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TREND AND DETERMINANTS OF CSR DISCLOSURE IN INDONESIA: A RESPONSE OF THE ACT NO. 40 (2007)

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Abstract
This study aims to examine the trend of corporate social responsibility disclosure in Indonesia with regard to the Act No. 40 (2007). Mandatory corporate social responsibility has been debated among businessmen in Indonesia. This research proposes important suggestions to achieve effective implementation of the act. In addition, this study aims to identify determinants of corporate social responsibility (CSR) disclosure among companies listed on Indonesia Stock Exchange. This study uses content analysis on five year annual reports to measure the level of corporate social responsibility disclosure. To examine the trend of disclosure, the study requires complete annual reports during observed period. This study found the increase of trend in corporate social disclosure during observed period. However, the increase was not significant indicated by low response of companies to the act. The results of content analysis indicate that human resources or employee topic dominate CSR disclosure. Regarding to the quantity of disclosure, the study found that 55,9% of disclosures were written in paragraph which less than half of A4 size paper. The study also found that 71% of disclosures was in non-monetary term. The results of regression analysis indicate that firm size is a pivotal determinant of CSR but not for profitability and public ownership. However, these findings are lack of generalization due to small sample size.

Keywords: *Corporate Social Disclosure; mandatory disclosure; Act No. 40 (2007); Indonesia.*

Introduction

As a developing country with its multicultural background and the third largest populated country in the world, Indonesia intensively started its development programs since 1970s. World Resources Institute of World Bank (2003) reported that in 1995, the number of manufacturing companies in Indonesian was growing at 10 percent a year. On the other hand, the government of Indonesia had only limited ability to enforce its environmental regulations. Since 1998, the deforestation rate has reach 2,83 million hectares annually. Pollution, deforestation, and illegal logging spread very quickly and become daily practices.

The government has encouraged environmental awareness and responsibility through a program namely PROPER. Participants of PROPER claim that they are “in compliance” with regulation. However, some parties (e.g. environmentalist, non-government organization and society) are still questioning the effectiveness of this program to enhance environmental quality. Furthermore, Kanungo (2007) reported that worst performers were not exposed widely by media that lead to potential erosion of the impetus of PROPER. Only five percent of the worst performers

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are reported in the newspapers. Since ratings are not widely publicized in the print media, there is a possibility of loosing program's momentum.

The background of this research is the release of Act No. 40 (2007), which brings the consequence to implement corporate social responsibility in Indonesia. The Government of Indonesia has legislated Act No. 40 (2007) which rules corporate social responsibility to Indonesian companies depleting natural resources. Section 74 of this act enforces private companies to carry out activities toward social responsibility and emphasize budgeting and estimation of social and environmental cost in their financial reports. The implementation may require private companies to disclose its activities, programs and costs related to environment and society. The implementation of corporate social responsibility impacts on business activity cost to external parties and increase cost of reporting. However, business activities should give positive respond normatively. Due to this expectation, this research should find out whether the new act has been responded positively by business activity. The release of Act No. 40 (2007) encourages company to fulfill its responsibility to environment and society. The degree of awareness among Indonesian companies in the early implementation of the act has increased, indicated by the results of annual report disclosure by some academics.

A consideration of social aspect in accounting has been contended by Trueblood Committee of AICPA. In 1973, the committee included corporate social responsibility as one of the objectives of financial statement. They proposed that "An objective of financial statements is to report the impact of an enterprise on social environment." Furthermore, the Indonesian Financial Accounting Standard (Revised in 1998) No: 1 also encourages corporate social responsibility implicitly.

We conduct this research by examining the trend of corporate social disclosure for five years. Therefore, our research provide longer time frame (5 years of observation) of corporate social disclosure practices in Indonesia. This extending time frame would provide better understanding about corporate social disclosure motivations. We do not specify our research in environmental disclosure only but we conduct ours in three area of social accounting namely social, society and environmental.

