disclosure in 64.9%, while the remaining balance in 35.1% is influenced by other variables. In a partial test, there is only one variable, company size, which influences significantly on the corporate social responsibilty disclosure.

A. INTRODUCTION

One of the frequently requested information to be disclosed by the company today is information about corporate social responsibility. Demand that companies provide information in transparent, accountable and implemented good corporate governance is increasingly and forcing companies to provide information about social activities. People needs the information about the extent to which the company has implemented social activities to make sure that the right of people to live in peace, welfare, and safety of consuming foods can be satisfied. Corporate social responsibility itself can be described as the availability of financial and non-financial organizations relating to the interaction with the physical environment and social environment, which can be made in corporate annual reports or separate social reports (Guthrie and Mathews, 1985 in Sembiring, 2005).

Although the phenomenon of social responsibility disclosure has emerged more than two decades, but research on social responsibility disclosure practices seemed centered in the United States, *United Kingdom,* and Australia (Hackston and Milne, 1996). Only a few studies conducted in other countries such as Canada, Germany, Japan, New Zealand, Malaysia, Indonesia and Singapore. Various studies related to the disclosure of corporate social responsibility, demonstrate the diversity of results. The relationship between the disclosure of corporate social responsibility with profit is difficult to understand. For example, Belkaoui and Karpik (1989) and Hackston and

Milne (1996) found no association between these variables, while Freedman and Jaggi (1988) and Donovan and Gibson (2000) found a negative relationship of these variables. On the other hand, several studies such as Bowman and Haire (1976) and Preston (1978) in Hackston and Milne (1996) found a significant relationship, while Gray *et al.,* (2001) found a relationship that varies each year for both variables.

Relationship between *leverage* and social disclosure also showed inconsistent results. Research conducted by Belkaoui and Karpik (1989) and Cormier and Magnan (1999) found a significant negative relationship between two variables. However, Robert (1992) found a positive relationship between two variables. The diversity of the results are because the developed model is a very simple model and the measurements used are also inconsistent (Belkaoui and Karpik, 1989).

In a study that examined the relationship between social disclosure of environmental performance also showed inconsistent results. Pattern (2002) found a negative relationship between environmental disclosures in annual reportto the environmental performance. However, Suratno et al (2006) states that environmental performance is positively significant effect on *environmental disclosure.*

While connected with the regulation, the government has set some rules regarding corporate social responsibility (CSR), among others, Law no. 40 of 2007 on Limited Liability Companies, Law no. 25 of 2007 on Investment, and Law 19 of 2003 on State-Owned Enterprises (SOEs). However, the level of reporting and disclosure of CSR in Indonesia is still relatively low because there is not agreement CSR reporting standards that can be used as a reference for the company in preparing CSR reports so that each company's own interpretation of how the CSR reporting format.

Based on the above, the author tries to examine further the factors that influence disclosure of socially responsible manufacturing company listed on the Indonesia Stock Exchange. Based on the above background, the formulation of the problem in this study is how the influence of environmental performance, profitability, *financial leverage,* firm size, and government regulations on the disclosure of corporate social responsibility of manufacturers listed on the Indonesia Stock Exchange?

Based on the above formulation of the problem it is for the purpose of this study to obtain empirical evidence regarding the factors that influence the disclosure of socially responsible manufacturing company listed on the Indonesia Stock Exchange. In addition, this study is expected to benefit or utility for all. Potential benefits include theoretical benefits, which is to be able to provide information and materials to the academic study of the factors that influence the disclosure of corporate social responsibility on the Stock Exchange-listed manufacturing and practical uses, which is to be used either by investors or prospective investors for consideration in investing in the stock market.

