

Evaluate corporate social responsibility disclosure at Annual Report Companies in multifarious group of industry members of Jakarta Stock Exchange (JSX), Indonesia

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Abstract

Purpose – *The purpose of this paper is to draw disclosure of corporate social responsibility from annual reports of companies which went public on the Jakarta Stock Exchange (JSX). The objective of this research is to show the pattern of the companies in practicing social disclosure. The pattern includes category and item, focus, amount and difference per category including high and low profile companies in multifarious group members of JSX.*

Design/methodology/approach – *Corporate Social Responsibility (CSR) was identified, evaluated and measured, along with the effect on the company and communication to stockholders, as it was seen how much the disclosure about social responsibility accounting was present in the annual report.*

Findings – *Its use of coding processes in the annual report, with use of content analysis, was specifically for indexing a “yes” or “no” approach. There are 16 members of JSX for Multifarious Group of Industry including High-Profile and Low-Profile companies. The research results show the significant difference between High-Profile and Low-Profile for disclosure about corporate social responsibility in annual reports.*

Originality/value – *The paper suggests that the behavior of a company disregarding its social responsibility will harm that company.*

Keywords *Corporate social responsibility, Stock exchanges, Indonesia*

Paper type *Research paper*

1. Introduction

Researchers in countries in Western Europe, USA, Canada, Australia, and New Zealand have done lots of effort to study social accounting. Adams *et al.* (1997) examined corporate social reporting (CSR) in various industries in six countries in Western Europe; Gray *et al.* (1995) examined CSR in England; Tsang (1998) in Singapore; Andrew *et al.* (1989) in Singapore and Malaysia.

Research conducted by Hackston and Milne (1996) on public companies in New Zealand showed that social disclosure practiced by large companies was higher than social disclosure practiced by smaller companies. Another finding is, that high profile companies practiced more social disclosure than low profile companies did.

Adams *et al.* (1997) observed the social disclosure practice in six European countries (i.e. France, Germany, Switzerland, England, Sweden, and Netherlands). Samples including four industrial groups: petroleum, chemistry, metal, and energy; manufacture and automotives; engineering and constructions; and service, food and beverage, and retails. Adams *et al.* also categorized those groups into two major groups. The first two groups represented “sensitive” industries and the latter two represents “less sensitive” industries. They found

that there was a difference in social disclosure between “sensitive” and “less sensitive” industries. In addition, the research analyzed the difference between social disclosures practiced by large and small companies.

Andrew *et al.* (1989) who observed social disclosure in 119 sample companies in Malaysia and Singapore found the tendency those companies focused social disclosure more on labor category. In addition, it found that larger companies practiced more social disclosure than medium and smaller companies did. Approximately 50 percent of the large companies are practicing social disclosure, while only 43 percent of medium companies and 14 percent of small companies did the same practice.

1.1 Practice social disclosure in Jakarta Stock Exchange (JSX) and Surabaya Stock Exchange (SSX)

With the pattern of its social disclosure cover, product and consumer, labor and society category, without input of an environmental category, obtained by result that practice of social disclosure of industrial group of High-Profile and by Low-Profile. (Utomo, 2000). Khodijah and Mirfazli (2006) checked the comparison between industry of High-Profile and Low-Profile with the input of an environmental category also obtained to get the same result, where there are differences which are significant between the disclosure of High-Profile and Low-Profile members of JSX.

As for differences in this research with previous research, there is an election sample and edition of the annual report checked specifically for incoming companies in the multifarious group of industry. Drawing on this, there are two models of where at this group there are industrial groups of high profile and low profile. There are no additional classification categories for social disclosure but the reason of this illusion is relied by an effort group which is included in the industry category enlisted in JSX. And for measurement for social disclosure is not divided pursuant to disclosure location. This matter, more or less, will give difference between this research with previous research. The last matter giving difference is the growth of Corporate Social Responsibility by itself

As an integral part of the company, accounting aims to accommodate the changing trend by establishing a sub-discipline of social accounting. There was an essential change by the accounting discipline through this issue, that is, the change in paradigm of responsibility. During times, accounting products were purposed as a management responsibility to stockowners. Nowadays, that paradigm was extended as a responsibility to all stakeholders. Financial Accounting Standard issued by the Indonesian Accountant Association (IAI), implicitly had accommodated the purpose. For instance, as written in Financial Accounting Standard Statement (PSAK) No. 1 (1998 Revision) paragraph 9:

Companies may also provide additional reports, such as living environmental reports and value added statement reports, especially for industries where living environmental hold an important role, and for industries that consider employees as a report user group which hold an important role.

This extended paradigm of responsibility is a large contribution by the accounting discipline for the community. There is an acknowledgment that the users of financial reports are not only stockowners, future investors, creditors, and government, but have extended to other stakeholders.

The aim of this research is to answer the question, “How was social disclosure practiced including focus, amount and comparative per sector by companies in Indonesia?”

The writer attempted to map social disclosure practice by companies in Indonesia and analyze social disclosure differences between two groups of industries by multifarious sector members of JSX, that is, high and low profile industries.



2. Objectives

The objectives of the research were to:

- obtain illustrations regarding pattern of social disclosure practice including focus, amount and comparative per sector by go-public companies in Indonesia (JSX) in their annual reports; and
- observe the differences in social disclosure practice between high profile industrial groups and low profile industrial groups.

3. Literature review

3.1 Corporate Social Responsibility (CSR)

A company's social responsibility is not a new concept in society but progressively expand along with other concepts. A company's social responsibility, which is referred to as Corporate Social Responsibility, theoretically still generated a contradiction.

