Online Corporate Social Responsibility on Developing Countries

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Abstract

The purpose of this paper is to examine the determinants of reporting corporate social responsibility (CSR) of the manufacturing industry in Indonesia. Particulary, it explores the impact of size, age and origin of company ownership on the online CSR reporting using the data from 100 manufacturing companies in Indonesia.

The authors used the ordinary least squares regression analysis in the estimation of the influence predictive on-line corporate CSR disclosure.

The findings suggest a significant positive relationship between online CSR disclosure and firm size and are insignificant company with firm age and origin. The findings are strong for different specifications.

Research directed at online CSR communication between manufacturing companies. This study therefore makes an important contribution of analyzing online CSR reporting in Indonesia

Keywords: Indonesia, Stakeholder Theory, Internet Reporting, Communication Strategy, Corporate Social Responsibility

1. Introduction

Corporate Social Responsibility (CSR) is a concept that the company or organization has a responsibility to all stakeholders that there is good in the company’s shareholders, employees, customers, suppliers, the environment, surrounding and sebagaianya in all aspects of operations. In carrying out its activities the company should look not only to activities which lead to the economical aspects only (profit) but must also take into account the effects on aspects of human resources, products and customers, social, environmental, and other, both for the period closest to or the time long.

It is not just the responsibility of the persusahaan, but it is important for the sustainability of the business, because with this company can maintain their reputations. Manufacturing companies, particularly in Indonesia, almost all adopt CSR to strengthen
the image of the company and meet the expectations of the economic, legal, ethical and environmental stakeholders. To improve reporting on CSR, companies in Indonesia consider it to be important means of communication. Reporting online presents an innovative system to expand CSR communication. For example, previous studies examine the determinants of reporting corporate social responsibility (CSR) in the insurance industry in Ghana (Kingsley et al., 2015).

Based on this background, the author will take the title “Corporate Social Responsibility Online: In Developing Countries”.

From the description above, the formulation of research problems to be identified, namely:

1. Is CSR reporting age affect the company?
2. Does size affect the company’s CSR reporting?
3. What is the origin mempengengaruhi company CSR reporting?

This study is structured as follows; Part II foundation of the theory. Section III discusses the research method, Part IV provides data analysis and discussion. Section V Conclusion.

2. Literature Review

2.1. Stakeholder theory

Stakeholder theory rooted in the assumption that “any group or individual who can affect or be affected by the achievement of the objectives of the company” reserves the right and obligation to participate in directing (Freeman, 1984; [6]). Commission of the European Communities in 2003 defines CSR as a concept whereby companies accountable and have an impact on all relevant stakeholders. Thus, in the absence of legislation specific CSR reporting, stakeholder theory explains the motivation behind the justification to disclose CSR initiatives among insurance companies in Ghana ([12, 19]; Archel-Domench, 2003). An organization’s stakeholders include shareholders, creditors, employees, customers, suppliers, public interest groups and government agencies. For example, pressure from the investment community and advocacy groups including The Center for Social Policy Studies at the University of Ghana, the traditional ruler, Ghana Trades Union, the Center for Democratic Development (CDD-Ghana) and communicator social ensure that the initiatives the company the company in
accordance with the expectations of society, norms, values, beliefs and definitions (Suchman, 1995; Gray et al. 1996; Clarke, 1998; [21]).

Haniffa and Cooke (2005) noted a company can use CSR as a strategy to protect the reputation and shareholder value and goodwill of their investors. Stakeholder theory argues that the industry with high visibility among consumers (such as insurance) are more likely to deliver positive social image through CSR reporting more [6]. Positive social image is not only associated with a higher market share but also the existence of public business in Ghana. Therefore, the insurance company with high visibility, as proxied by the number of branches, may have more reason to reveal the online CSR as part of a strategy to ethically interact with the surrounding community (see [6]).

Indonesia appreciated the participation form companies that report on the CSR awards ICA (Indonesian CSR Award). It lasted since 2005, when the event is held every 3 years. With the existence of this kind of activity appraisal committee ICA can identify, interrogate, deploy and appreciate the CSR initiatives and projects implemented by companies participating in CSR. Outstanding company received the award based on their strategic marketing approach that includes customer and product development, human resources, corporate reputation management, community involvement and other CSR initiatives. This activity is based on the ISO 26000: 2010 Guidance On Social Responsibility adopted by the International Standards Organization (ISO) on November 1, 2010 in Copenhagen Denmark applies not only to companies but also to other organizations. Deputy of Research and Standardization Cooperation BSN said that, ISO 26000: 2010 has been adopted by the republication method-reprint become ISO 26000: 2013 by the Technical Committee 03-06 Social Responsibility.ISO 26000: 2013 Guide Social Responsibility to be a reference and practices that ideal in running (companies / organizations / institutions) and has been a strategy that must be done so that the organization (company / organization / institution) can develop in a sustainable and harmonious with all stakeholders the interests of the company or organization.

