

THE RELATIONSHIP OF PROFIT AND CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE (SURVEY ON MANUFACTURE INDUSTRY IN INDONESIA)

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ABSTRACT

This study aims to empirically investigate the relationship of profit and level of corporate social responsibility (CSR) disclosure. Profit was measured with proxy of earning per share while level of corporate social responsibility disclosure was measured by using CSR index with content analysis method that was adapted from research of Sembiring's (2005).

This research was used analytical descriptive method with survey approach. Data analysis that using chi-square test with purposive sampling from 45 sample of financial statements and annual reports of companies on manufacturing industries are listed in Indonesia Capital Market in 2007 – 2009 period.

The results showed there was positive high correlations of profit and level of corporate social responsibility disclosure. The result of this research is evidenced by the increased in average of company earnings per share followed by a growing number of CSR indicators that are disclosure.

Keywords: Profit, Earning Per Share, CSR Disclosure, CSR Index

I. INTRODUCTION

Research Background

The results of empirical research in Indonesia shows that the company is still very low in conduct of social aspects disclosure (Utomo, 2000) in Darwin (2004) which social responsibility disclosure on companies listed on the Stock Exchange which are average at 33.96 % and it was still low. This can be understood because company in Indonesia still concentrated on profit (earnings) to fulfill business priorities principal. However, nowadays implementation of CSR is no longer considered as a cost but a company investment (Erni, 2007). Research Basamalah and Jeremias (2005) showed the reason social reporting was done by management for strategic reasons. Although not mandatory, but it can be said that almost all companies listed on the Jakarta Stock Exchange (now Indonesia Capital Market) has revealed information about CSR in its annual report.

From economic perspective, company will disclose any information if the information can increase company value (Verecchia, 1983 in Basamalah and Jeremias, 2005). The company will acquire social legitimacy and maximize its financial strength in the long term through the implementation of CSR (Kiroyan, 2006).

Motivation companies to implement CSR is still on profit orientation. The activities CSR is used to attract sympathy societies by building a positive image that finally purpose on increasing profits.

Merck and Ford, the world-class companies that can survive for last hundreds of years claimed that communities and human life development are above income in measure to company success. Likewise, General Motors and Hewlett Packard are also clearly stated that their goal of company core ideology more than just earn money, but providing a better life for humans (Collins and Porras 1999). This is evidence that determinants of company sustainability is not only depends on shareholders, but also depends on their stakeholders. Shifting of Paradigm company began from human exceptional paradigm toward new environment that assumes that people in the creature and surrounding of have to environmental interdependency (Harahap and Rusmanto: 2004). It means presumption that company has a dilemma in choosing between profits or community is not unreasonable. In fact company could get profit and society both. Profits can be earned by company without ignoring society interests. Research conducted by Bowman and Haire in Abdul Hasyir (2003) who argued more higher profits companies will effect level social responsibility disclosure will get more higher too. Conversely, companies with low profit will disclose of social responsibilities at low level. Differ according on legitimacy theory by Donovan and Gibson in Sembiring (2005) that relationship between profitability and level of social responsibility disclosures; when company has a high rate of profit, company assumes will not report something that can disturb information about financial companies success. Conversely, when profitability is low, social responsibility disclosure will arise; they hope users will read reporting performance companies as a good news for example in social aspects and thus investors will still investing in the company.

The other research had show mixed results, including a study conducted by Freedman and Ulman (1986), Hackston and Milne (1996) found that there was no relationship between these two variables. While Gray et al. (2001) found a relationship which varies each year for both variables.

Mariana (2007) found that company's high profile, with proxy profitability using net profit margin showed no significant effect on the disclosure of social responsibility.

Based on phenomena and previous research the authors are motivated to re-examine the relationship between profits to CSR disclosure to find out relationship between corporate profit profile (loss profile - low profile - moderate profile- high profile) to CSR disclosure. This study replicates research Mariana (2007) with the difference in the period of research and proxy profitability is to use earnings per share and not just focus only at high profit corporate profiles.

II. LITERATURE REVIEW

CSR Disclosure

Disclosure is defined as the amount of information provision needed to operate optimally efficient capital markets (Hendriksen, 2002). Reporting of CSR activities can be done with three approaches, namely the disclosure of (1) financial reporting, (2) through a separate format or (3) through social (Darwin (2004). When disclosures of social reporting in financial statements prepared in the format of the annual report, then the report should support the improvement of qualitative characteristics of financial statements. Therefore, disclosure is an integral part of these financial statements.

