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FACTORS AFFECTING SOCIAL RESPONSIBILITY DISCLOSURE AND ITS IMPACT ON THE FINANCIAL PERFORMANCE OF COMPANIES LISTED ON INDONESIA STOCK EXCHANGE PERIOD OF 2007-2011

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This study aimed to examine whether the financial performance, in this case the Return on Asset and Return on Equity, affect the social responsibility disclosure. In addition to that, it also examined whether there is a significant difference on the Return on Asset and the Return on Equity between companies which contrived social responsibility disclosure and companies which did not. The samples of this study consisted of 143 companies, and the data were taken from the Indonesian Capital Market Directory and Indonesian Sustainability Reporting Award. This study utilized the logistic regression and difference testing method. The results from the logistic regression analysis show that there was a significant effect on the Return on Asset towards the social responsibility disclosure, but no significant effect between the Return on Equity on the social responsibility disclosure. When it is being tested together, it was found that only the Return on Asset had a significant effect on the social responsibility disclosure. The results from the difference testing through independent sample T Test indicated that there was a significant difference on both the Return on Asset and the Return on Equity between the companies which contrived social responsibility disclosure and the companies which did not. The mean score of the Return on Asset and the Return on Equity of companies which contrived the social responsibility disclosure was greater compared to the companies which did not contrive the report. This study also found that one year after social responsibility disclosure was made, the companies' financial performance decreased, but in three consecutive years of the study period, the average performance of the companies that contrive social responsibility disclosure report showed progress of significant improvement.

Keywords: Return on Asset, Return on Equity, social responsibility disclosure

INTRODUCTION

According to the conventional accounting perspective, companies only noted the shareholder party, while others are often overlooked. Further, it was said that in its development, this paradigm then shifted from the original liability company measured only economically but also leads to accountability that takes into account social factors (Nor as cited in Asmaranti, 2011). This was supported by Almilia, Goddess and Hartono (2011) in that the current financial condition alone is not sufficient to guarantee the value of the company to grow in a sustainable manner. Further, it was said that the sustainability of the company (corporate sustainability) will only be guaranteed if the company pays attention to the social and environmental dimensions. A similar statement was mentioned by Sarumpaet (2005) wherein the company will be left behind if they do not compete with other companies in terms of improving environmental accountability.

The paradigm above is in line with one of the main principles of a good corporate governance (GCG) namely responsibility, wherein the main idea of good corporate governance is to realize corporate social responsibility (Daniri as cited in Murwaningsari, 2009). CSR is an idea where the company is not faced any longer to the responsibility that stand on the single bottom line which is the corporate value that reflected only in financial condition but must stand on the triple bottom lines (Almilia, Dewi, & Hartono, 2011). Triple bottom lines was developed by John Elkington in his book "Cannibals with Fork, The Triple Bottom Line of Twentieth Century Business" contained about the economy prosperity, the environmental quality, and the social justice. Furthermore, it was said that companies who want to apply these concepts should pay attention to the triple P of profit, planet, and people. In other word it said if the triple bottom line connected with triple P it can be conclude that the *profit* is formed as an economic aspect, the *planet* is formed as an environmental aspect, and the *people* is formed as a social aspect. Where to find the *profit* should *prosperity* people and to ensure the *sustainability of life* (planet) (Isa, 2008).

In regard with the above mentioned concerns, some researchers have conducted studies to find out the relationship beteween financial aspect which in this case is the financial performance of the company and the social aspect that is reflected in the corporate social responsibility discosure. For instance, a study conducted by Almilia (2008) found a positive effect between the economic performance of the company with the corporate social responsibility disclosure. It also was supported by the agency theroy in which the result of large profit will make a company disclose to the larger social information. Further it was said that a large company has an incentive to provide voluntary disclosure because a large company is faced to the cost and the higher politic pressure (Almilia, 2008). However Sembiring and Prihandono in Herusetya and Ahmad (2012) found the conflicting things where the profitability is not proven to be influential to the social responsibility disclosure.