During the Award, the company’s outstanding and mature with foreign ownership share their unique experience in creating and maintaining “shared values” with the respective stakeholders. In this case, the age of the firm is positively related to the online CSR reporting, which implies that the company continues to operate for a longer period of time, it renders itself as an ongoing business and therefore it is necessary to report an increase CSR activities online. In particular, the age of the company is a measure of a company’s reputation in CSR models. Thus, the company is considered a mature socially responsible than his young colleagues. Company size is also
an important determinant of CSR reporting online. Larger companies are required by law to publish and disclose information based on standards and regulations, while small companies are not obliged by standards and regulations. Smaller companies may find it relatively expensive for reporting online. Therefore, it may present the online CSR activity is lower. Assertion is that the online CSR rare in smaller firms than larger firms. Thus, the theory of stakeholders showed that the old company with a number of branches and a large shareholding report more information about CSR, because of the visibility and name them (Smaller companies may find it relatively expensive for reporting online. Therefore, it may present the online CSR activity is lower. Assertion is that the online CSR rare in smaller firms than larger firms. Thus, the theory of stakeholders showed that the old company with a number of branches and a large shareholding report more information about CSR, because of the visibility and name them (Smaller companies may find it relatively expensive for reporting online. Therefore, it may present the online CSR activity is lower. Assertion is that the online CSR rare in smaller firms than larger firms. Thus, the theory of stakeholders showed that the old company with a number of branches and a large shareholding report more information about CSR, because of the visibility and name them [18], Douglas and others. (2004) confirms this idea, stressing that local companies and young lagging behind foreign companies and mature companies in disclosing CSR information on the web, in order to exposure and familiarity with the trends in their business environment. Engagement in CSR, bringing the behavior of firms and industry to the name in accordance with the expectations of society and industry as a whole.

3. Hypothesis

3.1. The impact of size for online CSR reporting

Company size are important determinants of CSR reporting online. Larger companies are required by law to publish and disclose information based on standards and regulations, whereas, small companies are under no obligation and regulations. Smaller companies may find it relatively expensive to overcome asymmetries of information through the online reporting, therefore, may present the online CSR activity is lower. Assertion is that the online CSR rare in smaller firms than larger firms.
3.2. The impact of age for online CSR reporting

In theory stakeholders, The age of the firm is positively related to the online CSR reporting, implying that because the company continues to operate for a longer time, it renders itself as an ongoing business and therefore its capacity to report an increase in CSR activities online. In particular, the age of the company is a measure of a company’s reputation in CSR models. Thus, mature companies, including private insurance companies deemed socially responsible than his young colleagues / new company.

3.3. The impact of origin for CSR reporting online

Listed companies and mature with foreign ownership share their unique experience in creating and maintaining “shared values” with the respective stakeholders. And vice versa with local ownership, with variable origin we can see the effect of foreign ownership of local or which may affect the reporting of CSR online.

![Figure 1: KERANGKA KONSEPTUAL.](image_url)
4.1. Definition of operating variable

4.1.1. TCSR

The dependent variable used in this study is total score of CSR online (TCSR) as measured by the number of disclosure of human resources, products and customers, the environment and community involvement. For example, we check whether the insurance company as part of their community involvement reported charitable donations. Similarly, a report on the health and safety of employees and provisions for those who are challenged physically examined from each of the company’s web site (can also be seen from the annual report on the Stock Exchange).

4.1.2. Size

The first independent variable used in this study is size, where size is the size of company that can be seen from the total assets in the annual report. And can be calculated by:

\[
\text{Size} = \ln \text{Total Assets}.
\]

4.1.3. Age

A second independent variables used in this study were age, where age is the age of the company that can be seen from the establishment of the annual report.

4.1.4. Origin

The third independent variable used in this study is the origin, where the origin is the origin of which can be seen from the company’s largest stock holdings in the company in the annual report.

4.2. Data collection procedures

Companies that the sample in this study have been eligible who have been determined, namely:

2. Manufacturing companies listed in Indonesia Stock Exchange and report on corporate social responsibility (CSR) online in 2017

3. Companies presenting complete data needed for research 2017 year, the company’s total sampled is 100 manufacture.

4.3. Types and sources of data

This research uses quantitative data such as numbers or numbers that can be processed and analyzed using mathematical or statistical calculations. Sources of data in this research is secondary data. Secondary data can be obtained through the journals, literature, the Internet, or other sources that do not involve direct observation of researchers. Here is a secondary data along with data sources used in this study:

1. Information companies listed in Indonesia Stock Exchange (BEI) in the period 2016 obtained www.sahamok.com/manufacturingcompany--in-bei/

2. Annual report audited manufacturing companies in Indonesia Stock Exchange (BEI) in the period 2017 obtained from Web sites Indonesia Stock Exchange (IDX) www.idx.co.id