CSR disclosure is often also referred to as social disclosure, corporate social reporting, social accounting (Mathews, 1995) or corporate social responsibility (Hackston and Milne, 1996) is a process of communicating the social and environmental impacts of economic activities of organizations of special interest groups and against society as a whole. It is the responsibility of the organization, particularly expanding company beyond its traditional role to provide financial reports to the investors, especially shareholders. The expansion made with the assumption that company has a broader responsibility than just looking for profits to shareholders (Gray et al, 1987). Disclosures of

aspects social, ethical, environmental and sustainability (SEES) today becomes a way for companies to the communicate accountability form to stakeholders (Rakhmad, 2006).

the reason company disclose social activities are as follows:

1. Companies use social information to present themselves with a prosperous image and to show that they exhibit the social norms and values as those of their society (Parsons, 1956, quoted Hasyir, 2003)
2. Various companies agrees to perform socially desired actions in return from the approval and to Ensure Their survival (Guthrie and Parker, 1989 cited Parsa and Kouhy, 2000)
3. Enhancing the legitimacy of companies before stakeholders to gain public acceptance and demonstrate its credibility in the application of good business practices (Lindblom, 1994 in Ahmad and Rahim 2002).
4. Effort to minimize the business risk

The factors that influence the level of disclosure of corporate social responsibility, is as follows (Baskoro, 2006):

- a. culture
- b. Business ethics
- c. Pressure and stakeholders
- d. Characteristics of the company's operations
- e. Sensitivity to environmental management issues
- f. Size of company
- g. Law

The key issue of CSR implementation according ISO 26000 *Guidance Standard on Social Responsibility* consists of:

1. Issue Community Involvement
2. Environmental
3. Employment
4. Human Rights
5. Products and Consumers
6. Worker Health and Safety
7. Organizational Governance

Profit

Profit or loss is often used as a measure of company performance appraisal or other valuation basis, such as earnings per share. Measurement of profit is not only important to determine achievements of the company but also as information for determining the distribution of income and investment policy. Hence, profits into information that is seen by many as accounting profession, businessmen, financial analysts, shareholders, economists, tax authorities and so on (Harahap, 2001; 259).

Elements forming part of profit is income and expenses. Therefore, the measurement result of profit is different, for example: gross profit, operating profit, profit before tax and net income. So definition of profit is the increase in capital (net assets) derived from the side transaction or infrequent transactions of an enterprise, and of all transactions or other events that have a business entity for a period, except for those arising from the revenue or investment owner (Baridwan, 1992; 55). While the general definition of profit is the excess of revenues over expenses - the cost in period (period) specific. Income is often used as a basis for the imposition of taxes, dividend policy, investment guidelines and decision-making and elements of prediction (Harnanto, 2003; 444).

Relationship Profit With CSR Disclosure

Implementation CSR is voluntary, this nature as become driver of diverse and inconsistent CSR disclosure by companies. Companies tend to justify level of CSR disclosure according interests and circumstances of the company. There are several theories that explain the correlation between profit to level of CSR disclosure, namely: **First**; Legitimacy Theory disclosed by Donovan and Gibson in Sembiring (2005) which states that the relationship between profit with the CSR disclosure is that companies that have a high rate of profit, company will consider not need to report things that can

interfere with information about the company's financial success. Conversely, when the level profit is low, the company will report various matters related to social activities and operations that have been done. The company hopes those users will read “the good news” whether company performance so investors still continue to invest in the company.

Second, Maslow's Hierarchy Theory; that states contrary to legitimacy theory. When company achieve high profits, the company is considered like individuals in its development are considered able to meet the fundamental needs, that is profit, so company will tries to meet needs of the next level, ie social needs and the need for appreciation. Manifestation of the high level fulfillment which is realized through a more transparent reporting, so that the level of CSR disclosures has done by companies tend to be better.

Generally, the purpose of incorporation is to produce maximum profits for their owners. This purpose for many years as become a doctrine at business schools, that the one and only objective company is to achieve maximum profits and prosperity of their shareholder. However, as the emergence of a variety of negative impacts caused by the company operation, this opinion began to be rejected by society. People are starting to sue companies are not only important for interests their shareholder, but also the interests of society who bear the negative impact caused. Unfortunately, companies often respond to social responsibility as liabilities rather than assets to the carrying capacity of competitive advantage. company does not interpret the action of its social responsibility strategically through a systematic effort, clear vision, and continuing to support the company's competitive strategy, and simply assume that corporate social responsibility, a cost center that must be avoided. Yet in reality, company which can survive for decades or even hundreds of years instead assume that the profit is not the main purpose of a business. They assume that profit is an important factor that ensures the continuity of their business, but not the one and only factor that can guarantee sustainability of their business.