We hope that there would be an increasing trend in corporate social disclosure especially in the 2007 after the enactment of Act No. 40 (2007). The population of this study is manufacturing industry from 2003 until 2007. We use Hackston and Milne (1995) corporate social disclosure item for content analysis on annual reports. We also quantify the quantity and quality of disclosure by using Raar's (2002) method. Following previous research, this research examines three determinants of corporate social disclosure namely firm size, profitability, and public ownership.

The Concept of Social Accounting

The entity assumption contends that traditional financial accounting disregards transaction or event that does not directly impact the entity. Traditional financial accounting also defined expense in such a way that excludes the recognition of any impact on resources that are not controlled by entity. In addition, traditional financial accounting reports only measurable items. Measurement may become the most rational reason to disregard the externality of business. Therefore, the seminal papers had noted that traditional accounting ignores the externalities of business.

Social accounting mainly concerns about three areas, i.e. social, environmental and employment. The concept within social accounting enforces profit oriented company to build sustainable business. In a long run, it is hoped to create sustainable development in the whole society. The 1987 report by the World Commission of Environment and Development defines sustainable development as development that meets the needs of the present world without compromising the ability of future generations to meet their own needs (Deegan, 1999).

The implementation of corporate social responsibility will contribute to account of triple bottom line reporting. Triple bottom line is reporting which provides information about economics, environmental and social performance of an entity. Recall that, a company that focused solely on profit and exclude environmental and social consideration cannot be said to have sustainable business (Deegan, 1999).

Gray et. al. (1995) explained theories that had been used to explain the tendency of corporate social disclosure as follows. They noted that study of corporate social disclosure could be divided into three groups i.e. decision-usefulness studies, economic theory studies, and social and political studies. This study is conducted regarding the release regulation that mandates corporate social responsibility, and therefore, it is consider as one of social and political studies concerning business activity.

Social Accountability in Indonesia

Concerning environmental issues, the Government of Indonesia had established Act No. 4 concerning the Principal of Environmental Management in 1982. This rule was revised by Act No. 23 in 1997. The Government of Indonesia's Environmental Impact Agency (BAPEDAL) also has started to implement the Program for Pollution Control, Evaluation, and Rating (PROPER) since June 1995. PROPER uses seven colors coding system—gold, green, blue, red, and black. **A gold** rating is awarded to company with facilities that demonstrate excellent performance by going beyond the requirements of regulatory standards, and also by exhibiting similar results in control of air pollution and hazardous waste. **A green** rating is awarded if the factory's environment management procedures go beyond the expected compliance level. **A blue** rating signifies compliance with national regulatory standards, while **blue minus** indicates that activities has been done but not fully completed yet. **A red** rating indicates a poor performance level, in which the factories display some sort of pollution control effort but do not comply with the regulatory standards in absolute terms. **A red minus** indicates that the achievement company's activity on environmental conservation is very poor. **A black** rating indicates the lowest performance level. Factories are assigned a black rating if they do not make any attempt to control pollution, thereby being major contributors to serious environmental risks and becoming potential polluter.

Suratno (2006) reported that none of registered companies which participated in PROPER from 2002 to 2005 had achieved gold criteria. Most of them were graded blue during his four years observations. It means that those companies conduct environmental efforts just to comply with the regulation. It depicts that most companies are 'in compliance' or keep steady regarding environmental rules and perhaps that in long range, their environmental awareness far from excellent if the regulatory bodies do not urge the act enforcement. The table below showed that some companies kept in 'blue' rating from 2002 until 2005. They are PT. Century Textile, Tbk.; PT. Indah Kiat Pulp, Tbk.; PT. Indofarma, Tbk.; PT. Semen Gresik, Tbk; and PT. Tunas Baru Lampung, Tbk. It implied that no improvement in fulfilling PROPER during four years. PROPER 2006-2007 reports only one company attain gold i.e. Magma Nusantara while 43 companies attain black. Therefore, act enforcement is urgently needed.

