Journal of Business and Economics December 2011
Vol. 10 No. 2, p 160 - 176
ISSN: 1412-0070

The Influence of Leverage, Profitability and Company Size Towards Corporate Social Responsibility Cost of Companies Listed on Indonesia Stock Exchange (IDX)

I Gusti Agung Musa Budidarma*
Fakultas Ekonomi Universitas Klabat

This study presents the analysis of leverage, profitability and company size influences towards corporate social responsibility cost of companies listed on Indonesia Stock Exchange (IDX) period 2008-2010. The samples used were secondary data from IDX website. Samples were taken using the method of purposive sampling with a total of 172 samples of companies consists of 37 finance companies, 18 property & furniture companies, 15 mining companies, 29 trade companies, 20 services companies and 53 companies from other varieties of industries. The statistic method used are simple and multiple linear regression. The result of analysis had no significant influence of leverage, profitability and company size partially and simultaneously on corporate social responsibility for overall companies and by industries of finance, property and real estate, mining, trade and services, with an exception of significant influence of company size on corporate social responsibility for service industry.

Key words: Corporate social responsibility, leverage, profitability, company size

INTRODUCTION

Companies and stakeholders are two unseparated corporate central elements. The relationship between companies and stakeholders affect companies' performance. The insufficient sensitivity on social awareness conducted by companies, could result in protest actions performed by stakeholders (Rahman and Widyasari, 2008). Even more, public societies hold protests on pollution and company's waste, which have badly destroyed the environment. This phenomenon presents evidences that Indonesian companies are facing social conflicts, which challenge them to take actions for improvement.

Corporate social responsibility (CSR) is an action taken by firms to manage its relation and responsibility towards social and environment. World Business Council for Sustainable Development (WBCSD) in Moir (2001) defines CSR as the company's commitment to have an ethical behavior and contribute to economic development while improving quality life of the workforce and their family, communities and societies. The trend of applying CSR has recently emerged as popular issue in the world of business. Companies have been enthusiastic in doing the action because of several reasons, such as improving company's reputation and guaranteeing enterprise sustainability. Therefore, companies reasonably realize CSR as part of their business strategy.

In Indonesia, CSR had become a trend followed up with government's regulations. These regulations are mandatory, and is known as *Undang-Undang No. 25 Tahun 2007 tentang Penanaman Modal*, and *Undang-undang Nomor 40 tahun 2007 tentang Perseroan Terbatas* (UUPT), which concern with investment and company existence. In its elaboration, these regulations have come out in debate between entrepreneurs and the government. The entrepreneurs, who are associated in Kamar Dagang Industri (KADIN), Asosiasi Pengusaha Indonesia (APINDO) and Asosiasi Emiten Indonesia (AEI) refused CSR as mandatory (Rawi, 2008). It is claimed that CSR should be kept as voluntary and become part of the

*corresponding author:
musa.budidarma@gmail.com

businesses' competitive advantage because of certain reasons like CSR increases cost and decreases profit.

A number of companies' characteristics could influence the agreement of conducting CSR program by mandatory even voluntary as well. Leverage is one of the company's characteristics. Due to examine how companies' align its debtholder desire with CSR, research show different results. Mahadwartha (2002) implies that a high leverage will cause a lower social cost. Mahadwartha (2002) found a negative influence of leverage towards CSR. The results shows inconsistency where Mahdiyah (2008) found a positive inflluence while Rawi (2008), Marwata (2001), and Sembiring (2005) found no significant influence of leverage to CSR.

Profitability is another characteristic of firms, which can be seen in its influence to CSR. In this respect, it can be explained on different ways by agency and legitimacy theory. Agency theory states a positive influence where a high profit would make manager disclose and implement more CSR program, while legitimacy theory states that a high profit would make companies have no need to disclose more additional information. Such information is needed when companies are in a low level of profit (Donovan & Gibson, 2000). Rahman and Widyasari (2008), Sembiring (2005), Devina, Suryanto and Zulakha (2004) found no significance influence while Fahrizqi (2010) and Nurkhin (2009) support the influence of profitability to CSR.

Another characteristic is size of the company, which is believed to be influencing CSR (Hackston and Milne, 1996). According to Cowen, Ferreri and Parker (1987), a larger size of company has a larger impact of its operation towards the society. Therefore, the company disclosure is wider because of the pressure of society. More CSR disclosure means more cost to be implemented and therefore gives another reason for the analysis of the argument towards Indonesian companies. Several research result a significant influence of company size to CSR (Marwata, 2001; Sembiring, 2005; Nurkhin, 2009) whereas Haron, Ismail and Yahya (2008), Rahman and Widyasari (2008) also Farook and Lanis (2005) found no significant influence of company size towards CSR.

This research aims to examine the influences of leverage, profitability and company size towards corporate social responsibility cost of companies listed on Indonesia Stock Exchange (IDX). Specifically, this study aims to find answers to the following questions : (1). Is there any influence of leverage to corporate social responsibility cost? (2). Is there any influence of profitability to corporate social responsibility cost? (3). Is there any influence of company size to corporate social responsibility cost? (4). Do leverage, profitability and company size simultaneously affect corporate social responsibility cost?

LITERATURE REVIEW

According to legitimacy theory, organizations attempt to convince society that they are doing activities in appropriate to the limitation and norm of the society where the organizations operate. Firms that attempt to adjust on the norm in society and anticipate legitimacy gap are observed as legal by the society (Rochmi, 2007). Barkemeyer (2007) defines organizational legitimacy as a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.