2.RESEARCH METHODOLOGY

A.Disclosure of Corporate Social Responsibility *(Corporate Social Responsibility Disclosure)*

Corporate Social Responsibility or *Corporate Social Responsibility* (CSR) is a mechanism for an organization to voluntarily integrate social and environmental concerns into its operations and interactions with *stakeholders,* which exceeds the organization's responsibilities in law (Darwin, 2004). Disclosure of corporate social responsibility is often referred to as *social disclosure, corporate social reporting, social accounting* (Mathews, 1995) or *corporate social responsibility* (Hackston and Milne, 1996) is the process of communicating the social and environmental impacts of the economic activities of the organization's special stakeholders and to society as a whole. It is the responsibility of expanding the organization (especially companies) beyond its traditional role to provide financial reports to shareholders, especially shareholders. The expansion was made with the assumption that firms have a broader responsibility than just looking for a profit to shareholders (Gray *et. Al.*, 1987).

Corporate social responsibility is expressed in the report called the *Sustainability Reporting. Sustainability Reporting* is reporting on economic policy, environmental and social impact and performance of the organization and its products in the context of sustainable development *(sustainable development).Sustainability Reporting* includes reporting on economic, environmental and social influences on organizational performance (ACCA, 2004). *Sustainability report* should be a high level strategic document that puts the issues, challenges and opportunities *Sustainability Development* that took him to the *core business* and industrial sector.

There are several matters related to corporate social reporting. At Zeghal and Ahmed (1990), these things, namely: Environment (including pollution control, prevention or repair of damage to the environment, nature conservation, and other disclosures relating to the environment), energy (including energy conservation, energy efficiency, etc.), a reasonable business practice (including, empowerment of minorities and women, support for minority businesses, social responsibility), human resources (including activities within a community, in terms of health care, education and the arts), and the product (including security, pollution reduction, etc.).

According to Gray *et.al.*, (1995) there are two significantly different approaches in conducting research on corporate social responsibility disclosure. First, the disclosure of corporate social responsibility may be treated as a supplement than conventional accounting activities. This approach will generally consider the financial community as the main users of corporate social responsibility disclosure and tend to limit the perception of social responsibility were reported. The second alternative approached by putting corporate social responsibility disclosure to a testing role in public relations and information organization. This broader view has become a major source of advances in the understanding of corporate social responsibility disclosure and is a major source of criticism against the disclosure of corporate social responsibility. Companies are increasingly realizing that the company's survival also depends on the company's relationship with society and the environment in which they operate. This is consistent with *legitimacy theory* which states that the company has a contract with the community to perform activities based on the values of *justice,* and how the company responded to various interest groups to legitimize the actions of the company. If there is disharmony between the company value system and value system of society, the company in a loss of legitimacy, which in turn would threaten the survival of the company. CSR disclosure in annual reports is one way companies to build, sustain, and legitimize the company's contribution in terms of economic and political (Guthrie and Parker, 1990). Several previous studies claimed there are several factors that influence the disclosure of corporate social responsibility *(Corporate Social Responsibility* / CSR). Sembiring (2005) states that firm *size*, *profile* and size of the board of a significant positive effect on the disclosure of corporate social responsibility, profitability and *leverage,* but no significant effect on CSR disclosure. Pee Wee (2006) argues that the percentage of management ownership and industry type significantly influence corporate policy in expressing social information, while the firm size, *leverage* and profitability have no significant effect on the disclosure of social information. Rakhiemah and Agustia (2009) argue that environmental performance has a significant positive effect on CSR *disclosure.*

Empirical research on disclosure of environmental performance with social responsibility shown mixed results. Al Tuwaijri *et al.* (2004) observed that the perpetrators of the environment in the United States are worse tend to make a lot of disclosure, consistent with their responsibility to report contingent liabilities under *Statement of Financial Accounting Standards* / SFAS No. 5 on *Accounting for Contigencies.* Negative relationship between environmental performance with social disclosure This seems inconsistent with the model of *discretionary disclosure* in Verrecchia (1983) in Al Tuwaijri *et al.* (2004) which states that good environmental actors believe that they are meant to illustrate the performance reveals *good news* for market participants. Therefore, the company's environmental performance *(environmental performance)* which both have to disclose the quantity and quality of the environment more than the company's environmental performance is worse. This is in line with research Suratno et al. (2006) which states that *environmental performance* is positively significant effect on *environmental disclosure.*