Table 1. Subjects of PROPER Participant in 2002 - 2005

Company	2002	2003	2004	2005
Argo Pantes	Red	Red	Blue	Blue
Budi Acid Jaya	NA	Red	Blue	Blue
Century Textile	Blue	Blue	Blue	Blue
Citra Tubindo	NA	NA	Blue	Blue
Fajar Surya Wisesa	NA	Blue	Blue	Blue
Good Year	NA	NA	Red	Red
Indah Kiat Pulp	Blue	Blue	Blue	Blue
Indal Aluminium	NA	NA	NA	Blue
Indocement	Green	Green	Green	Green
Indofarma	Blue	Blue	Blue	Blue
Kimia Farma	NA	NA	Blue	Red
Prasidha Aneka Niaga	NA	NA	Red	Red
Semen Cibinong	NA	Blue	Blue	Blue
Semen Gresik	Blue	Blue	Blue	Blue
SMART Corp	NA	Red	Blue	Blue
Suparma	NA	Red	Red	Red
Tunas Baru Lampung	Blue	Blue	Blue	Blue
Unggul Indah Cahaya	NA	NA	Blue	Blue
Unilever Indonesia	Green	Green	Green	Green

Source: BAPEDAL in Suratno (2006)

The signal emerging from these findings is the action that has been done by public registered companies in Indonesia, the compliance with regulation. Furthermore, Suratno (2006) reported that the level of corporate environmental responsibility disclosure is low because corporate social and environmental disclosures are grouped into voluntary disclosure. The mandatory disclosure and reporting of environmental and social issues was not strictly ruled. The regulatory body also did not mandate to report the effect of business activity on its external environment. The reporting practices then flow through disclosure within annual reports. Surprisingly, Suratno (2006) stated that there was no compatibility of corporate social and environmental reporting between government regulation and accountancy in Indonesia.

Regarding to the scarce of corporate social responsibility report in Indonesia, researchers are facing difficulties to gather data and develop proper model to examine company's environmental awareness. There have been 5 (five) approaches to measure Corporate social performance: Measurements based on analysis of the contents of annual reports, Pollution indices, Perceptual measurements derived from questionnaire-based surveys, Corporate Reputation indicators, and Data produced by measurement organizations (Igalens and Gond, 2005 in Fauzi, 2006).

Examination of social disclosure in 2001 annual reports of 61 randomly selected Indonesian manufacturing companies was conducted by Cahyonowati (2003). She found that 100% of the sample companies disclosed their social responsibility concerning human resources. Moreover, 26% of the sample companies disclosed their responsibility to environment (pollution, gardening, etc.) and only 5% of them disclosed energy conservation.

Table 2. Social Responsibility Disclosure in 2001

Theme of disclosure	%
Environment	26%
Energy	5%
Human resource	100%
Products	42%
Society	36%
Others	33%

Source: Cahyonowati, 2003

Anggraini (2006) also found that most public registered companies disclose their responsibility to employees but only few companies disclose their responsibility to environment. These results imply that the environmental awareness of most companies in Indonesia might be still far from excellent.

Hypotheses

As noted above, the previous private company regulation (Act No. 5 / 1995) had not mandated private company to report corporate social responsibility. Before the release of the new regulation, corporate social disclosure was categorized as voluntary disclosure. The establishment of Act No. 40 (2007) has mandated company to report its activity concerning social and environment. This rule has been enacted since August 16, 2007. Since that date, companies taking natural resources has been mandated to manage social activities. We hope that the promulgation of this rule will be effectively implemented in 2007 annual reports. Therefore, we argue that the extent of corporate social disclosure within companies' annual report in 2007 will increase.

H1: CSR disclosure is higher after the establishment of the Act No. 40 (2007).

Both agency theory and legitimacy theory contain arguments for a size disclosure relationship (Hackston and Milne, 1996). Moreover, larger companies are more likely to undertake more activities, greater impact on society, and more shareholders who might be concerned with social program undertaken by the company. Annual report resumes this information and hence it provides efficient means of communicating information which company want to disclose to stakeholders.

The larger the size of the company, the more stakeholders involved and therefore the more disclosure items needed. Furthermore, the large-size firm faces the greater political cost than small-sized firm. Theoretically, large-sized firm will not able to lessen political pressure including pressure to implement social responsibility. Therefore, large-sized firm will show greater amount of social disclosure to reduce political cost that burden firm (Muhammad Rizal, 2001). In the long term, disclosing social responsibility as shown in financial report may avoid future cost that triggered by society claim (Mas'ud, 1995). Moreover, Hackston and Milne (1996) found a positive association between firm size and corporate social disclosure. According to the above elaboration, we propose the following alternative hypothesis.