III. METHODOLOGY

Data Source

All the data is used from the period of 2007 to 2009 (pooled data), which was taken from the official public data source, that is the Indonesian Capital Market Directory, yearly report from IDX Value Line Indonesia Capital Market and other publication data.

Population and Sample

The target population of this research is the manufacture companies that listing in the Indonesia Capital Market during research period 2007-2009. This research used purposive sampling method that company published of annual report and audited financial report during research period (2007 – 2009) with the published date of financial report is known. The reasons we choose Manufacture Company for the research were: first, there are similarities on the side of revenue producing activities; second, manufacture companies dominated the Indonesia Capital Market, therefore we considered they could represent the whole population. Based on the Indonesian Capital Market Directory (ICMD), at least 140 manufacture companies issued annual report in the 2009.

the reason for the use of annual reports as a data source because the annual report represents the company's main document which is widely used in obtaining all the social information disclosed Parsa & Kouhy (2000),

Independent Variables: Profit

profit in this research used by proxy of Earning per Share (EPS), which is shown in the following formula:

$$EPS = \frac{\text{Net income Preferred Dividend}}{\text{Weighted Average of common shares outstanding}}$$

The reason EPS as a proxy of profit because EPS more representative in representing the amount of profit that can generated for each shareholders per share

Dependent variable: Corporate Social Responsibility Disclosure

CSR disclosures were measured by content analysis method with using indexing techniques yes / no approach to CSR disclosure indicators that have been determined. Indicators CSR disclosure referred to the instrument / indicator used in the research by Sembiring (2005) that is as much as 79 indicators. But from 79 indicators were modified to become 50 indicators because consideration of researchers due to the similarities in some related indicators and have been adjusted based on 7 key issues of CSR implementation according to ISO 26000 Guidance Standard on Social Responsibility. The key issue of CSR implementation consists of (detail see in appendix):

1. Community Involvement
2. Environmental
3. Employment
4. Human Rights
5. Products and Consumers
6. Worker Health and Safety
7. Organizational Governance

Research Hypothesis

Ho: Profit is not related to the level of corporate social responsibility disclosure in annual reports companies listed in Indonesia Capital Market

Ha: Profit is related to the level of corporate social responsibility disclosure in annual reports companies listed in Indonesia Capital Market

Data Analysis Method

Data analysis used by Chi - square Test. The reason to using to chi-square test is a test is usually used to examine the relationship of variables in two-way table, where the model is assumed independently evaluated against field data. This test is usually minimum requirements to be eligible should be large sample ($n > 30$), groups to facilitate the data test be given the secondary and primary data to be used in this study in nominal scale.

IV. DATA ANALYSIS AND DISCUSSION

Finding

Based on criteria of purposive sampling method obtained of 45 manufacture companies sample which are companies actively traded on the Indonesia Capital Market during 2007 to 2009 period; with earnings per share and CSR Index as follows:

Table 4.1
Earnings per Share dan CSR Index
Year of 2007 – 2009

No	Perusahaan	<i>Earnings per Share</i>				<i>CSR Index</i>			
		2007	2008	2009	Average	2007	2008	2009	Average
1	Holcim Indonesia	22	37	117	58,67	30%	36%	46%	37%
2	Asahimas Flat glass	357	526	58	313,67	28%	32%	20%	27%
3	Goodyear Indonesia	2,65	-0,32	-1,55	-2,6	18%	22%	14%	18%
4	H.M Sampoerna	827	889	1161	959	34%	40%	42%	39%
5	Astra International	1610	2270	2480	2120	40%	42%	50%	44%
6	Bentoel International	39	35,5	3,7	25,67	22%	18%	22%	21%
7	AKR Corporindo	61	67	88	72	20%	30%	38%	29%
8	Semen Gresik	299	426	566	430,33	44%	50%	54%	49%
9	Astra Otoparts	590	734	996	773,33	30%	34%	40%	35%