In addition to legitimacy theory, companies have contract with society to do such action containing the value of justice. This social contract raises an unwritten responsibility to do. Lindblom (1994) cited in Haniffa and Cooke (2005) suggests that if there is no good correlation between the value system of the firm and the value system of society, companies would lose its legitimacy and hence threatening its operation. Corporate social responsibility is one of the mechanisms used to communicate the firm with stakeholders and as a way to grab benefit or fix legitimacy (O'Donovan, 2002). Stakeholder theory states that firms are entities operating for not only self-benefit but also have to contribute to its stakeholders. Stakeholders are those that have relationship with the firm. Freeman and McVea (2001) define stakeholders as a group or individuals that influence or are influenced by the objective of the firm. They are suppliers, customers, government, local community, investors, employees, politicians and associated trade. Therefore, the existence of a firm is influenced by the support of stakeholders to the firm (Ghozali and Chariri, 2007).

Stakeholder theory is a theory that describes to whom (Stakeholder) the company has their responsibility (Freeman and McVea, 2001). Stakeholders have power to control or influence the use of economic resources. It might be the power to limit the use of resources like capital and labor, access to media, and the ability to make decision concerning the firm. Therefore, according to Ullman (1982) cited in Ghozali and Chariri (2007), when stakeholder controls the important resources, firms will react in ways to satisfy stakeholder's need. According to stakeholder theory, the application of CSR is intended to fulfill stakeholder's expectation, which resulting a harmonic relation between the company and society. Therefore, CSR is applied according to stakeholder's expectation.

Corporate social responsibility is a concept that have attracted the world and got attention globally. It is a mechanism for organizations to give attention to social and environment and to interact with stakeholder beyond law requirements (Siegel and Vitaliano, 2007). Firms' responsibilities are not restricted to the activities of producing value but also the responsibility to social problems that occurs as the impact of firm's activities. Weston and Brigham (1990) states that firms need to play role in society's welfare. According to the World Bank, CSR is the commitment to contribute a sustainable development by working with employees, their families, local communities and society to improve their lives in ways that are good for business and for development.

According to Sembiring (2005), leverage reflects companies' level of risk, which is defined as the level of company's dependency towards debt in running its operation. Debt to asset ratio (DAR) is one of the proxies to leverage, which describe the level of debt towards company's total asset. The formula of DAR as used in this research is total debt divided by total assets.

According to Belkaoui and Karpik (1989), decision to do CSR is followed by preparing cost that would decrease earnings. Firms with high leverage impact a high monitoring of firms activities by debtholder. According to agency theory, firms with high debt need to reduce its social responsibility program in purpose to avoid debtholder's attention. According to Devina, Suryanto and Zulaikha (2004), profitability is a factor that gives flexibility for management to do and disclose corporate social responsibility to stockholders. ROA is a ratio that measures firm's ability to obtain profit with the use of its total asset after an adjustment on certain costs. Return on asset (ROA) is one ratio to measure profitability. ROA is obtained by dividing net income by total assets. Therefore, the higher firm's profitability, firms would do more social activities. According to legitimacy theory, firms with high profitability have no need to disclose any additional information in terms as it disturbs the information about firm's success of profitability. However, when firms report low profitability, it is good to disclose more information such as social responsibility and report it as good news to attract investor.

Suripto (1999) cited in Zaleha (2005) explained that a large firm would do more CSR program in purpose to disclose more in the report, rather than small firm. A larger firm has more assets, large sale, better employer skill, high information system, various products, complete ownership structure. Therefore, firm needs to disclose more CSR programs in CSR report, which indicate applying more cost for CSR program to be conducted.

Jensen and Meckling (1976) explained agency theory where a large firm has a high agency cost rather than a small firm. Wider information disclosure as subject to wider activities is in purpose to reduce this agency cost. Therefore, large firms get more public attention. A wider disclosure reduces firm's politic cost as a form of firm's social responsibility.

The hypothesis are tested in this study are as follows :

$H_0 1$: Leverage has no influence to corporate social responsibility cost.

$H_0 2$: Profitability has no influence to corporate social responsibility cost.

$H_0 3$: Company size has no influence to corporate social responsibility cost.

$H_0 4$: Leverage, profitability and company size simultaneously do not affect corporate social responsibility cost.

RESEARCH METHODOLOGY

This research used descriptive method to measure the influences of leverage, profitability and company size to corporate social responsibility (CSR) cost. Descriptive method is a study that tries to describe certain object or phenomenon, which is obtained from individual, or collective subjects as well as explaining the relevant aspect of those object (Indrianto and Supomo, 2002). Descriptive method is used to describe the phenomenon of company's characteristics represented by financial ratios towards corporate social responsibility cost. The characteristics of companies would be observed in this research as independent variables where debt to asset ratio (DAR) as proxy to leverage, return on asset ratio (ROA) as proxy to profitability and total asset as proxy to company size. Those variables are regressed with corporate social responsibility cost as dependent variable.

Population in this research is all the companies listed on Indonesia Stock Exchange for the period 2008-2010. Samples are taken from several industries to further enable an analysis of the same relationships of variables in those different industries. Total samples are 172 firms, which consists of 37 finance companies, 18 property and furniture companies, 15 mining companies, 29 trade companies, 20 services companies and 53 companies from other varieties of industries.

A technique used in this research is purposive sampling, which is determining samples based on certain criteria. Those criteria are: (1) Companies listed on Indonesia Exchange (IDX) for the period 2008-2010. (2) Years 2008-2010 are chosen as the latest years after the implementation of Corporate Social Responsibility (CSR) regulation on 2007, which state a mandatory of doing CSR for *Perseroan terbatas*. (3) Provide their financial statement in IDX official website. (4) Provide a complete data regarding DAR, ROA and total asset. And (5) Having corporate social responsibility (CSR) cost in a separated account such as CSR cost, donation, representative or mentioning the number of CSR cost in CSR report. This research used secondary data to generate information. The data are gathered from annual financial reporting of companies listed in IDX website for the period 2008-2010 in a form of softcopy. Data are then processed by Eviews program.