Hence, the purpose of this study was to re-examine whether financial performance positively affected the social responsibility disclosure of companies that were studied on a longer period of time which is 2007-2011. Additionally, this study also tried to find out whether there was a difference on the financial performance of companies that contrive social responsibility disclosure and companies that did not. Based on this background, the researcher wanted to empirically prove whether financial performance affected the social responsibility disclosure of companies listed on the Indonesia Stock Exchange.

Statement of the Problem. (The questions attempted to be answered in this study were): (1) Does the financial performance (ROA) significantly affect social responsibility disclosure? (2) Does the financial performance (ROE) significantly affect social responsibility disclosure? (3) Does the financial performance (ROA and ROE) have significant effect on the social responsibility disclosure when tested simultaneously? (4) Is there any significant difference on the ROA between companies that contrive social responsibility disclosure with the companies that do not? (5) Is there any significant difference on the ROE between the companies that contrive social responsibility disclosure with the companies that do not?

Hypotheses of the Study. The hypotheses that were tested in this study were: H_01_a: there is no significant relationship between the financial performance (ROA) company on the disclosure of social responsibility. H_01_b: there is no significant relationship between the financial performance (ROE) company on the disclosure of social responsibility. H_01_c: there is no significant relationship between the financial performance (ROA and ROE) company on the disclosure of social responsibility if tested simultaneously. H_02_a : there is no difference in financial performance (ROA) among the company that makes the social responsibility disclosure report with the company that did not make the social responsibility disclosure report. H_02_b : there is no difference in financial performance (ROE) among the company that makes the social responsibility disclosure report with the company that did not make the social responsibility disclosure report.

Purpose of the Study. This study aimed to give the empirical evidence about the influence of financial performance on the social responsibility disclosure.

Significance of the Study. This study is useful for (1) the researchers, this study is expected to improve their understanding of the relevant factors that affect social responsibility disclosure (2) the scientific researcher, this study is expected to give an academic contribution to give an academic contribution in the form of additional literature in order with the related variables in this study (3) the management of the company, this study is expected to be taken into consideration for more responsibility in company's environment.

Frame work of Literature Review. Return on Assets is an overall measure of profitability or performance of a company (Weygandt, Kimmel, and Kieso, 2007). Indeed there are other measurements to assess the profitability or performance of a company such as the profit margin on sales ratio (rate of return on sales) but according to Kieso, Weygandt and Warfield (2012) this ratio does not answer the question of how lucrative a company uses its assets. In other words, to measure the effectiveness of managing its assets or to show the results on the amount of assets used by companies then use the return on assets. The statement above was strengthened also by Widaryanti (2007), that ROA is the ratio considered sufficiently representative to reflect the company's financial performance.

Return on Equity measures the profitability of investment that invested by the owner of the company. (Weygandt, Kimmel, and Kieso, 2007). In addition, the return on equity is also helping investors to look at the feasibility of a stock when the market is not in a good condition (Kieso, Weygandt, & Warfield, 2012).

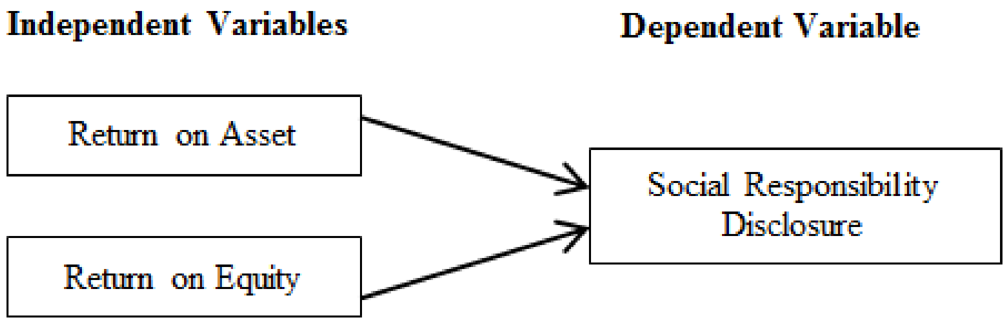
Disclosure of social responsibility is an important communication tool globally to show the plan and the sustainability of a company's performance and to increase the confidence of stakeholders (Daizy & Das, 2013).