10	Lion Metal Works	486	727	810	674,33	32%	34%	42%	36%
11	Lautan Luas	92	107	110	103	20%	24%	32%	25%
12	Barito Pacific	15	-487	78	-131,33	16%	22%	24%	21%
13	Kabelindo Murni	11	4	2	5,67	30%	18%	22%	23%
14	First Media	3	-124	40	-27	22%	18%	28%	23%
15	Darya –Varia Laboratoria	89	128	155	124	24%	24%	32%	27%
16	Mandom Indonesia	591	590	600	593,67	30%	26%	36%	31%
17	Fajar Surya Wisesa	49,2	14,8	111,7	58	26%	24%	30%	27%
18	Selamat Sempurna	56	64	92	70,67	20%	28%	32%	27%
19	Ultra Jaya Milk	10	105	9	41,33	20%	30%	30%	27%
20	Indofood Sukses Makmur	115	120	236	157	30%	34%	40%	35%
21	Sumi Indo Kabel	253	319	2	191,33	32%	42%	42%	39%
22	Sorini Agro Asia	68	22	34	41,33	26%	26%	32%	28%
23	Nusantara Inti Corpora	-98	-317	3,47	-137,33	10%	14%	20%	15%
24	Asia Pacific Fibers	-22	-264	498	70,67	14%	14%	24%	17%
25	Kalbe farma	70	72	97	79,67	24%	30%	36%	30%
26	Gajah Tunggal	29	-179	260	36,67	28%	28%	36%	31%
27	Sierad Produce	2	3	4	3	22%	24%	32%	26%
28	Aqua Golden Mississippi	1356	6255	5008	4206,33	22%	34%	36%	31%
29	Pelat Timah Nusantara	52	71	28	50,33	28%	34%	34%	32%
30	Unilever Indonesia	257	315	399	323,67	36%	42%	52%	43%
31	Indocement Tunggal Prakasa	267	474	746	495,67	36%	42%	46%	41%
32	Merck	3995	4400	6549	4981,33	24%	28%	30%	27%
33	Duta Pertiwi Nusantara	42,48	24,76	114,59	60,67	30%	30%	34%	31%
34	Tiga Raksa	51	121	54	75,33	28%	32%	34%	31%
35	Kimia Farma	9,40	9,97	11,25	10	26%	30%	36%	31%
36	Multi Bintang	4005	10511	16156	10224	24%	28%	34%	29%
37	Dynaplast	2,46	2,98	3,56	2,67	20%	22%	26%	23%
38	Sugi Samapersada	9,12	4,41	5,47	6	22%	18%	26%	22%
39	Japfa Comfeed Indonesia	121	170	393	228	32%	34%	36%	34%
40	Myoh Technology	-1,06	-0,76	-0,31	-71	12%	16%	18%	15%
41	Gudang Garam	124	188	220	177,33	32%	42%	42%	39%
42	Voksel Electric	64	6,30	64,45	44,67	20%	24%	34%	26%
43	Sumalindo Lestari Jaya	24	-213	-84	-91	30%	22%	22%	25%
44	Indofarma	3,57	1,66	2,76	2	30%	30%	34%	31%
45	Budi Acid Jaya	18	10	2	10	32%	28%	26%	29%
TOTAL		16026	28243	38285		1176%	1300%	1496%	1324%
MAX		4005	10511	16156	10224	44%	50%	54%	49%
MIN		-98	-487	-84	-137,33	10%	14%	14%	15%
RATA – RATA		356,13	627,62	850,78	611,51	26%	29%	33%	

source : www.idx.co.id , Financial Statement Manufacture Company

Earnings Per Share Manufacturing Company 2007- 2009 of period

In 2007, EPS average is 356.16; it means that every 1 share in manufacture companies, investors will receive net profit Rp. 356.13, there are 9 companies that have EPS above average: Asahimas Flat Glass, HM Sampoerna, Astra International, Merck, Astra Otoparts, Lion Metal Works, Mandom Indonesia, Aqua Golden Mississippi and Multi Bintang.

In 2008, EPS average is 627.62; it means every 1 share of manufacture companies, investors receive net profit Rp. 627.62, there are 7 companies that have EPS above average: HM. Sampoerna, Astra International, Federal, Lion Metal Works, Merck, Aqua Golden Mississippi and Multi Bintang.

Whereas in 2009, EPS average is 850.78, it means every 1 share of manufacture companies, investors receive net profit Rp.850.78 and there are 6 companies that have EPS above average: HM. Sampoerna, Astra International, Federal, Merck, Aqua Golden Mississippi and Multi Bintang

Based on the data, it can be explained that value of EPS average in 2007-2009 tends to increase with the 6 companies that consistently have EPS above average over the past 3 years, among others HM Sampoerna, Astra International, Federal, Merck , Aqua Golden Mississippi and Multi Bintang.