Donovan and Gibson (2000) stated that based on the theory of legitimacy, one of the arguments in the relationship between profitability and the level of social disclosure is that when a company has a high rate of profit, the company (management) considers not need to report things that can interfere with information about successful corporate finance. Conversely, when low levels of profitability, they expect the users of the report will read *"goodnews"* of corporate performance (eg in the social sphere) so that investors will continue to invest in the company. Thus it can be said that profitability has a negative relationship to the level of corporate social disclosure.

Agency theory predicts that firms with higher *leverage* ratios will reveal more information (Jensen and Meckling, 1976). According to Schipper (in Marwata, 2001) and Meek, *et al.* (In Fitriany, 2001), additional information is needed to dispel doubts bondholders against the fulfillment of their rights as creditors. Therefore, firms with high *leverage* ratios have the obligation to conduct a more extensive phrase than firms with low *leverage* ratios.

The relationship between firm size and corporate social disclosure has been tested in a number of empirical studies. Cowen *et al* (1987) in Sembiring (2005) revealed that a large company theoretically will not escape from the pressures, and larger companies with operating activities and a greater influence on society would probably have shareholders who pay attention to social programs that made the company so that corporate social disclosure will be more extensive. This is consistent with the results of research Sembiring (2005) which states that the larger the company size (the more the number of workers), the more extensive social disclosure made by a company.

Some literature states that regulatory factors have a role in the implementation of CSR because of closer scrutiny. Law No. 40 Year 2007 regarding Limited Liability Company stated that the Limited Liability Company which carries on business in the field and / or concerned with natural resources required to implement social and environmental responsibility. Social and environmental responsibility is an obligation of the company are budgeted and accounted for as cost of implementation is the company that carried out by considering the appropriateness and reasonableness. The Company is not carrying out its obligations may be sanctioned in accordance with the provisions of the legislation.

Based on the description above, the research framework was developed as follows:

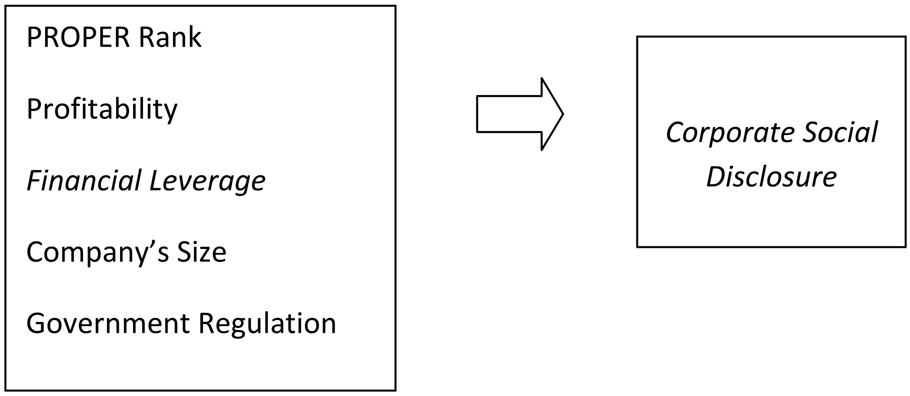

Figure 1
Research Framework

2.Hypothesis

From the above framework developed several hypotheses as follows:

H1: The performance environment has a positive effect on corporate social disclosure.

H2: Profitability has a negative effect on corporate social disclosure.

H3: *Financial Leverage* has a positive effect on corporate social disclosure.

H4: The size of the company has a positive effect on corporate social disclosure.

H5: Government regulation in the field of CSR has a positive effect on corporate social disclosure.

3.Scope of Research

The scope is limited research on analyzing the factors that influence the disclosure of social responsibility of manufacturers listed on the Indonesia Stock Exchange (BEI) for the year 2008-2009.