According to Ali Darwin in the Ikatan Akuntansi Indonesia (2007) stated that the progress report about the social responsibility in Indonesia tends to be slow. Further, he said a lot of obstacles that becomes a barrier, such as there is no clear regulation. However since there are societies and markets, the company will be prosecuted by itself to make disclosures or statements with respect to social responsibility. For example, there are companies that want to buy a stock when there is a report about the social responsibility, or imposed by regulation of a particular company.

Many companies in Indonesia, which has been executing out the activity of Corporate Social Responsibility (CSR) in the field but not much is revealed that activity in a report. Furthermore, it said only a few companies that have revealed the information of environment and social responsibility in the company's annual report (Ikatan Akuntansi Indonesia, 2007). Furthermore, compared to the other countries, the development of sustainability reporting practice in Indonesia is slow. If the financial statement required by the Limited Liability Company Act, but for ongoing reporting no statutory provisions which require the making of the report.

Untari (2010) said there was an effect between the aspects of the company profitibility with the corporate social responsibility. Further, a large company that has a high profitability will tend to make a social responsibility disclosure because of the spotlight of the public against the company. In addition, it said that profitability is a factor that gives freedom and flexibility to the management to make a report about social responsibility disclosure to a stockholder (Untari, 2010).

The frame shows the mindset of the researcher as well as the relationship among the variable that was studied can be seen in the image below:



This study was divide into several parts which were to test the influence between the financial performance variable (ROA and ROE) toward the social responsibility disclosure in partial is used a simple regression method whereas if tested simultaneously is used multiple regression method. Besides that, it also was tested whether there was significant difference between the financial performances of the company that makes the social responsibility disclosure report and those who did not make the social responsibility disclosure report. Different test was used independent method sample T-Test.

METHODOLOGY

This research method used the regression method that aimed to suggest the existence of influence between the independent variables and the dependent variable and the different test method to determine whether there was an average difference between the two populations, by looking at the average of two samples. The population of this study was a company listed on the Indonesia Stock Exchange (BEI) during the period of 2007-2011. By using purposive sampling method, the sample used on this study was 143 companies. Sources of the data was used in this research is a secondary data that was obtained from financial statements derived from the Indonesian Capital Market Directory 2007-2011 and from Indonesian Sustainability Reporting Award 2007-2011.

Testing the first and the second hypotheses uses the simple regression analysis, while the third hypothesis testing used the multiple regression analysis. The criteria for making a decision is if the value of the significance $\leq$ 0,05 then the H_0 is rejected. It means that the independent variables have a significant influence on the dependent variable. On the other way, if the value of the significance > 0.05 then H_0 is accepted (fail rejected). It means that the independent variable has no significant influence on the dependent variable.

The hypothesis testing with the different test method used the independent T-test sample where the criteria for making a decision is if the significance value $\leq 0,05$, then the H_0 is rejected. That is, there is significant difference between the two variances. Conversely, if the significance value > 0.05 then H_0 is accepted (fail rejected). It means that there was no significant difference between the two variances.

RESULT AND DISCUSSION

Does the financial performance (Return on Asset) significantly affect social responsibility disclosure? The results obtained through the SPSS program are presented below:

Table 1
The Effect of ROA on Social Responsibility Disclosur**e**

Variables in the Equation

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1[a]	ROA	0,1	0,013	58,902	1	0,000	1,105
	Constant	-2,853	0,178	256,829	1	0,000	0,058

a. Variable(s) entered on step 1: ROA.

Source: Results obtained from SPSS

The results showed significant value of 0,000, which is smaller than 0,05. This means that the financial performance (ROA) had a significant effect on companies' social responsibility disclosure. In other words, the higher the ROA, the greater the tendency for the companies to contrive social responsibility disclosure report. This result supported the results of other studies conducted previously, such as the studies of Sari (2012), Sitepu and Siregar (2011), Yuniasih and Made (2008), Sembiring (2003), and Anggraini (2006) which also found that profitability significantly affects social responsibility disclosure. Similarly, this result is in line with the agency theory which states that the greater the profit earned by the companies, the more extensive the social information that is disclosed by the companies. Furthermore, it was said that this is done in order to reduce the agency cost that arises (Cahya, 2010).