The highest EPS for the year 2007 - 2009 is owned by Multi Bintang that EPS equal to 4,005; 10,511 and 16,156. It can be concluded that Multi Bintang had best level of corporate profits, this shows that Multi Bintang has been able to manage the company efficiently to obtain high net profit.

While the lowest EPS at year period 2007 - 2009 is owned by the Nusantara Inti Corpora, Barito Pacific and Sumalindo Lestari that EPS equal to -98, -487 and -84. It show that company suffered losses. It is shown from dominance of lowest value of EPS their own compared to other manufacture companies.

CSR Disclosure Manufacture Company at 2007-2009 periods

During at 2007 – 2009 period, average CSR Index (CSRI) manufacture company in annual report tends to increase, with average CSR Index in 2007 was 26%, in 2008 by 29%, and in 2009 by 33%. Based on data can be known there are 25 company samples or more than 50% of company samples that have below average disclosure. It shows that level of disclosure by manufacture company samples tend to be low, because average CSR Index is still below 50%.

In 2007-2009 period, there were 17 companies known to CSR Index above average, such as: Astra International, Federal, Holcim Indonesia, Semen Gresik, Indofood, HM Sampoerna, Indo Farma, Lion Metal Works, Japfa, Gudang Garam, Kimia Farma, Three Mercury, Duta Pertiwi Nusantara, Plates Timah Nusantara, Unilever, Indocement, Sumi Indo Kabel.

Table 4.1 also shows the lowest CSR Index in 2007 was 10% by Nusantara Inti Corpora with value of EPS is -98 (loss) the lowest CSR Index in 2008 was 14% by Nusantara Inti Corpora and Asian Pacific Fibers with respectively value of EPS are -137 and -264 (loss) while the lowest CSR Index in 2009 was 14% by Goodyear Indonesia with value EPS is -1.55 (loss) . Meanwhile, the highest CSR Index in 2007, 2008 and 2009 was 44%, 50% and 54% by Semen Gresik with value of EPS was 299, 426 and 566.

Based on data, it can be concluded that companies with value of EPS is low (loss profile) will make as well CSR disclosure is low too. While the companies with value of EPS is high profit (high profile), then likely company will make more high/better CSR disclosure.

Validity and Reliability Test

Table 4.2 shows validity and reliability for each item indicators of CSR disclosure (there are 7 items indicator) using Biserial Point method and Spearman Brown method (Singgih Santoso, 2000:314).

Table 4.2
Result of Calculation of Biserial Point dan Spearman Brown

	item 1	item 2	item 3	item 4	item 5	item 6	item 7
Point Biserial	0.436	0.445	0.256	0.473	0.273	0.539	0.434
Spearman Brown (Rsb)	0,303	0,308	0,204	0,321	0,215	0,350	0,303

After the calculation of Spearman Brown then to determine the items of validity, then the calculation of Spearman Brown formula included in the T test to determine the validity of data shown in Table 4.3 below:

Table 4.3
Result Validity Test (T Test)

No	Indikator Pengungkapan	T Hitung	T Tabel	Keterangan
1	Community Involvement	2,0890	2,0154	Valid
2	Environment	2,1240	2,0154	Valid
3	Employment	1,3659	2,0154	Not Valid
4	Human & Civil Rights	2,2244	2,0154	Valid
5	Product and Customer	1,4412	2,0154	Not Valid
6	Health and Work Safety	2,4530	2,0154	Valid
7	Organizational Governance	2,0843	2,0154	Valid

Based on the confidence level of 95% ($\alpha = 0.05$); T value with $N = 45-1 = 44$, obtained value is 2.0154. The comparison with t table can be seen that item 3 and item 5 has a count value $T < T$ table, so it can be concluded that item 3 and item 5 is not valid

Item 3 is indicators of employment disclosure is being out of focus as companies assess more important to obtain good image of their stakeholders, while item 5 which is indicators product and consumer disclosure is being out of focus because until now the company has been engaged in an ongoing program. It means these items (item 3 and item 5) should be corrected or to be eliminated. After this test; it is necessary to validity of reliability test, by using Split half method with the formula obtained by the Pearson Product Moment $r = 0.4107305$ and Spearman Brown correlation coefficient with a value of $r = 0.582294775$. Further test T table and T value obtained by 4.696761098. Based on the confidence level of 95% ($\alpha = 0.05$) t value table with $N = 45-1 = 44$, obtained value is 2.0154 compared t count (4.696761098) $>$ t table (2.0154), this means all indicators of CSR disclosure are reliable and dependable.