The method of data and variables collection used in this research is documentation. The financial data are obtained from IDX site in Universitas Klabat by asking the permission of Faculty of Economics first. Data are gathered by downloading softcopy of audited annual financial statements of companies listed on Indonesia Stock Exchange for the period 2008-2010. This research used simple linear regression and multiple linear regression to test the hypotheses. Independent variables, such as DAR, ROA and total asset (ΔTA) are analyzed to measure its influences towards CSR cost.

Simple linear regression equations are as follows:

$$\Delta CSRcost = \alpha + \beta 1 \, (DAR) + \varepsilon$$
$$\Delta CSRcost = \alpha + \beta 2 \, (ROA) + \varepsilon$$
$$\Delta CSRcost = \alpha + \beta 3 \, (\Delta TA) + \varepsilon$$

Multiple linear regression is used in equation (3.4) as follows:

$$\Delta CSRcost = \alpha + \beta 1 \, (DAR) + \beta 2 \, (ROA) + \beta 3 \, (\Delta TA) + \varepsilon$$

The value of α and β is derived from:

$$\alpha = \frac{(\Sigma y)(\Sigma x^2) - (\Sigma x)(\Sigma xy)}{n\,(\Sigma x^2) - (\Sigma x)^2}$$

$$\beta = \frac{n\,(\Sigma xy) - (\Sigma x)\,(\Sigma y)}{n\,(\Sigma x^2) - (\Sigma x)^2}$$

Where:

n = number of observation

x = independent variables (DAR, ROA and total asset)

α = regression constant

β = intercept (coefficient regression)

ε = error (level significant of 95%, tolerance error of 5%)

t-test is used to examine the partial and simultaneous relationship of independent variables towards dependent variable in a regression with significance level of 0.05 (α = 5%).

In t-test if *p*-value (probability) $>$ 0.05 means that coefficient regression β = 0, indicating that independent variable has no influence to dependent variable. In contrast, if *p*-value $\leq$ 0.05 this means that coefficient regression β $\neq$ 0, which give conclution that independent variable has influence to the dependent variable. Manually, t-test is conducted with the formula as follows:

$$t = \frac{b1}{s\,(b1)}$$

Where the value of S (b1), S and SSx is derived from:

$$S(b1) = \frac{s}{\sqrt{SSx}}$$

$$s = \sqrt{\frac{\Sigma(yi-\hat{y})^2}{n-2}}$$

$$SSx = \Sigma\ x^2 - (\Sigma x^2)/n$$

Where:

S (b1) = Standard error of S1

s = Standard error of estimate

SSx = Sum of square

$\hat{y}$ = Predicted value

i = Observation

A good regression model should fulfill the Best Linear Unbiased Estimation (BLUE) criteria. For multiple linear regression, in order to get unbiased result of estimation, the data should be free from multicollinearity test and heteroscedasticity test. For simple linear regression, there would be conducted only heteroscedasticity test. After data are gathered, before preceding the analysis, a test of those any divergence of classic assumption is conducted.

Multicollinearity occurs when there is a perfect or close to perfect linear relationship between several or all independent variable in the regression model. Multicollinearity test is aimed to examine whether there found a correlation between the independent variable in the regression model. A good regression should not contain a correlation for those independent variables (Ghozali and Chariri, 2007). EViews software should be used in this research to avoid the existence of multicollinearity.

Heteroscedasticity test is aimed to examine if there is unequal variance from one residual of observation to another in the regression model. If the variance from one residual to another is consistent, it said to be homoscedasticity, but if it is different, then it is termed heteroscedasticity. Heteroscedasticity does not occur in a good regression model (Ghozali and Chariri, 2007). EViews software is used to detect any signal of heteroscedasticity by using White Heteroscedasticity Consistent Covariances feature in Eviews.

RESEARCH FINDINGS

Multicollinearity test are applied into a multiple regression model. A multicollinearity test is particularly applied to examine the fourth hypotheses of this research, which use a multiple regression model. Eviews software as used in this research did not provide the facility of the test. In other function, the program is designed to automatically cancel an examination if it contains a significant multicollinearity problem. Therefore, the data are stated to be free from multicolinearity.

Heteroskedasticity test are applied to examine simple and multiple linear regression model as used in the four hypotheses of the research. Using Eviews software, heteroskedasticity are tested by the option of White Heteroskedasticity test. The test required a *p*-value of *Obs*R-squared* higher than 0.05. The result for heteroskedasticity test shows that the data are free from heteroskedasticity, as all of *p*-values are more than significant value of 0.05.

To answer question 1 in this study, "Is there any influence of leverage to corporate social responsibility cost?" hypothesis H_01, "Leverage has no influence to corporate social responsibility cost", was developed. A simple linear regression model was used to test the hypothesis.

Table 1. Presents the result of examination on overall companies.

Dependent Variable: CSR
included observations: 172

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DAR	-17.23054	15.16263	-1.136382	0.2574
C	1375.799	908.1560	1.514937	0.1316

The test shows a probability F-Statistics value (*p*-value) of 0.2574 as seen in table 1. The result was gained through a process in Eviews software and shows a *p*-value higher than the level of significance 0.05. This result states fail to reject H_o1, indicating that leverage has no influence towards Corporate Social Responsibility (CSR) cost.

Examinations of the influence of leverage to CSR are also done by the industries of finance, property and real estate, mining, trade and service.

Table 2. Presents the result of examination on finance industry.

Dependent Variable: CSR
Included observations: 37

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DAR	-0.296210	0.490777	-0.603553	0.5500
C	49.45036	35.95505	1.375338	0.1778

As seen in table 2, the result of examination shows *p*-value of 0.5500, which is higher than the level of significance 0.05 indicating no significant influence of leverage to CSR in finance industry.

Table 3. Property & Real Estate industry

Dependent Variable: CSR
Included observations: 39

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DAR	0.059534	1.719152	0.034630	0.9726
C	71.71339	82.06296	0.873883	0.3878

Property and real estate industry shows *p*-value of 0.9726 as seen in table 3, which is greater than the level of significance 0.05. This indicates that leverage has no significant influence to CSR in property and real estate industry, the same result with the finance industry. The research has also been conducted based on the gathered samples on mining industry.