4.Data Collection Method

This study uses secondary data obtained from the Indonesia Stock Exchange and the Ministry of Environment (http://www.menlh.co.id). The data used in this study in the form of annual reports *(annual report)* and financial statements obtained from the

Indonesia Stock Exchange and the PROPER rankings obtained from the Ministry of Environment.

5.Population and Sample

The population in this study is all manufacturing companies that have been registered *(listing)* in Indonesia Stock Exchange (BEI), which has followed the Corporate Performance Rating Program in Environmental Management (PROPER). Sampling methods to be used in this study is the method of *purposive sampling* in order to obtain a representative sample in accordance with the specified criteria. The criteria used in selection of samples are: (1) Manufacturing companies listed on the Stock Exchange and the shares are actively traded during the year 2008, (2) The company has followed the Corporate Performance Rating Program in Environmental Management (PROPER), (3) The company publishes the annual period of 2008 financial statements and submit annual reports to the Securities and Exchange Commission and has published it in succession, and (4) social disclosure information is disclosed on the company's annual report is concerned during the period of 2008.

Based on the above criteria, the sample obtained amounted to 30 companies. It is based on a number of reasons related to data availability, differences in characteristics, and sensitivity to the incident.

6.Data Analysis Technique

Analytical technique used in this research is quantitative descriptive analysis techniques. Quantitative descriptive analysis techniques used to obtain a clearer picture of the issues discussed, to get the overall picture of the observed variables and to identify the influence of independent variables on the dependent variable using regression equations.

7.Hypothesis Testing Model

Regression analysis aimed to explore the relationship between the dependent variable with one or more independent variables. Model testing of the hypothesis is as follows:

CSDI = $\alpha + \beta_1 + \beta_2$ RANK ROA LEV + $\beta_3 + \beta_4 + \beta_5$ ln *Size* REG + *e*

Description:

CSDI = Number of social information disclosed; RANK = PROPER rating: ROA = *Return on Assets;* LEV = *financial leverage; SIZE* = The size of the Company; REG = regulation of the Government; α = a constant coefficient; $\beta_{1\text{-}5}$ = regression coefficient of independent variables; *e* = *Error term.*

8.Testing Assumptions Classics

Before tested data and see relationships between variables, it is necessary to test the assumptions of classical regression model of first order regression can produce unbiased estimator. Test the assumptions of classical test for normality, heteroscedasticity, and multicollinearity.

3.RESEARCH RESULTS

A.Classical Assumptions Testing Results

Prior to the first statistical analysis performed analytical testing requirement is a condition that must be met in order for the regression analysis can be done, both for prediction and for testing the hypothesis test for normality, multicollinearity, and heteroscedasticity.

1.1.Normality Test

Normality test is used to determine whether the regression model in this study is the independent variable and the dependent variable both have a normal distribution or not. A good regression model is to have a normal data distribution. Normally distributed data in a regression model can be seen on the normal graph plot, where if the point - the point spread and spread around the diagonal line follows the direction of the diagonal line, then the data can be said to be normally distributed.

Normality test results for these variables can research are outlined below:

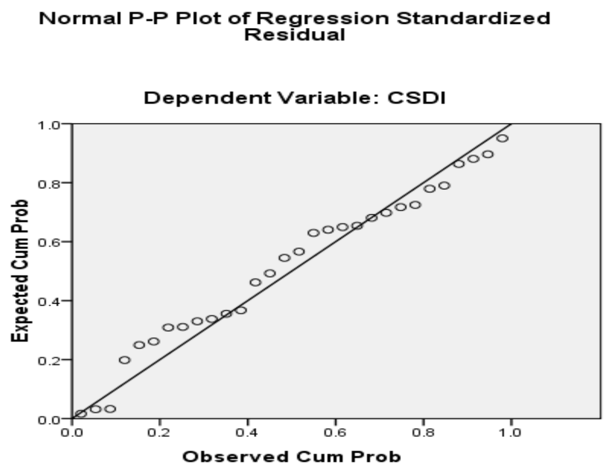

Figure 2
Normality Test Results

Based on the obtained image can be seen that the points spread around the diagonal lines and their distribution follows the direction of the diagonal line. Thus it can be stated that the spread of the data close to normal or to meet the assumptions of normality.