Chi – Square Test

This research was conducted to determine relationship between profit with proxy earnings per share to CSR disclosure with proxy CSR Index manufacture company in the year 2007 - 2009 with following steps :

1. Determining companies profit profile (Loss - Low - Medium - High), by determining range of earnings (EPS) manufacture companies during the 2007-2009 period and obtained range of (P) equal to 4160.7 with the following details:
 - a. loss profile = range EPS between -487 to 0
 - b. low profit profile = range EPS between 0 to 3,673.75
 - c. Moderate profit profile = range EPS between 3,673.75 to 7,834.5
 - d. High profit profile = EPS more than ($>$) 7, 834.5

Table 4.5 (Appendix) shows there are 8 companies that classify as loss profit profile company which Myoh Technology became as the only company suffered loss during the period 2007 to 2009 with CSR disclosure items that are very low at average of 17%. Table 4.6 (Appendix) showed there were 42 companies that classify as low-profit profile which Goodyear Indonesia and Sumalindo Lestari Jaya, a company that that classify as low profile in year 2007 and subsequent years classify as loss profile. Average CSR disclosure made by companies with low profit profile are 32%

Table 4.7 (Appendix) shows there are 3 companies that classify as moderate profit profile. Merek is the only company that consistently classify as moderate profit profile was during 2007 -2009. Average CSR disclosure made by companies with moderate profit profile are 29%.

Table 4.8 (Appendix) shows that only 1 company classify as high-profit profile is Multi Bintang during 2007 -2009 period. Average CSR disclosure made by company with high profit profile is 30%.

2. Examine relationship between profit with CSR Disclosure in manufacture companies in 2007 2009 period.

Table 4.9 (Appendix) shows at 95% confidence level ($\alpha = 5\%$); value of chi square table

amounted to 7.81473, when compared with the chi square calculate equal to 78.27181 <7.81473 chi square table, so that the conclusions of hypothesis Ho rejected. This means there is a relationship between earnings with the CSR Disclosure manufacturing company listing in Indonesia during the period 2007 to 2009. The correlation of independent variables on the dependent variables can be identified by looking for correlations by using the following formula:

$$C = \frac{78,27181 - 1}{78,27181 + 1}$$

$$C = \sqrt{0,8722401}$$

$$C = 0,9339379$$

Where value of $C = 0.9339379 > C_{max} = 0.707$, significant correlations of independent variables (EPS) with the dependent variable (CSR Index) is strong / high correlation.

V. CONCLUSION AND RECOMMENDATION

Conclusion

1. Trend average EPS manufacture company in Indonesia during 2007-2009 period is rising. This is indicated by value of EPS - average each year continues to increase, in the year 2007 amounted to 356.16 and in the year 2008 to 627.62 and rise again in 2009 amounted to 850.78. Company that have the highest average EPS is Multi Bintang Tbk with EPS - average Earnings per Share for 2120. Meanwhile, for a total of Earnings per Share - average lowest is owned by the Nusantara Inti Corpora Tbk. with the total - average Earnings per Share of - 137.33.
2. Trend average CSR Disclosure manufacture company in Indonesia during period 2007 - 2009 is ascending but the increase is not too high. This can be seen from the average level of CSR disclosure still the range of less than ($<$) 50%. But at least show that the majority of Indonesian manufacturing companies have realized the importance of CSR for the sustainability of the business enterprise and shows the company has been concerned about environmental and social problems that occur in addition to focusing on the profit achievement.
3. The results of this study are consistent with studies Gray et al. (2001) and Bowman and Haire in Abdul Haszir (2003); there are very strong and positive relationship (closely related) between profit with CSR disclosure on manufacture companies listed in Indonesia Capital Market in 2007-2009. This is evidenced by Chi - square test (X^2) = 78.27181 and result of correlation analysis of independent variables to dependent variable indicates the value of $C = 0.9339379$ is greater ($>$) than $C_{max} = 0.707$, mean correlation independent variable highly correlated with the dependent variable. but this research does not support research by Freedman and Ulman (1986), Hackston and Milne (1996) and Mariana (2007) and also reject the social legitimacy theory proposed by Donovan and Gibsson cited by Sembiring (2005).