H2: The larger the size of the company, the greater extend of corporate social disclosure.

There is a view that social responsiveness requires the same managerial style as that necessary to make a firm profitable (Hackston and Milne 1996). Corporate social disclosure is believed to reflect an adaptive management approach to dealing with a dynamic, multidimensional environment and an ability to meet social pressure and respond to societal needs. Cowen *et al*. (1987) argued that such management skills are considered necessary to survive in today's corporate environment. Heinze (1976), however, contends that profitability is the factor that allows management the freedom and flexibility to undertake and to reveal to shareholders more extensive social responsibility programs.

Research concerning the association between profitability and corporate social disclosure found mix results. Hackston and Milne (1996) failed to find that there is a significant relationship between profitability and corporate social disclosure. Another researcher found that there is a positive relationship between profitability and social disclosure (Roberts in Hackston dan Milne, 1996). Regarding these results, profitability is proposed as a potential determinant of corporate social disclosure. Statement of alternative hypothesis is as follow.

H3: The higher the profitability, the greater extend of corporate social disclosure.

Regarding agency theory, principal which is defined as shareholder or other traditional users, has now been changed into the whole interest group including public. As the agent of the principal, management will make serious efforts to operate and fulfill stakeholders' wants by disclosing what public wants.

The percentage of ownership is believed to determine the level of corporate disclosure. Marwata (2001) argued that the more public ownership the more information disclosure contained in annual reports. The more public ownership the more likely the firm will disclose the activity to social because the owners do not only regard high return but also they evaluate the firm's way to manage their invested capital (Sawarjono, 1991). Therefore, we state the alternative hypothesis as follow.

H4: The higher portion of public ownership, the greater extend of corporate social responsibility.

Research Methods

The population of this study is manufacturing companies. We selected this industry because manufacturing processes involve many external resources including natural resources and human resources. Content analysis is used to analyze of corporate social disclosure within annual reports of public registered companies in Indonesian Stock Exchange from 2003 until 2007. Furthermore, we excluded samples with incomplete annual reports during observed period.

To examine H1A-H3A we perform regression analysis with the following model:

$$CSR = \alpha + \beta 1 LogSize + \beta 2 Profit_{t-1} + \beta 3 Own + \beta 4 Year_{2003-2006} + e$$

Hackston and Milne's (1996) items were used to measure the level of corporate social responsibility. We examined the quantity and quality of corporate social disclosure by using Raar's (2002) method as follows:

Table 3. Quality and Quantity Definitions

Quantity of disclosure "how much"	Quality of disclosure "how measured"	Quality definition
1 = sentence	1 = monetary	Disclosure in monetary/ currency item.
2 = paragraph	2 = non monetary	Quantified in numeric terms of weight, volume, size, etc but not financial/ currency.
3 = half A4 page	3 = qualitative only	Descriptive prose only.
4 = 1 A4 page	4 = qualitative and monetary	Descriptive prose and currency.
5 = > 1 A4 page	5 = qualitative and non – monetary	Descriptive prose and numeric terms.
	6 = monetary and non – monetary	A combination of currency and numeric terms.
	7 = qualitative, monetary and non - monetary	Descriptive prose, financial and numeric terms.

Source: Raar (2002)

The unit of analysis used to determine quantity of disclosure was a combination of individual sentence which, when accumulated in the report, totaled a paragraph, a half page, one page or more than one page. The quality of information was measured by monetary, non-monetary, qualitative discussion or a combination of all three (Raar, 2002).

The size of the company is measured using market capitalization. Market capitalization equals to multiplication of share price and number of shares at the end of the year.

According to Gray *et al.* (1995a, pp. 49-50), corporate social disclosure is not related to profitability in the same period, but it may be related to lagged-profits. Therefore, we measure profitability by lagged return on assets. Return on asset is equal to net income divided by total asset at the end of year.