Corporate Social Responsibility started to become the big issue and was studied by a lot of parties in the early 1960s in the United States and in the early 1970s in Europe. In this time, Corporate Social Responsibility has become the important issue in the business world and society and its discussion coverage has progressed immeasurable along with its growth in the business world. A progressive, wide coverage of discussion of Corporate Social Responsibility means a definition is made more immeasurable. Besides that, terms which emerge along with the growth of Corporate Social Responsibility also increase and vary. Definitions about Corporate Social Responsibility still are difficult to find in accountancy literature. The definition needs a lot of consideration and consensus about any kind of competent included into company responsibility. However, if we discuss about a company choice in disclosure social responsibility reporting, we will agree that a company that takes charge must be expressly related to accountability, not only in finance performance but also its social performance.

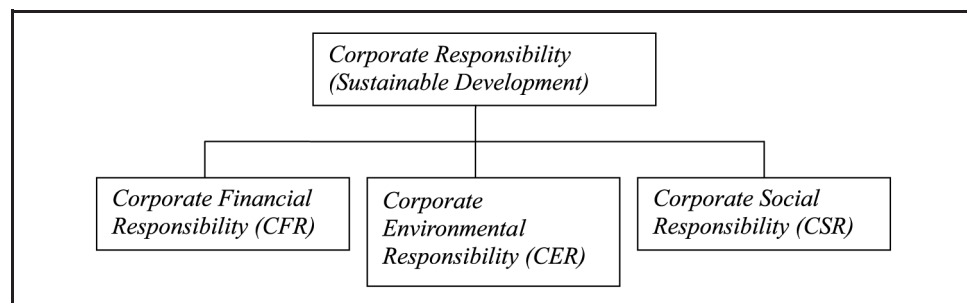
According to World Business Council for Sustainable Development in its publication entitled *Making Good Business Sense* (2002) citing statement of Lord Holme and Richard Watts (2000) defining a social responsible company as follows:

Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (www.mallenbaker.net).

For a while, company responsibility helps the attainment focused three company efficacy consisting of "social efficacy, environmental, and financial". This concept is known as Triple Bottom Line Success of a Company. For a more clear description, this is depicted in Figure 1.

The existing Triple Bottom Line Success of a Company is triggered by Corporate Financial Responsibility (CFR). After that, a company's effort is directed to minimize the negative effects from environmental problems (CER), and then to strive for the company to behave and match social environmental expectations (CSR). These are all interconnected and

Figure 1 Triple Bottom Line Success of a Company



overall the responsibility is viewed as a contribution of a company to the business world in general in realizing sustainable development.

Another definition mentions:

Corporate Social Responsibility is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life (World Business Council for Sustainable Development, 2002).

Definitions of Corporate Social Responsibility varied between definitions in one state with other states because what is conceived of social responsibility forms the basis of awareness or initiative in one state, and represents obligation in another state. For example, association of Corporate Social Responsibility in Ghana mentions:

CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government (mallenbaker.net).

While association of Corporate Social Responsibility in Filipina has a notion that “CSR is about business giving back to society . . . ” (mallenbaker.net).

Organizational Corporate Social Responsibility in Europe, as CSR Europe (www.csreurope.com) state has a notion that a company have two responsibility types that is first commercial responsibility which run the business successfully and secondly is social responsibility that is the company's role in society, where various activities are done by the company besides activity of attainment maximize profit. This activity can be, for example, environmental continuity, paying attention to employees' prosperity, running business pursuant to existing ethics, and active participation in society in the place where the company operates.

Griffin in *Essential Business* mentions a company's social responsibility where the term Social Responsibility is defined as:

The attempt of business to balance its commitments to group and individuals in its environment, including customers, other business, employees and investors.

According to him, social responsibility represents effort to balance various commitments responsibly for all investors to maximize the profit for the company. Beside that, a company also takes charge to its consumer to market a good quality product – a commitment that possibly triggers increased production costs and makes the company have to settle for lower profits. This matter then results in a lot of irresponsibility of companies towards its consumer because they are enthusiastic to gratify the investor.

From various definitions above, the writer can conclude that a social responsibility company is a company's continuing effort to balance the aspect of a social-economy company in order to fulfill obligations demanded by all stakeholders fairly and proportionally.

3.2 CSR model

From bibliography research, there are three views or models depicting company involvement in social activity. The three models are as follows:

1. *Classic Model*. This opinion, expanding at the nineteenth century, starting from perfect emulation concept, where economic perpetrator apart and differs from the other behavioral type and form. Company's purposed to maximize profit. The criterion of company efficacy is measured by useful power and growth. According to this opinion, effort that a company does is just to fulfill the market request and commercialize represent to capital owner. A Fundamentalist in this area, Milton Friedman, expressed:

There is one and only one company responsibility, that is use owned properties to increase profit as long as according to rule of the game going into effect in a free computation system without deception and insincerity (Friedman, 1962).



Company's, according to this opinion, needn't think of social effect which generated its company and needn't think of effort to repair social disease.