Recommendation

1. for company; CSR is one form of activity that is very positive in order to realize sustainability development). This can be realized as CSR is one way that can be done by the company to established positive image for its stakeholders. This image must be supported by a sufficient disclosure of CSR activities conducted through the communications media company against its stakeholders that should separate from the annual report in the form of CSR reporting (sustainability reporting), or other communication media. Disclosure of CSR activities are carried out also as a form of corporate accountability to their stakeholders that will affect the company's going concern.

- for further research, the results of this research show two-way relationship between the profit to CSR disclosure in manufacturing companies; for it would then be using a different sample of firms, such as mining, services, retail and others who run private sample is more easily obtained for the overall results become more accurate.

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APPENDIX

Table 4.5
Company with Loss Classification
Manufacture Industries period of 2007-2009

No	Company	EPS			CSR Disclosure					
					Item Disclose			Item Not Disclose		
		2007	2008	2009	2007	2008	2009	2007	2008	2009
1	Barito Pacific		-487			9			28	
2	Goodyear Indonesia		-0,32	-1,55		8	4		29	33
3	First Media		-124			6			31	
4	Nusantara Inti Corpora	-98	-317		3	5		34	32	
5	Asia Pacific Fibers	-22	-264		6	6		31	31	
6	Gajah Tunggal		-179			12			25	
7	Myoh Technology	-1,06	-0,76	-0,31	3	5	6	34	32	31
8	Sumalindo Lestari Jaya		-213	-84		8	8		29	29
	Jumlah					89			429	

Table 4.6
Company with Low Profit Classification
Manufacture Industries period of 2007-2009

No	Company	EPS			CSR Disclosure					
					Item Disclose			Item Not Disclose		
		2007	2008	2009	2007	2008	2009	2007	2008	2009
1	Holcim Indonesia	22	37	117	12	15	18	25	22	19
2	Asahimas Flat Glass	357	526	58	9	11	7	28	26	30
3	Goodyear Indonesia	2,65			6			31		
4	H.M Sampoerna	827	889	1161	13	16	16	24	21	21
5	Astra Indonesia	1610	2270	2480	15	14	16	22	23	21
6	Bentoel Indonesia	39	35,5	3,7	7	7	7	30	30	30
7	AKR Corporindo	61	67	88	10	13	15	27	24	22
8	Semen Gresik	299	426	566	19	21	22	18	16	15
9	Astra Otoparts	590	734	996	11	15	17	26	22	20
10	Lion Metal Works	486	727	810	12	13	15	25	24	22
11	Lautan Luas	92	107	110	8	9	13	29	28	24
12	Barito Pacific	15		78	7		11	30		26
13	Kabelindo Mumi	11	4	2	11	7	9	26	30	28
14	First Media	3		40	8		11	29		26
15	Darya-Varia Laboratoria	89	128	155	9	9	10	28	28	27
16	Mandom Indonesia	591	590	600	12	10	13	25	27	24
17	Surya Fajar Wisesa	49,2	14,8	111,7	13	12	15	24	25	22
18	Selamat Sempurna	56	64	92	7	10	12	30	27	25
19	Ultrajaya Milk	10	105	9	7	11	12	30	26	25
20	Indofood Sukses makmur	115	120	236	12	13	16	25	24	21
21	Sorini Agro Asia	253	319	2	9	9	13	28	28	24
22	Sumi Indo Kabel	68	22	34	11	15	16	26	22	21
23	Nusantara Inti Corpora			3,47			8			29
24	Asia Pacific Fibers			498			10			27
25	Kalbe Farma	70	72	97	8	10	13	29	27	24
26	Gajah Tunggal	29		260	12		14	25		23
27	Sierad Produce	2	3	4	8	9	12	29	28	25
28	Aqua Golden Mississippi	1356			9			28		
29	Pelat Timah Nusantara	52	71	28	11	13	13	26	24	24

30	Unilever Indonesia	257	315	399	14	15	19	23	22	18
31	Indocement Tunggal Perkasa	267	474	746	15	20	19	22	17	18
32	Duta Pertiwi Nusantara	42,48	24,76	114,59	11	11	13	26	26	24
33	Tiga Raksa	51	121	54	9	10	10	28	27	27
34	Kimia Farma	9,40	9,97	11,25	10	11	13	27	26	24
35	Dynaplast	2,46	2,98	3,56	8	8	10	29	29	27
36	Sugi Samapersada	9,12	4,41	5,47	8	8	9	29	29	28
37	Japfa Comfeed Indonesia	121	170	393	12	12	13	25	25	24
38	Gudang Garam	124	188	220	12	16	16	25	21	21
39	Voksel Electric	64	6,30	64,45	7	7	12	30	30	25
40	Sumalindo Lestari Jaya	24			11			26		
41	Indofarma	3,57	1,66	2,76	13	13	14	24	24	23
42	Budi Acid Jaya	18	10	2	12	12	11	25	25	26
Jumlah					1336			2845		