Public ownership is measured using the percentage of shares owned by public at the end of year.

Result and Discussion

Descriptive statistics

We collected annual reports in every year for each company during observed period. However, it is hard to find annual reports completely available for each company at its website and other related sources (i.e. the website of Indonesia Stock Exchange, www.idx.go.id). We could only find seven manufacturing companies fulfilling sample criteria. Each company was observed for five years therefore, the pooling sample consists of 35 firm-years. The following table performed descriptive statistic of all variables.

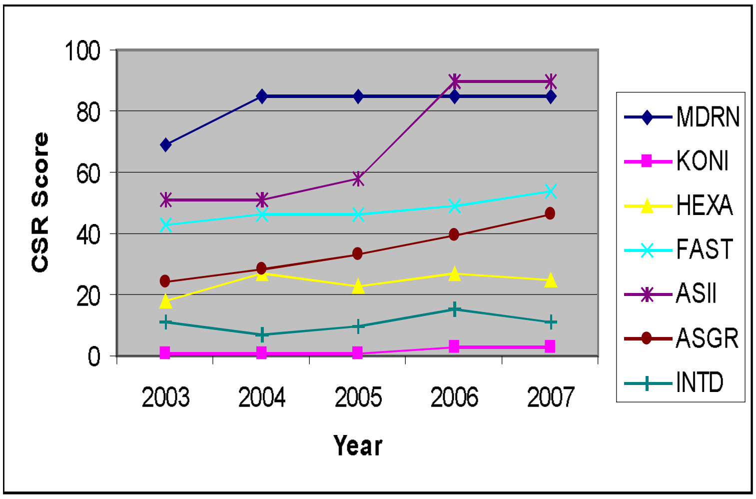
Table 4. Descriptive Statistic

Variables	Mean	Std. Deviation
CSR score	38,29	28,790
Logsize	26,3552	2,79205
Own	0,336	0,158
Roa	0,068	0,171

Corporate Social Disclosure: Trend and Practices

The chart below shows the trend of CSR scores during estimated period. CSR scores tend to increase during estimated period. In 2007, when the Act No. 40 was promulgated, there was no significant increase of CSR score in 2007 as shown on chart below. Three companies (ASII, MDRN, KONI) shows constant CSR score during 2006 and 2007. This indicated that the new regulation has not been responded effectively.

Chart 1. CSR Trend



We could not find the significant difference of CSR score before 2007 and CSR score in 2007, when the Act No.40 (2007) enacted. The independent sample t test shows that there is no significant difference of CSR disclosure before 2007 and 2007 itself as the milestone. Therefore, the study rejects H1. However, the mean value of CSR in 2007 had increased as compared to the

CSR score before 2007 from 36,64 to 44,86 in 2007. This finding indicates that the respond of business activity on the implementation of the Act No. 40 (2007) is not enthusiastic enough. The effect of this act may be examinable a couple of years after this study. This also implies that the government needs to perform act enforcement regarding environmental issues.

Table 5. The Result of Independent sample t - test

		Year	N	Mean	Std. Deviation
CSR score		Before 2007	28	36,64	27,740
		2007	7	44,86	34,222
t test	-0,670				

There are some topics of corporate social activities. The following table describes CSR rating for each topic of disclosure.

Table 6. CSR Rating

Issue	Disclosed Item	Percentage	Rating
Environment	171	12,76%	2
Energy	100	7,46%	6
Employee health and safety	138	10,30%	5
Employee other	580	43,28%	1
Products	164	12,24%	3
Community involvement	148	11,04%	4
Others	39	2,91%	7
Total	1340	100%	

Human resource topic dominated CSR disclosure. There were 43,28% of disclosure relates to human resource which concern about minority, training, benefits, remuneration, employee profile, employee share purchase schemes, morale, industrial relation and other issues of human resources. This finding confirms previous research that employee or human resource topics become dominant disclosure by most public registered companies in Indonesia (Cahyonowati, 2003).

During the last decade, environmental issue has been a hot discussion topic for academicians, government, ecologist, environmental organization, and society. However, the above table 6 indicates that companies put environmental activity as the second priority.