2. *Management Model.* This opinion arose about 1930, after emerging new challenges of companies having the nature of differing from previous situations which were colored by ideas of the classic model. According to this opinion, companies considered to be institutions of permanence and have separate targets. Managers are trusted by owners of capital to run a business for the sake of not only the owner of capital, but also they are directly concerned with company life, like employees, customers, suppliers, and existing other parties that bear with the company which are not solely based on the existence of contract (Harahap, 1993). Thereby a manager of a team is responsible to the continuity of company life performed to chosen policy which must consider social responsibility and remember the companies relation with other parties which also have a share in the attainment of the company target which do not only think of returning the owner's capital.
3. *Social Environmental Model.* This Model emphasizes that companies believe that power of owned politics and economics have a relation with the importance of the source of the social environment and not merely from the market as according to classic model theory. Its consequence is the company has to share activity in finishing social diseases which reside in its environment, like education systems which are not certifiable, lack of labor, pollution, dirty housing, no regular transportation, security, and others. If the classic model has a purpose, it is specifically to secure and prosper the owner, and the management model and capital of management, in this model a company have to extend targets which must reach of that which is concerning prosperity of society in general (Harahap, 1993). Thereby, in choosing this project to fund, besides paying attention to percentage of profit, they also have to pay attention to advantages and disadvantages which possibly will be suffered by society. Pursuant to perception cursorily, either due influence of society demand through governmental hand and also change of human being attitude in a company in this time. These matters go into effect, either in a capitalist state or socialist state, more than in our state.

3.3 Pro and contra about CSR

Problems companies are required to take charge of whether social or not, still become erudite debate. Each telling opinion and his support claim that his idea is correct. Following the reason of supporters, a company has social responsibility and ethics that is (Harahap, 2002):

- Involvement of social represents respond to society expectation and desire to role of company. On a long term, this matter is very beneficial to a company.
- Involvement of social possibly will influence the repair of environment, society, and possibly will degrade production cost.
- Improving company name will generate customer sympathy, employee's sympathy, investor, and others.
- Avoiding governmental interference in protecting society. So that if a company has social responsibility, they can possibly avoid demarcation of activity of company.
- Show positive company in terms of value and norm going into effect in society, so that they get society sympathy.
- As according to desire stockholder, in this case public.
- Lessening tension dislike of society to the company though sometimes hateful activity of society is impossible to avoid.
- Assisting a nation as a whole, with natural conservation, conservancy of artistic and culture goods, increase of peoples' education, labor, and others.

The reasons a challenger which frowns on social responsibility of a company may point out the following:



- Calling away the attention of the company from target of the core important in searching profit. This will generate extravagance.
- Conducive involvement of a company to political games or power redundantly which in fact is not in its field.
- Generate the business environment which is homogeneous, not pluralistic.
- Social involvement needs the big enough energy and fund which cannot be fulfilled by a finite company fund, which can generate bankruptcy or degrade the level of company growth.
- Involvement of complex social activity needs the energy and expertise which may not yet already be owned by a company (Ahmed Belkoui, SEA 1984 in Harahap, 1993).

3.4 Social accountancy

Definition of Accountancy which is often met in literature is a definition opened by American Institute of Certified Public Accountant (AICPA). It is as follows (in Suwardjono, 2005):

Accounting is the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of financial character, and interpreting the result thereof.

Another definition according to American Accounting Association (AAA) which shall no longer touch the word "art" but rather affirm at word of "process" (in Suwardjono, 2005):

Accounting is "... the process of identifying, measuring, and communicating information to permit informed judgements and decisions by users of the information."

A definition which is much the same that according to AICPA 1970 that is (in Suwardjono, 2005):

Accounting is a service activity. Its function is to provide quantitative information, primarily financial in nature, about economic entities that is intended [*sic*] to be useful in making economic decision.

According to Suwardjono, as a set knowledge, accountancy can be defined as:

Seperangkat pengetahuan yang mempelajari *perekayasaan* penyediaan jasa berupa informasi keuangan kuantitatif unit-unit organisasi dalam suatu lingkungan Negara tertentu dan cara penyampaian (pelaporan) informasi tersebut kepada pihak yang berkepentingan untuk dijadikan dasar dalam pengambilan keputusan ekonomik.

Paul Grady supported the accountancy definition as science, representing definition completion from AICPA:

Accounting is the body of knowledge and functions concerned with systematic originating, authenticating, recording, classifying, processing, summarizing, analyzing, interpreting, and supplying of dependable and significant information covering transactions and events which are, in part at least, of financial character, required for the management and operation of an entity and for reports that have to be submitted thereon to meet fiduciary and other responsibilities.

While for the congeniality of social accountancy, this has been defined as follows:

Social accounting is the process of selecting firm-level social performance variables, measures, and measurement procedures; systematically developing information usefull [*sic*] for evaluating the firms social performance; and communicating such information to concerned social groups, both within and outside the firm.

For a while according to Freedman (1989):

Social accounting has been defined as the ordering, measuring and analysis of the social and economic consequences of governmental and entrepreneurial behavior.

From the congeniality above, if paid attention to that in general social accountancy congeniality in fact relates to accountancy congeniality. The difference between conventional accountancy congeniality with the social accountancy is the word of social itself. Social accountancy represents the conventional accountancy which deals with the



social transaction of a company. While its accounting process basically is equal that is it includes the process of identifying, record-keeping, measurement, and disclosure. This matter is perceivable because social accountancy itself represents part of or the broader new scope of conventional financial accounting.

3.5 Category classifications included in social accountancy

Social Accountancy aims to measure and lay open entire expense and social benefits which are required by activity produced by a company to yield the relevant information for interested parties for the company. In line with the target, hence it is important to know scope from social accountancy before so that later it can be identified by the social benefit and type.