Table 4. Presents the result of examination in mining industry. Mining industry

Dependent Variable: CSR
Included observations: 15

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DAR	0.732822	0.593075	1.235632	0.2385
C	-14.06335	29.88821	-0.470532	0.6458

As seen in table 4, the result of examination shows *p*-value of 0.2385 which is higher than the level of significance 0.05, indicating there is no significant influence of leverage to CSR in mining industry, the same result with finance, property and real estate industries. Another examination is conducted in the industry of trade. Table 5 shows the result of examination.

Table 5. Trade industry

Dependent Variable: CSR
Included observations: 28

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DAR	-91.45459	90.98327	-1.005180	0.3241
C	7270.419	5323.877	1.365625	0.1838

The result shows *p*-value of 0.3241 as seen in table 5, which is higher than the level of significance 0.05, indicating no significant influence of leverage to CSR in the industry of trade. The same examination is done in service industry. Table 6 presents the result of examination.

Table 6. Service industry

Dependent Variable: CSR
Included observations: 20

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DAR	-1.110031	0.710178	-1.563033	0.1355
C	76.71841	40.13536	1.911492	0.0720

As seen in table 6, the result shows *p*-value of 0.1355, which is higher than the level of significance 0.05 indicating no significant influence of leverage to CSR in service industry. The result indicates that whether a high or low leverage a company has, it does not influence any high or low implementation of CSR. Having certain level of leverage do not affect the determination of CSR activity thereby CSR cost. The result of this study is in contrast with agency theory that states the negative relationship of leverage and CSR. According to agency theory, firms with high leverage would reduce its CSR cost in order to avoid more attentions by debtholders, as CSR cost is categorized as an expense.

A good relationship with debtholder is analyzed to be the factor that discourages debtholder in giving extra attentions on the ratio of leverage; therefore the influence of leverage towards CSR becomes insignificant. Another factor could be a good performance of the company that results a good evaluation by debtholder; therefore debtholder would not give extra attention both on leverage and any expenses such as CSR cost conducted by the company. Those relation leads for a no significant influence of leverage to CSR cost. The result is in contrast also with the findings by Robert (1992) that shows a positive influence of leverage to CSR. Robert (1992) argues that the dependency to leverage, which causes companies to encourage its social activities, is in order to meet creditor's expectation of social role.

The result of this research has same findings with the research by Rawi (2008), Fahrizqi (2010), Marwata (2001) and Sembiring (2005), where those past researchers found no significant influence of leverage to corporate social responsibility cost. Therefore, leverage would not be a factor that influences the determination of CSR cost. To answer question 2 in this study, "Is there any influence of profitability to corporate social responsibility cost?" hypothesis $H_0 2$, "Profitability has no influence to corporate social responsibility cost", was developed. A simple linear regression model was used to test the hypothesis. Table 7 presents the result examination on all companies.

Table 7. All Companies

Dependent Variable: CSR
Included observations: 172

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROA	42.66684	59.19729	0.720757	0.4720
C	265.6319	430.3678	0.617221	0.5379

The test result shows a probability F-Statistics value (*p*-value) of 0.4720 as seen in table 7. *p*-value is higher than the level of significance 0.05. This result states fail to reject $H_0 2$, indicating that profitability has no significant influence towards Corporate Social Responsibility (CSR) cost for overall companies. The examination of profitability influence to CSR cost is also done in the industries of finance, property and real estate, mining, trade and service. Table 8 presents the result of examination on finance industry.

Table 8. Finance industry

Dependent Variable: CSR
Included observations: 37

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROA	-2.066112	1.440701	-1.434102	0.1604
C	35.75916	11.90881	3.002748	0.0049

As seen in table 8, the result shows *p*-value of 0.1604, which is higher than the level of significance 0.05, indicating that there is no significant influence of profitability to CSR in the industry of finance. Examination is also done in property & real estate industry. Table 9 presents the result of examination.

Table 9. Property & Real Estate industry

Dependent Variable: CSR
Included observations: 39

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROA	0.607708	10.60373	0.057311	0.9546
C	72.96641	37.14780	1.964219	0.0571

The result shows *p*-value of 0.9546 as seen in table 9, which is greater than the level of significance 0.05, indicating no significant influence of profitability to CSR in property and real estate industry. Another examination of profitability influence towards CSR is also conducted in mining industry. Table 10 presents the result examination.

Table 10. Mining industry

Dependent Variable: CSR
Included observations: 15

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROA	2.521336	1.648121	1.529824	0.1500
C	-7.026584	21.52230	-0.326479	0.7493

As seen in table 10, the result shows a *p*-value of 0.1500, higher than the level of significance 0.05, indicating no significant influence of profitability to CSR in mining industry, the same result as industry of finance, property and real estate.The same examination is also conducted in trade industry. Table 11 presents the result of examination.

Table 11. Trade industry

Dependent Variable: CSR
Included observations: 28

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROA	1217.262	716.1021	1.699844	0.1011
C	-1866.184	3315.577	-0.562854	0.5784

In the industry of trade, the result shows *p*-value of 0.1011 as seen in table 11, which is higher than the level of significance 0.05, indicating no significant influence of profitability to CSR in trade industry. Table 12 presents the examination of profitability to CSR in the industry of service.

Table 12. Service industry

Dependent Variable: CSR
Included observations: 20

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROA	1.943388	3.436806	0.565464	0.5787
C	12.68034	17.92544	0.707394	0.4884

As seen in table 12, the result of

examination shows *p*-value of 0.5787, which is higher than the level of significance 0.05, indicating no significant influence of profitability to CSR in service industry. Overall companies and the industry of finance, property and real estate mining, trade and services reveal the same result of no significant influence of profitability to CSR. As the five groups of industries in this group of samples show the results of no significant influence, it does make sense that the same result was found for overall companies. As the result shows that profitability has no influence on CSR cost, it indicates that the implementation of CSR does not depend on any profitability of past performance a company has. Any high or low profitability a company has would not influence the determination of CSR activity to be implemented and thereby CSR cost.