Table 4.7
Company with Moderate Profit Classification
Manufacture Industries period of 2007-2009

No	Perusahaan	EPS			CSR Disclosure					
					Item Disclose			Item Not Disclose		
		2007	2008	2009	2007	2008	2009	2007	2008	2009
1	Aqua Golden Mississippi		6255	5008		15	16		22	21
2	Merck	3995	4400	6549	7	8	9	30	29	28
3	Multi Bintang	4005			10			27		
Jumlah					65			157		

Tabel 4.7
Company with High Profit Classification
Manufacture Industries period of 2007-2009

No	Company	EPS			CSR Disclosure					
					Item Disclose			Item Not Disclose		
		2007	2008	2009	2007	2008	2009	2007	2008	2009
1	Multi Bintang		10511	16156		10	12		27	25
Jumlah					22			52		

Table 4.8
Statistic Test
Relationship Profit (X) with CSR Disclosure (Y)

Kategori Perusahaan	Item CSR Disclose	Item CSR Not Disclose	TOTAL
RUGI	89	429	518
RENDAH	1336	2845	4181
SEDANG	65	157	222
TINGGI	22	52	74
Total	1512	3483	4995

Tabel 4.9
Chi Square Table

Expected	Observed	(E - O)	(E - O) ² /E
89	156,8	-67,8	51,64989
1336	1265,6	70,4	3,70970
65	67,2	-2,2	0,07446
22	22,4	-0,4	7,27272

429	361,2	67,8	10,71524
2845	2915,4	-70,4	1,74205
157	154,8	2,2	0,03083
52	51,6	0,4	3,07692
Total Chi – Square			78,27181

CSR Disclosure Items based on

1. Issue Community Involvement

1. Donations in cash, products, services to support community activities, education and the arts
2. Donations for natural disasters victims
3. Part-time employment of student / student
4. As a sponsor for community health projects
5. Assist medical research
6. As a sponsor for educational conferences, seminars or exhibitions of art
7. Fund the scholarship program
8. Opening the company's facilities to community
9. Supporting the development of small industries
10. Build infrastructure for public.
11. Build a reciprocal relationship, and companies involved in the community operation

2. Environmental

12. Designing a facility in harmony with the environment
13. Waste treatment
14. Pollution control, operations, research and development expenditures for pollution abatement.
15. A statement indicating that the operating company does not create pollution or comply with pollution laws and regulations
16. A statement indicating that the operation has been and will be reduced
17. Prevention or repair environmental damage due to natural resource processing, such as land reclamation or reforestation
18. natural resources conservation such as recycling glass, metal, oil, water and paper.
19. The use of recycled materials
20. Accepting the award relates to environmental programs that made the company

3. Employment

21. Disclose the percentage of salary for pension
22. Workforce training through specific programs in the workplace
23. Providing financial assistance to the workers in the field of education
24. Establish a labor training center
25. Disclosing assistance or guidance for labor in the process of resigning or who have made mistakes
26. Disclose employee home ownership plan
27. Reveal fasilitas for recreational activities
28. Disclose the company's payroll policies

4. Human Rights

29. There is no racial segregation in recruitment, support living and working facilities
30. Recruitment or use of female workers / persons with disabilities
31. Program for the advancement of women workers / persons with disabilities.
32. The existence of employee reward
33. Provide health care assistance for retirees
34. The existence of labor health services
35. Respecting the rights - basic rights of workers such as decent wages, benefits, health and life insurance.

36. Helps increase employee motivation
5. Products and Consumers
 37. Protecting the rights of consumers
 38. Creating a safer product for consumers
 39. Disclosure of information on the company's product development, including packaging
 40. Disclosure that the product meets safety standards
 41. Disclosure of information on research projects to improve the product companies
6. Worker Health and Safety
 42. Reduce pollution, irritation, or the risk in the work environment
 43. Promote labor safety and physical or mental safety
 44. Abiding by the rules of health and safety standards
 45. Accepting the award relating to occupational safety
 46. Establish a safety committee
7. Organizational Governance
 47. The audit committee encouraged the establishment of internal control.
 48. Have adequate internal audit
 49. Setting the vision, mission, and goals and strategies to achieve them
 50. Company's risk management activities



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