We expand our analysis by examining the quality and quantity of CSR. The following table described the quantity of CSR disclosure.

Table 7. The Quantity of CSR Disclosure

Quantity of disclosure “how much”	Frequencies	Percentage
1 = sentence	440	32,8%
2 = paragraph	749	55,9%
3 = half A4 page	52	3,9%
4 = 1 A4 page	27	2%
5 = > 1 A4 page	72	5,4%
Total	1340	100%

There are 55,9% disclosures made in paragraphs. This implies better explanation of CSR activity rather than disclosure through sentences. However, the paragraphs are less than half A4 page. This indicates less detail explanation of disclosed information. The ideal disclosure should include statistical data, graphical trend, etc.

Table 8. The Quality of CSR Disclosure

Quality of disclosure "how measured"	Frequencies	Percentage
1 = monetary	80	6%
2 = non monetary	952	71%
3 = qualitative only	147	11%
4 = qualitative and monetary	4	0,3%
5 = qualitative and non – monetary	73	5,4%
6 = monetary and non – monetary	3	0,2%
7 = qualitative, monetary and non-monetary	81	6%
Total	1340	100%

Most companies preferred to disclose in non-monetary term. We found that 71% of disclosures were in non-monetary term. Further, this would result in the incomplete information that disclosed to stakeholder. Stakeholder might not be able to analyze the increase or decrease of social cost expended by companies because the policy makers had not determined and specified the form of CSR report. From the business side, making additional report of sustainability reporting could be more costly.

Regression results

We conducted regression analysis to find out the determinants of CSR during estimated period. The variance influence factor for each variable is less than 10, as an indicator that there is no serious multi collioniearity in the model. Moreover, the Glejser test indicates that none of independent variable is significant at 5%, therefore we are sure that our data fulfil homoscedastic assumption. The following table performed the result of regressions.

Table 9. Regression results

	1st Regression	2nd Regression	3rd Regression	4th Regression
Constant	-153,422***	-155,210***	-147,200***	-148,92***
Roa	-5,267		0,869	
LogSize	6,878***	6,953***	6,747***	6,821***
Own	32,135	31,816	33,216	32,783
LagRoa		-8,281		-7,691
Y2003			-8,803	-8,772
Y2004			-5,939	-4,505
Y2005			-4,123	-3,761
Y2006			1,071	1,226
	F test = 9,935*** Adj. R^2 = 44,1%	F test = 10,019*** Adj. R^2 = 44,3%	F test = 3,942*** Adj. R^2 = 37,7%	F test = 3,978*** Adj. R^2 = 38%

Note:
Dependent variable: CSR disclosure, N=35.
*** significant at 0.01

Hackston and Milne (1996) found that firm size determine the level of CSR but not profitability. We confirmed their finding. Our model implies that only firm size that determines CSR score significantly. The greater the firm size the greater impact on society. This would bring such companies to take into account the externality of their business. Larger companies tend to be more socially aware because they have more stakeholders involved than small companies. Therefore, larger companies tend to legitimate the business impact on society through CSR program. This finding supported the acceptance of H2.

Gray *et al.* (1995a) stated that CSD does not relate to profitability in the same period, but it may be related to lagged-profits. Therefore, we conduct another regression and use lagged ROA to measure profitability. However, we still could not provide enough evidence that profitability is a determinant of CSR. According to this result, H3 is rejected. The results are shown in the second and fourth regressions.

We could not provide evidence that the percentage of ownership determines CSR. The sample shows that the percentage of public ownership is quite low, approximately 33%. This indicates that the decision to enforce social activity may not consider public ownership. Therefore, H4 is rejected. The low percentage of public ownership indicates that public is not controlling shareholders who dominate voting during the process of decision making including the decision to manage certain social activity.

The third regression analysis put dummy variable to control the period effect. The analysis aims at finding out whether the coefficient of determinant variables change significantly during estimated year. The result shows that the coefficient of determinant variables do not change significantly. Therefore, the results are robust in every estimated year.

We put dummy variable of estimated year in the fourth regression analysis. The coefficients of determinant variables still do not change significantly compared to the results of the third regression analysis.