The finding in this study reveals no dependencies of CSR on companies' profitability, which is in contrast with legitimacy theory. Legitimacy theory states that firms would have more CSR activities and disclosing it more in the report when having low profitability in order to reveal good news of the firm's activities, indicating a negative influence of profitability to CSR. In another perspective, according to agency theory, firms would do more social program when having high income. Therefore, the result of this study is in contrast with legitimacy and agency theory. Firms are having certain other factors over profitability that encourage doing CSR activities.

Management might think that CSR is important for the sustainability of the company, therefore it is needed to be applied and having it in a certain portion according to the need of society and environment, whether the companies are being profitable or not. Indonesian firms are doing CSR for the positive benefits it affects on the companies, as mentioned by Nurkhin (2009). The need of having a sustainable company that has a good relationship with the society would lead to an implementation of CSR, for the positive effect as the result. For example, a good relationship with workers and customers would lead to a fewer workers problem and loyal customers. Therefore, the company would implement CSR activities whether the company's past performance are being profitable or not. This might be the reason of the insignificant influence of profitability to CSR.

The findings of the study has the same result with Hackston and Milne (1996), Sembiring (2005), Rahman and Widyasari (2008) and Devina, Suryanto and Zulakha (2004), which found no influence of profitability to CSR. It indicates that most companies have realized the application of CSR as part of having a sustainable company. To answer question 3 in this study, "Is there any influence of company size to corporate social responsibility cost?" hypothesis $H_0 3$, "Company size has no influence to corporate social responsibility cost", was developed. A simple linear regression model was used to test the hypothesis. Table 13 presents the result examination on overall companies.

Table 13. All Companies

Dependent Variable: CSR
Included observations: 172

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TA	-0.185551	13.80257	-0.013443	0.9893
C	431.9665	386.4530	1.117773	0.2652

Table 13 shows a probability F-Statistics value (*p*-value) of 0.9893. The result shows that *p*-value is higher than the level of significance 0.05. This result states fail to reject $H_o 3$, indicating that company size has no influence towards Corporate Social Responsibility (CSR) cost. The same examinations are done in the industries of finance, property and real estate, mining, trade and service.

Table 14. Finance industry

Dependent Variable: CSR
Included observations: 37

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TA	0.099833	0.372358	0.268109	0.7902
C	27.33400	12.47731	2.190697	0.0352

As seen in table 14, the result shows *p*-value of 0.7902, higher than the level of significance 0.05, indicating that company size has no significant influence to CSR in the industry of finance. Another examination is also done in the industry of property and real estate.

Table 15. Property & Real Estate industry

Dependent Variable: CSR
Included observations: 39

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TA	-0.202935	0.826180	-0.245631	0.8073
C	76.16814	28.54622	2.668239	0.0113

The examination results a *p*-value of 0.8073 as seen in table 15, which is greater than the level of significance 0.05, which indicates no significant influence of company size to CSR in property and real estate industry. Examinations are also conducted in the mining industry based on the gathered samples. Table 16 presents the result examination in the industry of mining.

Table 16. Mining industry

Dependent Variable: CSR
Included observations: 15

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TA	0.209105	0.851018	0.245712	0.8097
C	18.32118	14.64474	1.251042	0.2330

As seen in table 16, the result shows a *p*-value of 0.8097, higher than the level of significance 0.05, indicating that there is no significant influence of company size to CSR on mining industry. Examination of company size influence is also conducted in trade industry. Table 17 presents the examination result.

Table 17. Trade industry

Dependent Variable: CSR
Included observations: 28

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TA	7.160788	156.5277	0.045748	0.9639
C	2355.390	2590.409	0.909274	0.3716

The result shows a *p*-value of 0.9639 as seen in table 17, which is higher than the level of significance 0.05, indicating that company size has no significant influence to

CSR in trade industry. These results indicate that a larger size a company has, does not influence a larger CSR cost. Whereas the implementation of CSR activity is not determined by company's size, based on the results on overall companies, and the industries of finance, property and real estate, mining and trade.

The implication is that a large company that has a larger influence towards the society does not always have relationship with the society as expressed in CSR activities and CSR cost. A larger total asset as proxy in this study does not show a relation of a larger CSR cost. Agency theory could not be proved in this study as seen in the result by all companies and the industries of finance, property and real estate, mining and services. Agency theory states small companies would disclose lower quality information compared to large companies as argues by Buzby (1995) cited in Sembiring (2005). This lower information indicates a low sacrifice of company resources for having any corporate social responsibility activity to be realized in expense. A large company would have wider disclosure to decrease politic cost (agency cost) as form of social responsibility (Marwata, 2006). However, this study does not support the argument.

Based on the result, it could be suggested that, CSR application is done as a commitment of companies in having a good relationship with stakeholders and the society. CSR decision might be based on management's decision as it is insignificantly influenced by company size. Therefore, company size characteristic becomes insignificant in influencing the determination of CSR cost portion to be realized. The study presents the same findings with the findings by Roberts (1992), Haron, Ismail and Yahya (2008), Rahman and Widyasari (2008) also Farook and Lanis (2005). It indicates that a larger size of company is not always related to a larger CSR activity to be implemented.

However, the group industry of service shows a significant influence of company size towards corporate social responsibility cost based on the result. Table 18 presents the result examination of company size to CSR on service industry.