1.2.Multicollinearity test

Multicollinearity is a state where the independent variables in the regression equation had a correlation (relationship) is close to one another. Multicollinearity test aims to test whether the regression model found a correlation between the independent variables. *Tolerance Value* and *Variance Inflation Factor* (VIF) can be used to determine the presence of multicollinearity problem in a regression equation (Gujarati, 1995). In this study, *Tolerance* and VIF *value* is used to detect the presence of multicollinearity. Both of these measurements indicate that the independent variable which is explained by other independent variables. Free regression multicollinearity marked with VIF values ranging from number 1 (VIF = 1/toleransi) and tolerance values ranging from number 1.

Multicollinearity test results for the variables in this study can be described as follows:

Table 1

***Tolerance* values and *Variance Inflation Factor* (VIF)**

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Proper Rank	.892	1121
ROA	.821	1218
LEV	.861	1162
REG	.921	1086
SIZE	.873	1145

a.Dependent Variable: CSDI

In the above table it can be seen the value of VIF for the independent variables is 1. Similarly, tolerance also revolve around the value 1. Based on these values it can be concluded that there are no symptoms of multicollinearity between independent variables in the regression model.

1.3. Testing heteroscedasticity

Heteroscedasticity test aims to test whether the regression model occurs in the *variance* of the residual inequality one observation to another observation. A good regression model is a model that does not happen homoskedastisitas or heteroscedasticity. One way to detect whether there heteroscedasticity in the model is to look at a graph plotting and SRESID ZPRED. If there is a certain pattern, like dots that form a regular pattern (undulating, wide and narrow), it may have been indicated heteroscedasticity.

Seen from Figure 3, graphs plot is shown that the relative distribution of random dots, spread out, look no point segregated, and there is no clear pattern, as well as the points spread above and below the 0 on the Y axis, it can be concluded is not the case heteroscedasticity of the model.

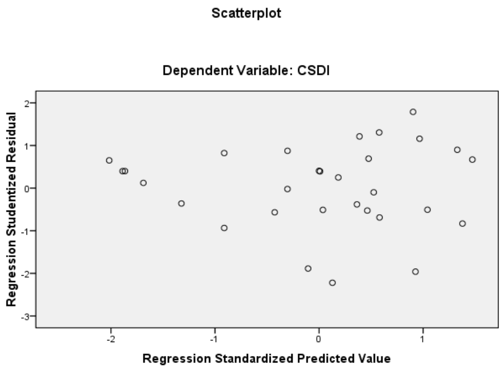

Figure 3. Heteroscedasticity test

2. Testing Hypothesis

The fifth hypothesis testing with statistical calculations performed using the SPSS application.The following is a description of the analysis for statistical calculations.

2.1. Hypothesis Testing In Partial

To see whether the independent variable (partial) has a significant effect on the dependent variable, researchers using the t test to compare the significance of the t count value with the value of alpha was set at 0.05. Here are the results of the calculation:

Table 2
The Partial Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	- .506	.115		- 4390	.000
	Proper Rank	.012	.021	.072	.559	.581
	ROA	.001	.001	.149	1118	.275
	LEV	.001	.001	.054	.411	.684
	SIZE	.020	.004	.751	5797	.000
	REG	.049	.032	.191	1518	.142

a.Dependent Variable: CSDI

Based on Table 2 above are known constant value of -0.506 and the regression coefficient Proper Rank ($X_{1)}$ at 0.012, regression coefficient of ROA ($X_{2)}$ of 0.001, regression coefficient of LEV ($X_{3)}$ of 0.001, regression coefficient Size (X_4) of 0.020 and regression coefficient values REG ($X_{5)}$ of 0.049. From this regression equation is obtained:

$$Y = -0.506 + 0.012 + 0.001 X_1 X_2 X_3 + 0.001 + 0.020 + 0.049 X_4 X_5$$

This means that:

1. Constants (a) = -0.506 means without the proper variable Rank, ROA, LEV, SIZE, and REG then the value of only -0.506 CSDI.
2. Proper Rank regression coefficients ($X_{1)}$ = 0.012 means that if the Proper Rank increased by 1 score of the CSDI values will increase by 0.012, assuming other variables are held constant.
3. ROA regression coefficients ($X_{2)}$ = 0.001, meaning that if the value of ROA increased by a score of the CSDI will increase the value of 0.001, assuming other variables are held constant.
4. Regression coefficient of LEV ($X_{3)}$ = 0.001, meaning that if the value of LEV increases by a score of the CSDI will increase the value of 0.001, assuming other variables are held constant.
5. Then the regression coefficient of SIZE ($X_{4)}$ = 0.020 means that if the value of SIZE increases by a score of the CSDI values will increase by 0.020, assuming other variables are held constant.
6. Then the regression coefficient of REG ($X_{5)}$ = 0.049 REG means if the value increased by a score of the CSDI values will increase by 0.049, assuming other variables are held constant.

Then to see the effect of each independent variable on the dependent variable to be explained as follows:

1. **Proper Influence Rank ($X_{1)}$ Against CSDI (Y)**

Based on Table 2 obtained significance value for the variable t Proper Rank of 0.581 or greater than the 0.05 level. This means that the variable Proper Rank ($X_{1)}$ had no effect on CSDI variables (Y). Then from the above table also obtained t value of 0.559 calculated and then compared with the t table (1/2 0.05; 25) of 2.060. The conclusion, therefore, calculate t <t table means that the hypothesis is rejected Proper Rank partially variable does not affect significantly (significant) to variable CSDI.

2. **Effect of ROA ($X_{2)}$ Against CSDI (Y)**

Table 2 is based on the significance of t values obtained for the variable ROA of 0.275 or greater than the 0.05 level. This means that the variable ROA ($X_{2)}$ had no effect on CSDI variables (Y). Then from the above table also obtained t value of 1.118 calculated and then compared with the t table (1/2 0.05; 25) of 2.060. The conclusion, therefore, calculate t <t table means that the hypothesis is rejected partially ROA variable does not affect significantly (significant) of the CSDI.

3. **Effect of LEV ($X_{3)}$ Against the CSDI (Y)**

Table 2 t values obtained for the variable LEV significance of 0.684 or greater than the 0.05 level. This means that the variable LEV ($X_{3)}$ had no effect on CSDI variables (Y). Then from the above table also obtained t value of 0.411 calculated and then compared with the t table (1/2 0.05; 25) of 2.060. The conclusion, therefore, calculate t <t table means that the hypothesis is rejected partially LEV variable does not affect significantly (significant) to variable CSDI.

4. **Effect of SIZE ($X_{4)}$Against the CSDI (Y)**

Table 2 t values obtained for the variable SIZE significance of 0.000 or less than the 0.05 level. This means that the variable SIZE ($X_{5)}$ effect on the CSDI variables (Y). Then from the above table also obtained t value of 5.797 calculated and then compared with the t table (1/2 0.05; 25) of 2.060. Conclusion, because t count> t table then the hypothesis is accepted it means the variable SIZE is partially affected significantly (significant) of the CSDI.

5. **Effect of REG ($X_{5)}$ Against the CSDI (Y)**

Table 2 t values obtained for the variable REG significance of 0.142 or greater than the 0.05 level. This means that the variable REG ($X_{4)}$ had no effect on CSDI variables (Y). Then from the above table also obtained t value of 1.518 calculated and then compared with the t table (1/2 0.05; 25) of 2.060. The conclusion, therefore, calculate t <t table means that the hypothesis is rejected partially REG variable does not affect significantly (significant) of the CSDI.