Social accountancy scope represents the area gaining company attention referring to social impact disclosure of corporate activity. This scope is divisible from some categories according to experts. The difference is because there is not a standard format yet concerning categories which must be mentioned by company in social responsibility reporting, considering that application of social accountancy does not have its regulation standard. Moreover, the category coalescence between companies is one where others might possibly differ depending on the requirements of each company and stakeholder. Following are opinions from some experts concerning the classification's category which comes within the social accountancy's scope:

1. The National Association of Accountant's Committee on Accounting for Corporate Social Performance classification is primarily a scope which requires attention to be paid by a company concerning its following social performance:
 - society involvement (community involvement), covering activity most of which will benefit society widely, for example development and house expenditure, philanthropy activity, planning and village repairing, and many more;
 - human resources are activities that give benefits to the employees, for example the practice program and uplifting of skill, repairing the working circumstance and atmosphere, policy concerning promotion and any compensation to the employees;
 - physical sources and environment contribution, that is hit the air quality and irrigate and also the voice pollution's controlling, and industrial garbage dismissal operation (continuation of environment); and
 - the product's contribution/service, that is pay attention to the influence of product or service to the society by reckoning some consideration like product quality, product packer, product advertisement, rule of product warranty, and product security.
2. Linowes in their model of social accountancy report three forms or categories (in Freedman, 1989):
 - deal with society;
 - deal with environment; and
 - deal with consumer.
3. The categories that have been mentioned which are different from each other for the type of reporting:
 - for the reporting model by Inventory Approach, it consists of four categories: labor; community; product; and environment;
 - for the reporting model by Outlay-Cost Approach, it consists of four categories: personnel; customer; environment; and community; and
 - for the reporting model by the Cost Benefit Approach, it consists of four categories: employees; consumer; community; and environment.



If paid attention to, there are the same classification categories as the expert's various opinions above. When joined as a whole, the category comes within the social accountancy scope:

- employee's category;
- consumer's category;
- product's category;
- social's category; and
- environmental category.

It seems constituting the existence of the classification category's equity raised by all experts are for example because the companies have their own in glove related/relevant with each of the categories, amenity identify the activity generating expense and benefit from each category. But that way, the category classification has not yet become a standard and or compulsion for a company in making a social expression.

Now there is not standard yet concerning to the category's coalescence in social reporting. In consequence, each company has their own freedom in determining which category is mentioned in its social report adapted by pertinent company requirements. The important matter which has to be remembered is the information yielded in social reporting has to fulfill the requirement of stakeholders as parties that have importance within the company, not merely the company importance.

3.6 Disclosure

Conceptually, disclosure represents the integral part from financial reporting. Technically, disclosure represents the final step in accountancy course that is information presentation in the form of a set full of the financial statement. Evans (2003, in Suwardjono, 2005) interprets the disclosure as follows:

Disclosure means supplying information in the financial statement, including the statements themselves, the notes to the statement, and the supplementary disclosures associated with the statement. It does not extend to public or private statements made by management or information provided outside the financial statement.

More specific, Wolk, Tearney, and Dodd (2001, in Suwardjono, 2005) interpret the disclosure's congeniality as follows:

Broadly interpreted, disclosure is concerned with information in both the financial statement and supplementary communication including footless, post-statement events, managements discussion and analysis of operations for the forthcoming year, financial and operating forecasts, and additional financial statements covering segmental disclosure and extensions beyond historical cost.

Evans limits the disclosure's congeniality only at the things which is concerning with the financial reporting. The management statement in other dissimilar mass media or newspaper outlets and also information outside the financial reporting's scope are not included in disclosure congeniality. Meanwhile, Wolk, Tearney, and Dodd also include the segmental financial statement and statement which reflected the price's change as part of disclosure.

Expression also often meant as ready information more than what communicable in the form of formal financial statement. This matter seems in line with idea FASB in its conceptual framework as following (SFAC No. 1, PRG. 5, in Suwardjono, 2005):

Although financial reporting and financial statements have essentially the same objectives, some useful information is better provided by financial statement and some is better provided, or can only be provided, by means of financial reporting other than financial statements.



3.7 Disclosure's target

In general, disclosure's target presents the information which is considered necessary to reach financial reporting targets and to serve various parties having important differences from each other. The special target is as follows (in Suwardjono, 2005):

- *The protection target.* The protection target is based on the idea that not all users are sophisticated enough so that users which naïf require to be protected by laying open information which they not possible obtain or not possible to process information to catch the economic substations which base on a post of financial statement. In other word, disclosure intended to protect the management treatment which is possibly unjust and opened (unfair).
- *Informative target.* Informative target based on the idea that a user has a certain sophisticated level. Thereby, disclosure instructed to provide the information which can assist users in making effective decisions.
- *Special requirement target.* This target represents the merger from the protection of public target and informative target. What have to be laid open to the public is limited by what is considered necessary for users which is gone to, whereas for the purpose of observation, certain information has to be submitted to a supervisory body pursuant to regulation through forms claiming disclosure in detail.

Other disclosure targets are set out by the Securities Exchange Commission (SEC). According to SEC of disclosure target categorized to become two that is: protective disclosure, that which is intended as protection effort to an investor; and informative disclosure, which aims to give the competent information to report consumers (Wolk, Francis, and Turney in Zuhroh and I Putu Pande, 2003)

There are different ideas in the case of how far the length of disclosure of financial statements ought to be conducted and information requirement of consumer differs. There are three concepts concerning broadness of financial statement disclosure, that is Adequate, Fair, and Full Disclosure. The concept that is most often practiced is Adequate Disclosure, which is minimum disclosure which must be fulfilled to make sure financial statements as a whole do not mislead for the sake of decision making. Fair disclosure contains ethical targets by providing competent information to potential readers. While full disclosure represents disclosure of all relevant information.