Does the financial performance (Return on Equity) significantly affect social responsibility disclosure? The results retrieved from SPSS program can be seen in Table 5.2 below:

Table 2
The Effect of ROE on Social Responsibility Disclosur**e**

Variables in the Equation

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1[a]	ROE	0,003	0,002	2,884	1	0,089	1,003
	Constant	-2,152	0,124	301,806	1	0,000	0,116

a. Variable(s) entered on step 1: ROE.

Source: Results obtained from SPSS

The results from the table above shows that the significant value of 0,089 is greater than 0,05. Thus, the results indicate that ROE did not significantly affect social responsibility disclosure.

These results cohere with the results found by Almilia et al., (2011); Santioso and Chandra (2012); Wijaya (2012); Politon and Rustiyaningsih (2013); Naila (2013) wherein profitability, namely ROE, does not significantly affect social responsibility disclosure.

These results are consistent with the legitimacy theory in which this theory argues that the relationship between profitability and the degree of social responsibility disclosure is when the company has a high profit, the company does not have to report matters that disrupt information about the company's financial success. Moreover, it was said that on the contrary, when the profitability level is low, they are expecting that the report users will read "good news" of company's performance. For instance, in the social scope, when an investor reads the company's social responsibility disclosure report, it is expected that the investor will still invest in that company. Furthermore, it was said that therefore, profitability has a negative correlation on the company's social responsibility disclosure (Hasibuan, 2001).

Does the financial performance (Return on Asset and Return on Equity) have a significant effect on the social responsibility disclosure when tested simultaneously? The results obtained are presented in the table below:

Table 3

The Effect of ROA and ROE on Social Responsibility Disclosure

Variables in the Equation

		B	S.E.	Wald	Df	Sig.	Exp(B)
	ROA	0,096	0,013	54,281	1	0,000	1,1
Step	ROE	0,003	0,003	1,667	1	0,197	1,003
1[a]	Constant	-2,875	0,181	253,566	1	0,000	0,056

a. Variable(s) entered on step 1: ROA, ROE.

Source: Results obtained from SPSS

After the data had been processed, the results showed that when tested simultaneously, ROE did not have a significant effect on social responsibility disclosure, with a significant value of 0,197 which is greater than 0,05. While ROA had a significant effect on social responsibility disclosure where the significant value was 0,000 which is smaller than 0,05. The results of these are consistent with the study conducted by Almilia et al. (2011) wherein ROA has a significant effect on the social responsibility disclosure, while ROE has no significant effect on the social responsibility disclosure.

Both of the profitability measurements that were tested simultaneously showed contrasting results. Profitability which was measured by ROA had a significant effect on social responsibility disclosure, while profitability measured by ROE did not significantly affect social responsibility disclosure.

Some theories nowadays are still contradictory when it comes to the relationship between profitability and social responsibility disclosure. Profitability is a factor that enables management to freely assert and show to the shareholders the extensive social responsibility programs. In other words, companies with high profitability tend to contrive social responsibility disclosure. However, it is different with the legitimacy theory which states that it is actually when companies have high profit that they do not have to report things that will disrupt information about the companies' financial success. Furthermore, it was said that when profitability is low, companies will in contrast make report regarding the social acitivity, and hope that when the investors read, they will invest in the company (Donovan & Gibson as cited in Hasibuan, 2001).