2.2.Simultaneous Testing

To see whether the independent variables is jointly significant or not on the dependent variable, researchers used the F test is to compare the significance of F values calculated with the alpha value was set at 0.05. Here are the results of the calculation:

Table 3

The Simultaneous Testing Results

ANOVAb

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	.178	5	.036	8861	.000 A
Residual	.096	24	.004		
Total	.274	29			

a.Predictors: (Constant), SIZE, Proper Rank, LEV, REG, ROA *b.Dependent Variable: CSDI*

Based on test results obtained by F or F test F calculated at 8.861 and compared with the F table of 2.62. Therefore F count is greater than F table of the obtained results simultaneously Proper Rank variable (X_{1}), ROA (X_{2}), LEV (X_{3}), SIZE (X_{4}) and REG (X_{5}) effect on the CSDI (Y). Furthermore it can also be done by looking at the probability value in the column sig. (Significant) of 0.000 is smaller than the 0.05 level. This means that the results obtained simultaneously Proper Rank variable (X_{1}), ROA (X_{2}), LEV (X_{3}), SIZE (X_{4}) and REG (X_{5}) effect on the CSDI (Y).

2.3.Correlation analysis results

To see how closely the relationship *of independent* variables on the *dependent* variable, researchers used a test of the correlation coefficient (R). Furthermore, to find out how much the *independent* variables affect the *dependent variable* is used test the coefficient of determination (R^{2}). Here are described the results of the analysis the correlation coefficient (R) and coefficient of determination (R^{2}):

Table 4
Correlation Analysis of Test Results

Model Summary [b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.805 A	.649	.575	.06331

a.Predictors: (Constant), SIZE, Proper Rank, LEV, REG, ROA
b.Dependent Variable: CSDI

Based on Table 4 can be explained that the value of the correlation coefficient (R) of 0.805 indicates that there is a close relationship between the variables Proper Rank (X_{1}), ROA (X_{2}), LEV (X_{3}), SIZE (X_{4}) and REG (X_{5}) of the CSDI (Y). Coefficient of determination (R^{2}) of 0.649 indicates that the proportion of variation in the independent variables in the model simultaneously influence the dependent variable of 64.9%.

3. Discussion

In simultaneous testing, found that the independent variables (Proper Rank, ROA, LEV, SIZE and REG) only influence the disclosure of social responsibility (CSDI) was 64.9%, while the rest of 35.1% is affected by variable- variables other than the variables used. This suggests the need for further research with other variables as estimators disclosure of corporate social responsibility.

In a partial test, it is only one variable SIZE which significantly affects the disclosure of corporate social responsibility. However, other variables (Proper Rank, ROA, LEV, and REG) had no significant effect on the disclosure of social responsibility.

Evidence that the disclosure of social responsibility is affected by SIZE (firm size) has been found in previous studies.This relates to the *agency theory,* which states that the bigger a company the agency costs are that arise also getting bigger.To reduced agency costs, the company will reveal more extensive likely information.This theory is reinforced by research conducted by Lang and Lundholm (1993) that states the breadth of information in corporate disclosure policy will increase of with firm size.Larger companies have a growing niche to public demand for information is higher than the small-sized companies.In this study, firm size (SIZE) is measured by total assets showed significant positive results on the disclosure of corporate social responsibility.This can be interpreted that the greater the company's total assets, the more extensive disclosure of social responsibility that made the company.