Full disclosure of information presents an abundance of information, so some parties have a bad notion. Abundant information will be productive contra to certain beliefs because detailed disclosure which is not important will close the significant information to cause the financial statement difficult to interpret. But competent disclosure regarding the significant information to all investor and other party shall be adequate, complete and fair. There is no a marked difference among this concept if altogether utilized in a competent context

Meanwhile there are two types of disclosure in its relation with the conditions specified by standard. First is mandatory disclosure, which is minimum disclosure, required by accountancy standard going into effect. And the second is voluntary disclosure which is disclosure of items done voluntarily by a company without obligation by regulation. Although all public companies are obliged to fulfill minimum disclosure, they differ substantially by the amount of additional information expressed to capital markets.

3.8 Motivation and reason for doing social disclosure

Some motivation is possible to push the environmental and social performance information disclosure, for example:

- *To maintain the legitimacy of company operation (Legitimacy Theory).* According to Legitimacy Theory, company conduct certain activity, included in matter of information disclosure, in order to obtain the legitimacy from society where the company operates and also as a strategy to keep the good relation between the company with the outside party (especially stakeholders).



- *To manage or influence certain group stakeholders who have a strong influence.* In stakeholders' theory, a company considers the existence of expectation, which differ from each group of stakeholders that have an affect on operation and policy of information disclosure.
- *To increase properties of all stockholders and managers.* Positive Accounting Theory has the assumption that everyone does the activity because they are pushed by private interest accomplishment. If everybody has an activity to fulfill its private interest, it can be that managers set their mind to disclosure of the environmental and social information because they expect to get the make-up of properties from the disclosure activity. Make-up of properties is possible from profit improvement or assessing the company.
- *Manager confidence that companies have the accountabilities or duty to provide certain information.* Disclosure of social and environmental responsibility performance information can be pushed because a manager believes that various group stakeholders are entitled to know the operate implication for the company to environmental and social quality.
- *To hinder or preceding the effort recognition/making of disclosure regulation that more weighing.* Managers do the environmental and social performance information disclosure in order to hinder governments and depress the pertinent industry. It is very possible to disturb this when too much reporting occurs.

While the motivation and the reason why companies conduct the social disclosure, which they got from opinions ambit of all experts, for example:

1. *To create the good impression about social value of company:*

Companies use social information to present themselves with a prosperous image and to show that they exhibit the same social norms and values as those of their society (Parsons, 1956 in Parsa and Kouhy, 2000).

2. *To support the continuity of company business:*

For companies to continue to survive and grow, they need to perform well and undertake various socially desirable actions, including distribution of economic, social or political benefits to the groups from whom they derive their power (Shocker and Sethi, 1973 in Parsa and Kouhy, 2000).

Companies agree to perform various socially desired actions in return for the approval of their objectives and to ensure their survival (Guthrie and Parker, 1989 in Parsa and Kouhy, 2000).

3. *To increase company legitimacy before stakeholders:*

The disclosure of social information is used as a means of legitimising corporate actions as well as projecting their values and ideas (Dieckers and Voght, 2000 in Parsa and Kouhy, 2000).

Companies disclose social information to legitimise their own existence (Brown and Deegan, 1998 in Parsa and Kouhy, 2000).

4. *As an effort for the minimization of Business Risk.* Pursuant to the result of research into the Trotman and Bradley (1981, in Henny and Murtanto, 2001), by conducting social disclosure hence company will own the high systematic risk (for a while controlling easier for systematic risk than non-systematic risk).

3.9 Social disclosure in annual report

Disclosure defined as providing a number of information required for the optimally operation in an efficient capital market (Hendriksen, 1996, in Zuhroh and I Putu Pande, 2003). There is a mandatory disclosure that is information disclosure which is obliged to be done by companies which rely on a certain standard or regulation, and there is the character of voluntary, representing information disclosure which exceeds the minimum conditions from regulation going into effect. Each unit/economic perpetrator trying for importance of stockholders and its concentration at profit attainment also takes charge of social



responsibility, and that matter is required to be expressed in an annual report, as expressed by FASB (Suadilman, 2000 in Zuhroh and I Putu Pande, 2003) and AICPA:

Financial Reporting include not only financial statement, but also other means of communicating information that relates, direct or indirect, to the information provided by the accounting system. New releases, management's forecasts or other descriptions of it plans or expectations, and descriptions of its plans or expectations and descriptions of an enterprise's social or environmental impact are examples or reports giving financial informations [sic] other than financial statements (FASB, 1978 in Zuhroh and I Putu Pande, 2003).

An objective of financial statements is to report on these activities of the enterprise affecting society which can be determined and described or measured and which are important to the role of enterprises in its social environment (AICPA, 1973).

3.10 Annual report

A definition of an annual report is as follows:

At the top every analyst's list (of financial reports used by analysts) is the annual report to share holders. It is the major reporting document and every other financial report is in some respect subsidiary or supplementary to it.

Annual reports are obliged to be submitted by companies enlisting in Stock Exchanges as activity reporting during one previous year to interested parties (stakeholders). Overall, content from the annual report is not arranged by a professional authority in charge like Ikatan Akuntansi Indonesia (IAI), but is arranged by the Regulator of Stock Exchange that is Bapepam.

The objective of annual reports is:

- useful to users of the annual report in making investments, credits, and other decisions;
- providing comprehensive reports about the company prospect in future of operation activity, finance, and other relevant information; and
- providing information about the claims of company resources and also its change.

3.11 Industrial type: High-Profile

A company which is included in industrial type High-Profile according to Robert (Hackston and Milne, 1996 in Utomo, 2000) is a company having high level sensitivities to the environment, high political risk or tight competition. While Diekers and Preston (Hacston and Milne, 1996 in Utomo, 2000) depict industry which has High-Profile as follows:

... companies whose economic activities modify the environment, such as extractive industries, are more likely to disclose information about their environmental impact than are companies in order industries.