Table 18. Service industry

Dependent Variable: CSR				
Included observations: 20				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
TA	1.059123	0.500656	2.115469	0.0486
C	15.45760	13.71754	1.126849	0.2746
Adjusted R-squared	0.154624	S.E. of regression	61.08876	

As seen in table 18, the result shows a *p*-value of 0.0486, which is lower than the level of significance 0.05, with equation:

$$CSR = 15.4576014316 + 1.059123*TA + \varepsilon$$

A *p*-value of 0.048 shows a significant influence of company size to CSR, indicating that in the industry of service, a larger firm would do more CSR activities and thereby more CSR cost. Adjusted R-squared of 0.154624, indicates that for 15% company size could determine CSR cost in the model. While for 85% is determined by other factor out of the model. The result indicates that company size influences CSR in the service industry. A larger company is, and then a larger CSR cost would be realized in service industry. The result is different from the other groups of industries in this research, which is finance, property and real estate, mining and trade industries. The implementation of agency theory that states larger firms would realize a larger CSR cost could only be proved on service industry in this research.

Service industry has less contact with the environment compared to mining industry.

The relationship with society and environment should be stronger in mining industry compared to service industry. The implementation of CSR activities with its dependency on company size could be seen only in service industry. This indicates that mining industy probably is having a consistent expense of CSR as the industry is operating in a significant influence towards the environment. While services industry shows a dependable relation towards the company size.

Similar industries as service which have less contact with the environment as grouped in this research as finance, property and real estate and also trade are having no influence of company size towards CSR cost. These industries are categorized similar, compared to mining industry which has more contact with the environment. The result indicates that there are certain other factors that influence the implementation of CSR, because as similar industries, only service industry shows a significant influence of company size to CSR. The reason might appear as management's decision of having CSR as part of reaching a sustainable development of the companies. Therefore, industries of finance, property and real estate and trade do not show a dependable of CSR to company size. Industry of service shows it dependency of CSR to company size, indicating that a larger firm that has more contact of service to customers would lead to implementing more CSR program as part of the businesses' strategy.

The finding in service industry would then have same finding with Belkaoui and Karpik (1989), Hackston and Milne (1996), Arifin (2002), Marwata (2001), Sembiring (2005), Nurkhin (2009), which found evidence to support the influence of company size to CSR, where a larger company would give more attention on CSR program whether it is part of aligning value of the company with the value in society or part of the strategy of the firm. To answer question 4 in this study, "Do leverage, profitability and company size simultaneously affect corporate social responsibility cost?" hypothesis $H_0 4$, "Leverage, profitability and company size simultaneously do not affect corporate social responsibility cost", was developed. A Multiple linear regression model was used to test the hypothesis.

Table 19. Simultan influence on all companies

Dependent Variable: CSR
Included observations: 172

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DAR	-16.21423	15.89284	-1.020222	0.3091
ROA	29.11200	60.91281	0.477929	0.6333
TA	-2.577055	14.11905	-0.182523	0.8554
C	1231.238	1051.809	1.170590	0.2434
R-squared	0.009188	Mean dependent var		430.2713
Adjusted R-squared	-0.008505	S.D. dependent var		4776.845
Prob (F-statistic)	0.669572			

The result of the test shows a *p*-value of 0.669527 as seen in table 19, which is higher than the level of significance 0.05 which indicates that simultaneously leverage, profitability and company size have no significant influence on corporate social responsibility cost. The value of *R-Squared* of 0.00918 infers a coefficient correlation of .91%. This indicates that the relationship of leverage, profitability and company size to corporate social responsibility measured with CSR cost, are in a weak correlation. Therefore, all together leverage, profitability and company size could not explain the existence of how extensive an implementation of CSR cost a company has.

CONCLUSION

There are several conclusions in this study. By the examination of the first hypotheses that aims to analyze whether leverage has influence on corporate social responsibility cost, the result of the examination on all companies has a *p*-value of 0.2574, in the industry of finance a *p*-value of 0.5500, the industry of property and real estate a *p*-value of 0.9726, the industry of mining a *p*-value of 0.2385, the industry of trade a *p*-value of 0.3241, and industry of services a *p*-value of 0.1355. This all result indicates that leverage has no influence on corporate social responsibility for all the companies and the same result over each industry.

Second hypotheses aims to analyze the influences of profitability to corporate social responsibility cost. The results of the examination on all companies has a *p*-value of 0.4720, the industry of finance a *p*-value of 0.1604, the industry of property and real estate a *p*-value of 0.9546, the industry of mining a *p*-value of 0.1500, in the industry of trade a *p*-value of 0.1011, and industry of services a *p*-value of 0.5787. Based on the results on this study, it could be stated that there is no influence of profitability to Corporate Social Responsibility for all companies and each industry. The third hypothesis aims to analyze the influences of company size towards corporate social responsibility. The results of the examination on all companies has *p*-value of 0.9893, the industry of finance a *p*-value of 0.7902, the industry of property and real estate a *p*-value of 0.8073, the industry of mining a *p*-value of 0.8097, in the industry of trade a *p*-value of 0.9639. While in the industry of services examination, it results a *p*-value of 0.0486. Overall companies show no significant influence as well as the industries of finance, property and real estate, mining and trade, while the industry of services shows a result of an influence of company size towards corporate social responsibility.

The last hypothesis aims to examine a simultan influence of leverage, profitability and company size towards corporate social responsibility cost. With a *p*-value of 0.669572, the result shows no significant influence of leverage, profitability and company size to corporate social responsibility.

Recommendations. Several recommend-dations are provided for certain limitations of the study. For further researcher, it is recommended to add more variables such as management or institution ownership, company profile, or adding variable control of company age, and market value upon book value that can strengthen the influences of the independent variable towards corporate social responsibility. In addition, it is recommended to have a longer period of observation. Certain industries might have declared a commitment of a consistent action of doing corporate social responsibility even before the declaration of government's regulation on 2007. Therefore, it is recommended to have a longer period of observation to get a closer result of the dependencies of corporate social responsibility on companies' characteristics based on the real condition. For the government, it is recommended to evaluate the regulations in applying the cost of corporate social responsibility with an evaluation of the characteristics of firms. Conducting corporate social responsibility is something necessary for companies to do and government might declare certain portion of cost for companies in conducting it.