In this study it was found that the environmental performance (PROPER Rank) did not significantly affects the company's social disclosure.This means that the level of corporate environmental performance will not affect the extent of disclosure of corporate social responsibility.This case seems inconsistent with the model of *discretionary disclosure* in Verrecchia (1983) which states that good environmental actors believe that they are meant to illustrate the performance reveals *good news* for market participants.Therefore, the company's environmental performance *(environmental performance)* which both have to disclose the quantity and quality of the environment more than the company's environmental performance is worse.Suratno et al.(2006) also states that *environmental performance* is positively significant effect on *environmental disclosure.*

Corporate profitability (ROA) in the study also showed different results with the hypothesis, in which ROA did not have a significant effect on the disclosure of corporate social responsibility.These results support the theory of legitimacy does not work, which according to this theory is that when a company has a high rate of profit, the company (management) considers not need to report things that can interfere with information about the company's financial success.Conversely, when low levels of profitability, they expect the users of the report will read *"good news"* of corporate performance (eg in the social sphere) so that investors will continue to invest in the company.These results may be in accordance with the opinion of Kokubu et al.(2001) in Sembiring (2005) that the *political visibility of* the company depends on its size rather than profitability.

The company's dependence on debt to finance its operations reflected in the level of *leverage.*In this study, the diproksi *leverage* with debt to equity showed no significant effect on the disclosure of corporate social responsibility.This does not support the agency theory which predicts that firms with higher *leverage* ratios will reveal more information (Jensen and Meckling, 1976).According to Schipper (in Marwata, 2001) and Meek, *et al.* (In Fitriany, 2001), additional information is needed to dispel doubts bondholders against the fulfillment of their rights as creditors.These results may be in accordance with the opinion of Kokubu et al.(2001) in Sembiring (2005) in his study in Japan which stated that the company in Japan has traditionally had good relations with the bank, despite having a high degree of dependence on debt.Level of high dependence on debt has also occurred in Indonesia, where in the absence of a good relationship with the *debtholders* then this will negatively affect the disclosure of social responsibility.

Government regulation in this study also showed no significant results, in which the regulation has no significant effect on the disclosure of corporate social responsibility.This may be due to the laws governing the Law of corporate social responsibility in Indonesia, namely the Limited Liability Company Law No. 40 of 2007, does not regulate in detail about the disclosure of corporate social responsibility.The law stated that the Limited Liability Company (PT) which carries on business in the field and / or concerned with natural resources required to implement social and environmental responsibility (Article 74 paragraph 1).However, the Act makes no mention of PT in detail how the amount of costs the company to CSR as well as sanctions for noncompliance.In Article 74 paragraph 2, 3 and 4 just mentioned that CSR "is budgeted and accounted for as cost of implementation is the company that carried out by considering the appropriateness and reasonableness". The company which is not doing CSR penalized in accordance with regulations and legislation.Further provisions concerning this new CSR will be set by government regulation, which until now has not been issued.

4. Conclusions and Recommendations

Based on the results of research and analysis conducted, the conclusion can be drawn as follows:

1. In simultaneous testing, found that the independent variables (Proper Rank, ROA, LEV, SIZE and REG) only influence the disclosure of social responsibility (CSDI) was 64.9%, while the rest of 35.1% is affected by variable- variables other than the variables used.
2. In a partial test, it is only one variable SIZE which significantly affects the disclosure of corporate social responsibility, while the other variables (Proper Rank, ROA, LEV, and REG) had no significant effect on the disclosure of social responsibility.

Based on the above conclusion, there are a few suggestions to consider:

a. Level of *R Square* is not so great in this study indicate that the disclosure of corporate social responsibility by 35.1% influenced by variables other than the variables used in this study.This suggests the need for continued research by adding another variable as a predictor of corporate social responsibility disclosure.

b. Researchers should further expand the study period, which in this study uses only one observation period.A longer study period would provide a greater possibility to obtain results closer to actual conditions.

c. Items that should be disclosed in corporate social responsibility report have not been set in Indonesia, so as to calculate an index of corporate social responsibility disclosure still refers to the rules of foreign countries.Therefore, Bapepam-LK needs to think about the existence of a rule governing the disclosure of items of social responsibility that must be made in accordance with the company's industrial sector, so that disclosure is a disclosure required *(mandatory disclosure).*Accordingly with the company will pay more attention to their responsibilities towards society and the environment.

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