Cowen *et al.* (Hackston & Milne, 1996 in Utomo, 2000) enhance this as follows:

Consumer-oriented companies can be expected to exhibit greater concern with demonstrating their social responsibility to the community, since this is likely to enhance corporate image and influence sales.

High-Profile companies generally represent a company that obtains a focus from society because its operation activity owns the potency correlated with the wider importance. Generally, society is more sensitive to High-Profile companies because they neglect the security of production process and their result can bring about a fatal effect for society. High-Profile companies are more sensitive to the desire of the consumer or other party which have importance to its product (Zuhroh and I Putu Pande, 2003). We can say that High-Profile companies have the possibility to cause damage on other social impacts or the environment. An example is a mining company, management of forest resource, chemical industrial and industrial agro, representing industries claiming wise social impact management by remembering its operations have an impact on society. A real example is the case of the gas leakage at the Lapindo Company which had a fatal impact on society. As



for companies which are classified in industrial groups of High-Profile according to Robert (Hackston and Milne, 1996 in Utomo, 2000), they include other oil companies and mining, chemical, forest, paper, automotive, air transport, agribusiness, tobacco and smoke, food and beverage product, media and communications, energy (electrics), engineering, health, and also transportation and tourism.

3.12 Industrial type: Low-Profile

Low-Profile companies represent the companies which don't obtain a wide focus from society if their operations fail or if there is a mistake at certain aspects in the process and result. When compared to a High-Profile company, a company categorized in industry as Low-Profile experiences more tolerance by society if they make a mistake (Zuhroh and I Putu Pande, 2003). We can say that Low-Profile industry represents the industry type of owning level of social risk which is lower than High-Profile industry. But industrial did not mean that Low-Profile didn't own social impact for its operation activity. Like Robert's example, industry of a Low-Profile also has the social impact potency. An example is a producer of a personal product having social impact potency in the form of environmental damage from its factory waste, but its social responsibility urgency doesn't seem as extreme when dealing with a problem after the mining process, safety of oil mineworkers on the high seas or other extreme problems. As for a type of company which is classified in an industrial group of Low-Profile according to Robert (Hackston and Milne, 1996; Utomo, 2000), building companies, finance and banking, medical equipments suppliers, property, company retell, textile and textile product, product personal, and domestic products are examples.

4. Hypothesis

Regarding the objectives of the research, the writer formulated the hypothesis (positioned as alternative hypothesis) as follows:

There was a significant difference in social disclosure between High-Profile and Low-Profile companies.

5. Methods

5.1 Sample of research

Election sample method was used in this research and the method purposive judgment sampling, that is election sample type in that it is not random which information is obtained by using certain considerations. As for criteria used in determination sample:

- Noted by as emitted in Jakarta Stock Exchange (JSX) in the year 2004.
- Company have finished its obligation in delivering annual report of year period 2004.
- Annual report of companies sampled in the physical made available compactly and intact in PRPM JSX.

5.2 Variables of research

The variables used in this research are:

1. social disclosure conducted by a company categorized in industry which is in Elementary Industrial group and the Chemistry; and
2. social disclosure conducted by a company which category in industry which is in Industrial Multifarious group.

The second variable has the character of independent and own symmetrical relation. Relation of between-Variable referred as symmetrical if variable which one is not caused or influenced by another variable (Hagul Manning and Singarimbun, 1989, in Moslem Utomo, 2000). Each variable overlapped four categories set in this research that is concerning social, environmental, labor, and consumer.



5.3 Technical of data analysis

This research used the method of content analysis, which is a research method that using procedure to make inference for a text (Weber, 1992, p. 251). The text codified into a category based on certain criteria (Weber in Choi, 1998, p. 5).

In the first part, using research instruments, the research of the annual report found the items that were expressed by a company. From the results, the researcher mapped the social express by a company. The result of this mapping hoped to give a description about patterns of companies in Indonesia to disclosure of social information that had been done and will do.

In the second part, the researcher will test the difference between the items that are expressed by two industry categories. This measure means to test the difference of disclosure between high profile industry and low profile industry.

The statistic instruments that were used to testify the hypothesis in this research is Z statistic test with significant 0.05 in one way testify. Relate with using parametric two-variance statistic, the writer assumed that the data in this research is in normal distribution. In testing the hypothesis checked, the researcher made use of Mini Statistical Software of Tab of Version 13.

6. Analysis and result

6.1 Researching and profile of sample

Pursuant to data which noted at Effect Exchange Jakarta, there are 356 emitter enlisted. From the population amount there are 32 emitted which is the inclusive of companies in Industrial Multifarious Group. Pursuant to determination sample criterion, fulfilling to be made by a sample that is as much as five emitter which is the included in High-Profile from a population of a number of six. Medium for the industrial multifarious group of Low-Profile from population of a number of 16 data which is made available by a number of 11 emitted (see Table I).

6.2 Social disclosure map

In previous research (Utomo, 2000) expressed that social disclosure focus of Effect Exchange emiten of Jakarta (BEJ) and Effect exchange of Surabaya.

High Profile social category of labor, differentiating only its just percentage, generally obtained result of that category of labor which had the biggest percentage that is 42.7 percent from totalizing social disclosure which conducted by all sample companies, followed with society category equal to 23.6 percent, environment category equal to 19.1 percent, and the last is consumer category equal to 14.6 percent.