REFERENCES

Adi, Siswanto. (2005). Pengaruh Pengungkapan Sosial Dalam Laporan Tahunan Perusahaan Terhadap Reaksi Investor (Studi Kasus pada Perusahaan *High Profile* yang *listing* di BEI). *Balance,* No. 2 (7), pp. 447-461.

Arifin, Sabeni. (2002). An Empirical Analysis of the Relation Between the Board of Director's Composition and the Level of Voluntary Disclosure. *Proceedings for the Fifth Indonesian Conference On Accounting*, No. 5, pp. 46-57.

Balabanis, George, Hugh C. Phillips, & Jonathan Lyall. (1988). Corporate Social Responsibility & Economic Performance in the Top British

Companies: Are They Linked ?. *European Business Review*, Vol. 98, No.1, pp. 25-44.

Barkemeyer, Ralf. (2007). Legitimacy as a Key Driver and Determinant of CSR in Developing Countries. *Paper for the 2007 Marie Curie Summer School on Earth System Governance*. Amsterdam.

Barnea, Amir & Amir Rubin. (2006). *Corporate Social Responsibility as a Conflict between Shareholders. Journal of Business Ethics,* No. 97, pp. 71–86.

Belkaoui, Ahmed & Philip G. Karpik. (1989). Determinants of the Corporate Decision to Disclose Sosial Information. *Accounting, Auditing and Accountability Journal,* Vol. 2, No. 1, pp. 36-51.

Brigham, Eugene F. & Joel F. Houston. (2006). Dasar-dasar Manajemen Keuangan. Buku Satu, Edisi Sepuluh. Terjemahan oleh Ali Akbar Yulianto dari *Fundamentals of Financial Management* (2004). Jakarta: Salemba Empat.

Cowen, Scott S., Linda B. Ferreri, & Lee D. Parker. (1987). The Impact Of Corporate Characteristics On Social Responsibility Disclosure: A Typology And Frequency-Based Analysis. *Accounting, Organisations and Society Journal*. Vol. 12 No. 2, pp. 111-122.

Clarkson, Max B. E. (1995). A stakeholder framework for analyzing and evaluating corporate social performance. *Academy of Management Review,* No. 20, pp. 92-117.

Darwin, Ali. (2008). Akuntabilitas, Kebutuhan, Pelaporan, dan PengungkapanCSR bagi Perusahaan di Indonesia. *Economics, Business Accounting Review*, Edisi III, pp. 83 – 95.

Devina, Florence, Suryanto dan Zulaikha. (2004). Pengaruh Karakteristik Perusahaan Terhadap Pengungkapan Sosial dalam Laporan Tahunan Perusahaan Go Public di Bursa Efek Jakarta (BEJ). *Jurnal Maksi,*Vol. 4, pp 161-177.

Farook, Sayd & Roman Lanis. (2005). Banking On Islam? Determinants of Corporate Social Responsibility Disclosure. Retrieved March 5, 2011 from http://www.afaanz.org/web2005/papers.

Freeman, R. Edward & Jaggi McVea. (2001). A Stakeholder Approach to Strategic Management. Retrieved March 5, 2011 from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=263511. SSRN.

Friedman, Milton. (1970). The social responsibility of business is to increase its profits. *New York Times Magazine*. pp. 32–33 and 122–126.

Ghozali, Imam & Anis Chariri. (2007). *Teori Akuntansi*. Semarang: Badan Penerbit Universitas Diponegoro.

Gray, Rob, Kouhy, R., Lavers, S. (1995). Corporate Social and Environment Reporting: A Review of the Literature and a Longitudinal Study of UK Disclosure. *Accounting, Auditing and Accountibility Journal,* Vol. 8, No. 2, pp. 47-77.

Gray, Rob, Dave Owen & Maunders, K. (1987). Corporate Social Reporting: Emerging trends in accountibility and the Social Contract. *Accounting Auditing and Accountability Journal*, Vol. 1, No. 1, pp. 6-20.

Griffin, Jennifer & John Mahon. (1997). The corporate social performance and corporate financial performance debate: Twenty-five years of incomparable research. *Business and Society*, No. 36 (1), pp. 5-31.

Haron, Hasnah, Ishak Ismail & Sofri Yahya. (2008). Factors Influencing Corporate Social Influences in Malaysia. *Jurnal Manajemen*, No. 1, pp. 86-100.

Hackston, David & Marcus J. Milne. (1996). Some Determinants Of Social and Environmental Disclosures In New Zealand Companies. *Accounting, Auditing and Accountability Journal*, Vol. 9, No. 1, pp. 77-108.

Haniffa, R.M., & Cooke T. E. (2005). The Impact of Culture and Governance on Corporate Social Reporting. *Journal of*

Accounting and Public Policy, No. 24, pp. 391-430.

Hasibuan, M. Rizals. (2001). *Pengaruh Karakteristik Perusahaan Terhadap pengungkapan Sosial (Social Disclosure) Dalam Laporan Tahunan 76 Emiten di BEJ dan BES*. Tesis S2 Magister Akuntansi Undip.

Heal, Geoffrey. (2004). *Corporate social responsibility – an economic framework and financial framework*. Working Paper. Columbia University.

Indrianto, Nur & Bambang Supomo. (2002). Metodologi Penelitian Bisnis. Yogyakarta: BPFE UGM.

Januarti, Indira & Apriyanti, D. (2005). Pengaruh Tanggung Jawab Sosial Perusahaan Terhadap Kinerja Keuangan . Jurnal MAKSI, Vol. 5, No. 2, pp. 227-243.s

Jensen, Michael C. & Wiliam H. Meckling. (1976). Theory of the Firm: Managerial Behavior, Agency Costs, and Capital Structure. *Journal of Financial Economics*, No. 3, pp. 305-360.