Is there any significant difference on the financial performance (Return on Asset) of companies of the same industries which contrive social responsibility disclosure and companies which do not? The results showed that the mean of ROA in companies which contrive social responsibility disclosure was greater than the ROA in companies which do not contrive social responsibility disclosure with the mean scores of 13,295 and 3,3285 respectively. For more details, see the results from Table 4 as follows

Table 4
Group Statistic

	VD	N	Mean	Std. Deviation	Std. Error Mean
	tidak buat	640	3,3285	10,56111	0,41746
ROA	Buat	78	13,295	11,66671	1,32099

Source: Results obtained from SPSS

The difference is very significant because as also shown in
Table 5.5, the significant value was 0 which is smaller than 0,05.
This means that there is significant difference between the ROA of companies that contrived social responsibility disclosure report and corporates that did not contrive the report. For more details, see Table 5.5 below:

Table 5
Difference on ROA

Independent Samples Test

		Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference Lower	Upper
ROA	Equal variances assumed	0,000	-9,96597	1,2815	-12,4819	-7,45
	Equal variances not assumed	0,000	-9,96597	1,38539	-12,7171	-7,2149

Source: Results obtained from SPSS

The results of this study support the study conducted by Almilia et al. (2011) and Gracia et al. (2013) wherein the ROA of companies which reported social responsibility is higher compared to the ROA of companies that do not. In other words, companies with a high ROA would tend to prepare social responsibility disclosure and as discussed earlier, these results support the agency theory. The agency theory supported in that company which has a high profitability tends to contrive social responsibility disclosure because of the great attention from the society (Untari, 2010).

Is there any significant difference on the financial performance (Return on Equity) of companies of the same industries that contrive social responsibility disclosure report and companies that do not? The results showed that the mean score for ROE of companies that contrive social responsibility disclosure was higher compared to the mean score of companies which do not contrive the report. This is supported with the significant value as shown in Table 5.7 which shows that the value of 0,019 is smaller than 0,05. For clearer details, see Table 5.6 and 5.7 as follows:

Table 6.
Group Statistics

	VD	N	Mean	Std. Deviation	Std. Error Mean
	tidak buat	640	9,8082	61,08038	2,41441
ROE	Buat	78	26,112	19,00638	2,15205

Source: Results obtained from SPSS

Table 7
Difference on ROE

Independent Samples Test

		Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference Lower	Upper
ROE	Equal variances assumed	0,019	-16,3039	6,96049	-29,97	-2,638
	Equal variances not assumed	0	-16,3039	3,2343	-22,67	-9,941

Source: Results obtained from SPSS

This means that there was a significant difference between companies that contrived social responsibility disclosure and companies that did not. The results of this study supported the studies conducted by Gracia et al. (2013) wherein there is a significant difference between the ROE of companies that contrive social responsibility disclosure and companies that do not. Further, it was mentioned that companies which contrive social responsibility disclosure have a higher ROE as compared to companies which do not contrive the social responsibility disclosure report.

Although in this study the profitability which was measured by ROE did not have a significant effect on the social responsibility disclosure, the ROE of companies which contrived social responsibility disclosure was still higher than the ROE of companies which did not contrive social responsibility disclosure or in other words, the results of this difference testing supported the agency theory. Company which has a high profitability would tend to prepare social responsibility disclosure. This is also supported by Almilia (2008), in which big company with a high profitability has incentive to present social responsibility disclosure because the company is confronted with higher costs and political pressures.

Here are the results of data, increase and decrease in the company's financial performance, (ROA and ROE) after the company made social responsibility disclosure report.

Table 2.
Mean score of the companies' financial performance for 2008-2011 after social responsibility disclosure in 2007 was made

Years	**2007**	**2008**	**2009**	**2010**	**2011**
ROA	20,0973	8,60167	12,5487	12,7959	13,3443
% changes ROA		-57,20%	45,89%	1,97%	4,29%
ROE	37,28	20,5875	22,5007	22,7618	28,4848
% changes ROE		-44,78%	9,29%	1,16%	25,14%

The table shows that after the companies made social responsibility disclosure report in 2007, the average financial performance of both ROA and ROE decreased in 2008. But in 2009, the financial performance of both ROA and ROE increased. Further, the companies also experienced progress of improvement in 2010 and 2011.

RECOMMENDATIONS

Based on the findings, the researchers recommend for future researchers to add non-financial variables, such as employee motivationand innovation, reputation of the organization, business ethics consideration and other variables that have contributed to the company that makes social responsibility disclosure report.

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