Low Profile social category of labor, differentiating only its just percentage, generally obtained result of that category of labor which had the biggest percentage that is 57.8 percent from totalizing social disclosure which conducted by all sample companies, followed with consumers category equal to 21.1 percent, environment category equal to 14.7 percent, and the last is society category equal to 6.4 percent (see Table II).

Here is analysis about disclosure focused on social impacts conducted on the sample companies including High- and Low-Profile.

Table I Amount sample multifarious research of industrial group

Type of industry	Population	Sample	%
High-Profile	6	5	
Low-Profile	16	11	
Sum	22	16	

Table II Social disclosure of entire sample company

Category	High-Profile (Ngkapan)	%	Low-Profile	%	Total	%
Society category	21	23.6	7	6.4	28	14.1
Consumers category	13	14.6	23	21.1	36	18.2
Labor category	38	42.7	63	57.8	101	51.0
Environment category	17	19.1	16	14.7	33	16.7
Total	89	100	109	100	198	100

6.3 Labor category

Like previous research, category of labor becomes one of the principal focuses of social disclosure activity of a sample company. The highest percentage of sub-category is disclosure of amount of labor, other health and subsidy and also program of pension that is equal to 16,30 percent. All emiten have policy which is different from each other in the case of subsidy. But there are also emiten which have compiled other subsidy programs, like intensive system of employees' achievement. According to writer analysis, this other subsidy program addressed by company is to increase employees' performance. Social responsibility of a company to its employees in the end will give economic advantage to the company, through make-up of contribution work by employees for the company.

Next, the focus is on the four sub categories including labor, employment; other, retired/pension and wage/salary disclosure getting portion of 15.8 percent. The next sub-category is education and training getting percentage of 9.9 percent. According to the writer, in general sample companies realize the importance of improving the quality of human resources as an asset with the benefit to continuity (going concern) for a company.

Next sub-category is worker turn over which gets a percentage equal to 7.9 percent. Next, result of research shows that working safety and health get a percentage equal to 5.9 percent. Next, only 1 percent of the sample companies lay open about trade unions in its annual report. While the next sub-category which still has a small and similar percentage in social disclosure of categories is compatibility of gender in opportunity of career and activity, observance facility and employees co-operation which get 2 percent (see Table III).

6.4 Consumer category

At social disclosure with consumers category, obtained result of that multi product get the highest percentage among other sub categories that is equal to 44.40 percent. Next customer satisfaction gets 36.10 percent. In general among others, standard quality of product base on management system of quality, some of among others mirror of

Table III Social disclosure – entire sample company: labor category

Category of labor	Amount of disclosure	%
Sum up labor	16	15.8
Working safety	6	5.9
Health inclusive facility	6	5.9
Employees co-operation	2	2.0
Employ, other	16	15.8
Wage/salary	16	15.8
Education and training	10	9.9
Equivalence of gender	2	2.0
Facility observance	2	2.0
Leave employees	0	0
Retired/pension	16	15.8
Trade Union	1	1.0
Opportunity work with	0	0
Workers turn-over	8	7.9
Total	101	100.00

acquisition of appreciation of ISO 9001 or 9002 for the system of management quality for their product. While for the sub-category appreciation of quality, this gets the smallest portion among others in consumers category that is equal to 19.39 percent (see Table IV).

6.5 Society category

Society category concerns the social responsibility of a company to outside parties. In general, some of the sample companies conduct social activity especially having the character of incidental and like aid to natural disaster victims. So, social contribution sub-category is more laid open (28.60 percent) than other sub-categories. The second sub-category is support of institution education and sport activity, which get a percentage of 14.30 percent. Social activity like this finishes the expense of dozens and generally does not have any relevance with the activity of company business. This contribution benefit is the make-up of a company's good name in the long term and creates the impression of a business which is socially responsible.

Then, results of the research show that social facility and contribution get a percentage equal to 10.70 percent. In general facility woke up the company for society in the form of roadworks, development of mosques, development of other school facility and schools, and others. There are three sub-category as support to spirituality institute, participation of social and cultural get a percentage of social disclosure equal to 7.10 percent (see Table V).

6.5 Environment category

For the environmental category, most companies of High-Profile have circumstantial attention to the effect that, although some companies of low profile like the textile industry and textile product have good enough attention also to the environment category. The result of research expressed that 24.20 percent of the sample companies have support and attention on environment policy and preventive pollution. For the sub-category of support of animal conservation, the percentage is 21.20 percent. Environment certification and rating percentage are 15.20 percent. Reached for appreciation sample companies here deflect in the form of ISO 14001 and also appreciation of management of other environments which have a national scale. Special for the appreciation of ISO 14001, this appreciation represent results of evaluation of institutes and have scale of international conduct assessment of environmental management system like from Lloyd Quality Assurance (see Table VI).