Jensen, Michael C. (1986). Agency costs of free cash flow, corporate finance, and Takeovers. *American Economic Review,* No. 76, pp. 323-329.

Mahadwartha, Putu A. (2002). Uji Teori Keagenan dalam Hubungan Interdependensi antara Kebijakan Utang dan Kebijakan Dividen, *Simposium Nasional Akuntansi V Ikatan Akuntan Indonesia 635-647.*

Mahdiyah. (2008). Analisis Karakteristik Perusahaan dan Pengungkapan Tanggung Jawab Sosial dalam Laporan Tahunan Perusahaan serta Pengaruhnya pada Reaksi Investor. Skripsi S1 Program Akuntansi Universitas Diponegoro, Semarang.

Marwata. (2001). Hubungan Karakteristik Perusahaan dan Kualitas Ungkapan Sukarela dalam Laporan Tahunan Perusahaan Publik di Indonesia. *Jurnal ekonomi dan Bisnis*, Vol. 12, No. 1, pp. 59-66.

McWilliams Abigail & Donald Siegel. (2001). Corporate social responsibility and financial performance: correlation or misspecification?*Strategic Management Journal* No. 21(5), pp. 603-609

Moir, Lance. (2001). What Do We Mean By CSR?. *Corporate Governance*. Vol. 1, No. 2, pp. 16-22.

Nurkhin, Ahmad. (2009). Corporate Governance dan Profitabilitas; Pengaruhnya terhadap Pengungkapan Tanggung Jawab Sosial Perusahaan (Studi Empiris pada Perusahaan yang Tercatat di Bursa Efek Indonesia. Tesis Magister Akuntansi Universitas Diponegoro, Semarang.

O'Donovan, Gary. (2002). Environmental Disclosure in the Annual Report: Extending the Applicability and Predictive Power of Legitimacy Theory. *Accounting, Auditing and Accountability Journal,* Vol.15, No.3, pp. 344-371.

Parsa, Sepideh & Reza Kouhy. (2007). Social Reporting by Companies Listed on the Alternative Investment Market. *Journal of Business Ethics,* No. 79, pp. 345–360.

Pava, Moses L. & Joshua Krausz. (1996). The association between corporate social responsibility and financial performance. *Journal of Business Ethics,* No. 15, pp. 321-357.

Preston, Lee & Daouglas O'Bannon. (1997). The Corporate Social-Financial Performance Relationship. *Business and Society Journal*, No. 36, pp. 419-429.

Rahman, Arief & Kurnia N. Widyasari. (2008). The Analysis of Company Characteristics Influence toward CSR Disclosure: Empirical Evidence of Manufacturing companies Listed in JSX. *JAAI,* Vol. 12, No. 1, pp 25-35.

Rawi. (2008). Pengaruh Kepemilikan Manajemen, Institusi dan Leverage terhadap Corporate Social Responsibility pada Perusahaan Manufaktur yang Listing di Bursa Efek Indonesia. Thesis Magister Akuntansi Universitas Diponegoro, Semarang.

Roberts, Robin W. (1992). Determinants Of Corporate Social Responsibility

Disclosure: An Application Of Stakeholder Theory. *Accounting, Organisations and Society*, Vol. 17, No. 6, pp. 595-612.

Rokhmi, Naili. (2007). *Pengaruh Kondisi Sosial Politik Dan Mekanisme Islamic Governance Terhadap Pengugkapan Pertanggungjawaban Sosial*. Skripsi Perpustakaan Ekonomi Referensi. Undip. Semarang. Retrieved from http://ro.uow.edu.au/commpapers/81.

Shocker, Allan D. & S. Prakash Sethi. (1974). An Approach to Incorporating Social Preferences in Developing Corporate Action Strategies. In Sethie,S.P (ed) *The Unstable Ground: Corporate Social Policy in a Dynamic Society*, LosAngeles: Melville Publishing Company, pp.67-80

Sembiring, Eddy Rismanda. (2005). Karakteristik Perusahaan dan Pengungkapan Tanggung Jawab Sosial: Studi Empiris pada Perusahaan yang Tercatat di Bursa Efek Jakarta. *Jurnal MAKSI Undip,* Vol 6, No. 1.

Siegel, Donald & Vitaliano, D. (2007). An Empirical Analysis of the Strategic Use of Corporate Social Responsibility. *Journal of Economics and Management Strategy*, Vol. 16, No. 3, pp. 773-792.

Stanwick, Peter A. & Sarah D. Stanwick. (1998). The Relationship Between Corporate Social Performance, and Organizational Size, Financial Performance, and Environmental Performance: An Empirical Examination. *Journal of Business Ethics*, No. 17, pp. 195-204.

Ullmann, Arieh. (1985). Data in search of a theory: A critical examination of the relationship among social performance, social disclosure, and economic performance. *Academy of Management Review*, No. 10, pp. 450-477.

Van Horn, James C. & John M. Wachowicz. (1997). *Prinsip-prinsip Manajemen Keuangan*. Salemba Empat: Jakarta.

Verschoor, Curtis C. (1998). A Study of the Link Between Corporation's Financial Performance and Its Commitment to Ethics. *Journal of Business Ethics*, No. 17, pp. 1509-1516.

Wallace, R. S. Olusegun, Kamal Naser, & Areceli Mora. (1994). The Relationship between the Comprehensiveness of Corporate Annual Report and Firm Characteristics in Spain. *Accounting and Business Research,* Vol. 25, pp 41-53.

Weston, J. Fred & Eugene F. Bringham. (1994). *Dasar-dasar Manajemen Keuangan* (Edisi Ketujuh). Jakarta: Penerbit Erlangga.

Zaleha, S. (2005). Pengaruh Karakteristik Perusahaan terhadap Pengungkapan Sosial dalam Laporan Tahunan Perusahaan GO PUBLIC di BEJ Tahun 2003. Skripsi S1 Program Akuntansi Universitas Diponegoro, Semarang.