The multivariate analysis reveals that company size is the only determinant of CSR in Indonesia while profitability and public ownership does not affect business decision relating to activities to its external environment.

Due to small sample, the results could not be generalized for the whole industries. Future research could compare the trend of CSR among industries groups because each industry has unique characteristic that possibly differs CSR activity. The nature of certain industry has believed to affect CSD practices such as mining and agriculture industry. Hackston and Milne (1996) found the difference of CSD practice between high and low profile industry. Our sample covers only manufacturing industry, therefore we could not able to examine CSR score between industry groups.

CSR measurement might be bias, because the instrument that developed by Hackston and Milne (1996) does not include disclosure on electronic media but rather disclosure within annual reports and specific CSR reports. Some companies have recently disclosed CSR activity using advertisement on television such as PT. Bumi Resources, Tbk and PT. Djarum. Some companies have released sustainability reports (e.g. PT. Aneka Tambang, Tbk; PT. Telkom, Tbk; PT. Unilever, Tbk) that report their CSR activities. Our research did not cover these kinds of disclosures.

The decision of corporate social action may depend on the corporate governance. This issue is not covered in this study. Hence, the examination of the relation between sustainability reporting and corporate governance mechanism is a potential area of research.

Conclusions

It is too early to conclude that the Act No. 40 (2007) has been responded positively. During the estimated period the CSR score increased insignificantly. Therefore, we do not able to accept H1.

Researchers should conduct further sophisticated analysis in some years to come when the society specifically business society understand the new corporation act. We hope that there will be other supporting regulations to implement CSR in real activities and to report them in companies' financial reports. This finding also implied that corporations try not to refuse mandatory social activities, because it could increase corporate cost including cost of reporting.

Human resource topic dominates CSR disclosure. This result is consistent with Cahyonowati (2001) that examined CSR disclosure of public listed companies in 2001. Environment topic--hot issues in the last decade--become the second priority. Moreover, the literature stated that environmental performance of Indonesian companies is not good enough. During 1995 until 2007 only one company achieved gold criteria on PROPER rating. Therefore, it is important to perform further analyses about environmental awareness of business activities.

CSR disclosure is mostly written in paragraph length that less than A4 page and most of them are in non-monetary term. These ways of disclosure might not able to provide detailed information about corporate social cost and benefit. Furthermore, it is difficult to examine whether social cost and benefit have increased or decreased. These findings indicate the need to specify and regulate CSR reporting in Indonesia. Companies in well-developed countries such as UK and Australia have been required to report CSR reporting. In other words, We hope that CSR reporting will be applicable to Indonesian companies.

Hackston and Milne (1996) reported the positive association between firm size and the level of CSR. Following them, we found that the size of the company is a determinant factor in our regression model. The larger the firm the high level of CSR as shown in annual reports, therefore H2 is accepted. This result is consistent with social and political theory that large companies have greater impact on society and therefore they tend to legitimate their business impact on society. One possible way is trough corporate social responsibility action.

The regression result fails to provide enough evidence about the effect of profitability on the level of corporate social disclosure, therefore H3 is rejected. This finding confirms Hackston and Milne (1996).

As the agent of the principal, company is willing to behave according to the desire of principal and public owner. Marwata (2001) argued that the more public ownership the more information disclosure contained in annual reports. Unfortunately, the study fails to provide evidence that public ownership is a determinant of corporate social activity. Therefore, H4 is rejected.

Overall, the results could not be generalized because of insufficient data. Further research should expand the number of samples and firm-year. Content analysis might be bias due to subjectivity during coding process. The results of content analysis had been checked randomly. However, this limitation had not fairly overcome and resulted in pessimistic to draw conclusions.

Some companies started to report sustainability reporting under Global Reporting Initiatives standards (e.g. PT. Aneka Tambang, Tbk; PT. Telkom, Tbk; PT. Unilever, Tbk). However, regulator has yet mandated the use of this standard to report social activities until this paper completed. Regardless that situation, this research strongly suggests that future research should emphasize the examination of the content of sustainability reporting in Indonesia rather than annual reports.

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