Table IV Social disclosure – entire sample company: consumers category

<i>Consumers category</i>	<i>Amount of disclosure</i>	<i>%</i>
Product quality	16	44.40
Appreciation of quality (including lawful certificate/appreciation and quality)	7	19.40
Costumer satisfaction (effort improves satisfaction of consumers)	13	36.10
Total	36	100.00

Table V Social disclosure – entire sample company: society category

<i>Social category</i>	<i>Amount of disclosure</i>	<i>%</i>
Support at activity of culture and art	2	7.10
Support at sport activity (including sponsorship)	4	14.30
Participation at society	2	7.10
Support to institute spirituality	2	7.10
Support to education institute	4	14.30
Social contribution	8	28.60
Social facility	3	10.70
Work field priority for society	3	10.70
Total	28	100.00



Table VI Social disclosure entire sample company: environment category

<i>Environmental category</i>	<i>Amount of disclosure</i>	<i>%</i>
Environmental policy	8	24.20
Environmental certification and AMDAL	5	15.20
Rating (including appreciation in environmental)	5	15.20
Prevention/processing of pollution (including processing of waste)	8	24.20
Support at animal conservation or environment	7	21.20
Total	33	100.00

6.7 Descriptive result of analyses statistic

From the result of calculations of enclosure of mini output tab earn known that social disclosure use in industrial multifarious group of high profile have value of minimum 6 (six) and maximum 25 (twenty five) with mean 16.1667 and own standard of devises 7.46771. While taking care in industrial multifarious group of low profile have a minimum value of 5 (five) and a maximum of 20 (twenty) with mean 9.63636 and own standard of devised 4.27253. To sum up, its social disclosure is most minimum that is INDR and its social disclosure is highest that is ASII, while social disclosure amounts for a company of between 5 (five) and 25 (twenty five).

6.8 Result of test normalized

Examination formalities data distribution use test Two Sample Kolmogorov-Smirnov Test with confidence storey; level 95 percent by $n = 5$ at industrial multifarious group of high profile and also $n = 11$ for the industrial multifarious group of low profile. The result process of data processing is gained by using Mini Software Tab Ver 13. The result is depicted through a graph which showed the data has normal distribution.

6.9 Result of hypothesis test

Comparability hypothesizing examination sums up laying open social between use of high profile and low profile conducted by use of test- z and test- t . For comparison two independent samples at confidence storey level 95 percent, as follows:

- if p value < 0.05 : H_0 refused.
- if p value > 0.05 : H_0 received.

From the result enclosure of mini output of tab, the result shown in Table VII was obtained.

Pursuant to Table VII, value of p value $0.035 < 0.05$ inferential hence that there are differences with enough significance in presentation to sum up social disclosure between companies in industrial multifarious group of high profile with multifarious group of industry low profile.

7. Conclusion

Social Disclosure has been done at companies' annual reports in Indonesia. The labor category receives the most attention among the category of social disclosure. This condition is consistent at multifarious industry high and low profile companies which are members of Jakarta Stock Exchange (JSX)

Table VII Result test- t (entire/all category) with confidence storey; level 95 percent by $df = 25$

<i>Type of company</i>	<i>Mean</i>	<i>SD</i>	<i>t-value</i>	<i>p-value</i>	<i>Keputusan</i>
High-profile	16.17	7.47	2.32	0.035	H_0 refused
Low-profile	9.64	4.27			

Social disclosure in Indonesia is still relatively low. Companies don't exploit social activities by annual reports as media communication between companies and stakeholders. Possibly, companies only exploit annual reports as reports to shareholders and debt holders or as information for investor candidates. Other possible companies only do a few social activities.

This research tests 16 samples from enlisted companies in Effect Exchange Jakarta. Pursuant to result of analysis which have been elaborated above, hence the node which can be taken by examination is to prove that there are differences with enough significant in presentation to sum up social disclosure as an entire category between companies in industrial multifarious groups of high profile with companies in industrial multifarious groups of low profile. This matter indicates that to the number of social impacts which emerge in part used in the two above groups is included in the type of high profile pushing them to conduct and lay open social responsibility of their company.

8. Limitations

This research is not without limitations. The limitations include:

- Decrease enlist social disclosure tend to have the character of subjective and enable going beyond of certain items which ought to be expressed by the company.
- Use of Technique index yes/no approach result in difficult differentiate quality of disclosure of between sets of companies with other, dissimilar companies.
- Comparison conducted only seen as a whole without itemizing to each category.

9. Suggestion

Pursuant to these limitations which have been met above, hence the suggestion raised for the research hereinafter for example:

- Completing list of disclosure of social utilized as a research instrument. This is conducted with searching reference nowadays by category and sub category of social disclosure.
- For a company so that more pay attention to the social environment, considering between society and company each others own importance. Behavior of a company disregarding its social responsibility will harm that company.

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Appendix. Enclosure 1: Enlist social disclosure (social disclosure)

1. *Social category*:

- support of cultural and artistic activity;
- support of sport activity (inclusive of sponsorship);
- participate at activity socialize about factory office;
- support to spirituality institute;
- support to education institute (inclusive of bursary, opportunity, research opportunity);
- social contribution;
- social facility and the public facility; and
- work field priority for society of about inclusive of facility gift and motivate by company for private sector).

2. *Consumer category*:

- multi product;
- quality appreciation (inclusive of quality certificate, lawful certificate, and appreciation); and
- customer satisfaction (strive to increase the consumer satisfaction).



3. *Labor category:*

- Sum up labor;
- working safety (policy and working safety facility);
- health inclusive of facility of doctor of company polyclinic;
- employees co-operation;
- employ;
- other; dissimilar health and subsidy (inclusive of ump, aid of a period crisis, prosperity for the employees, insurance, and the transportation facility);
- education and practice (inclusive of cooperation with country college);
- equivalence gender in opportunity work and career;
- observance facility (inclusive of commemoration of red-letter day religion);
- leave employee (inclusive of leave that is needed by woman worker);
- retired (inclusive of forming/pension fund election);
- Trade Union;
- opportunity work with (KKB); and
- turn over worker (inclusive of reduction work and recruitment).

4. *Environment category:*

- environmental policy;
- environmental certification and analyze to hit environmental impact (AMDAL);
- rating (inclusive of appreciation in environmental area);
- preventive pollution (inclusive of waste processing); and
- support of animal conservation and environmental.

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