4.4. Data analysis method

This research uses descriptive analysis and multiple linear regression were used to measure the relationship between two or more variables and show the direction of the relationship between the dependent and independent variables (Ghozali, 2011: 96). The dependent variable is the total score reporting csr online (tcsr) as measured by the disclosure tbsp (employment), the product and the consumer (the feasibility of the product, customer complaints, etc.), environment (the company’s attention to the environment), and the community (donations, charities, support for education, project sponsor sports / recreation, etc.). Independent variables are size, age and origin. Prior to the calculation of multiple linear regression to determine the effect of the independent variable on the dependent variable is bersasa together, it will be held the classical assumption test. Classic assumption test is done in order to meet the nature of regression estimation that is BLUES (Best Linear Unbiased Estimation). Classic assumption test consists of:

1. Test Multicolinearity;
2. Test of autocorrelation;

3. Test Heteroskidastity; and


Applications used for processing data in this research is the application of SPSS 20.0. Regrexiety equation as follows:

$$\beta_1 X_1 Y = \alpha + \beta_2 X_2 \beta_3 X_3 + e$$

$$\beta_1 SIZE TCSR = \alpha + \beta_2 AGE \beta_3 ORIGIN + e$$

Information:

- $Y = TCSR$
- $\alpha =$ constant
- $\beta_1 $...$ \beta_n =$ Coefficient regression direction
- $X_1 =$ SIZE
- $X_2 =$ AGE
- $X_3 =$ ORIGIN
- $e =$ Residual Error

5. Data Analysis and Discussion

5.1. Descriptive analysis

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>maximum</th>
<th>mean</th>
<th>Std. deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>csr</td>
<td>100</td>
<td>0</td>
<td>4</td>
<td>3.48</td>
<td>1,132</td>
</tr>
<tr>
<td>size</td>
<td>100</td>
<td>16:04</td>
<td>34:21</td>
<td>28.1227</td>
<td>3.02491</td>
</tr>
<tr>
<td>age</td>
<td>100</td>
<td>3</td>
<td>101</td>
<td>37.89</td>
<td>14.776</td>
</tr>
<tr>
<td>origin</td>
<td>100</td>
<td>0</td>
<td>1</td>
<td>.59</td>
<td>.494</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We report the mean, standard deviation, minimum and maximum and normality test variables in the study of 100 manufacturing companies. In total CSR, table recorded an average of 3.48 with a minimum and maximum value respectively by 0 and 4. Size table shows that the average size of companies around 28.1227 with a minimum value of 16.04 and a maximum of 34, 21. Manufacturing companies with an average
age of about 37.89 years with a minimum of 3 and a maximum age of 101 years. Results sized dummy on the origin of which 1 indicates local ownership and 0 is the average foreign ownership of 0.59 states that approximately 59 percent of locally-owned manufacturing company.

5.2. Classic assumption test

5.2.1. Multicolinearity

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients(\text{unstandardized})</th>
<th>Coefficients(\text{standardized})</th>
<th>t</th>
<th>Sig.</th>
<th>collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>beta</td>
<td></td>
<td>tolerance</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1,824</td>
<td>1,129</td>
<td></td>
<td></td>
<td>.109</td>
</tr>
<tr>
<td>size</td>
<td>.076</td>
<td>.038</td>
<td>.202</td>
<td>1,616</td>
<td>.049</td>
</tr>
<tr>
<td>age</td>
<td>-.011</td>
<td>.008</td>
<td>-.146</td>
<td>1,994</td>
<td>.049</td>
</tr>
<tr>
<td>origin</td>
<td>-.078</td>
<td>.242</td>
<td>-.034</td>
<td>1,323</td>
<td>.748</td>
</tr>
</tbody>
</table>

VIF value for the variable SIZE 1,040; AGE 1119; and ORIGIN 1,134 while its Tolerance 0.961; 0.893; 0.882. Because the VIF value of the two variables is no greater than 10 or 5 it can be said does not happen multikolinieritas the three independent variables. Under the terms of classical assumptions of linear regression with OLS, it is a good linear regression model is free from any multicollinearity. So to say the above model is free from any multicollinearity.

<table>
<thead>
<tr>
<th>Model Summary(\text{a})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), origin, size, age
b. Dependent Variable: csr

5.2.2. Autocorrelation

Value DW count of 2,109 is greater than 1,539 and less than 2,481 are in the area means there is no autocorrelation. It can be concluded that there is no autocorrelation.
5.3. Testing results and discussion

### Table 4

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients unstandardized</th>
<th>standardised Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>beta</td>
<td>t</td>
<td>Sig.</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.824</td>
<td>1.129</td>
<td>1.616</td>
<td>.109</td>
<td></td>
</tr>
<tr>
<td>size</td>
<td>.076</td>
<td>.038</td>
<td>.202</td>
<td>1994</td>
<td>.049</td>
</tr>
<tr>
<td>age</td>
<td>-.011</td>
<td>.008</td>
<td>-.146</td>
<td>-1388</td>
<td>.168</td>
</tr>
<tr>
<td>origin</td>
<td>-.078</td>
<td>.242</td>
<td>-.034</td>
<td>-323</td>
<td>.748</td>
</tr>
</tbody>
</table>

**a.** Dependent Variable: csr

Based on the results contained in Table 4, it can be arranged regression equation as follows:

\[ TCSR = 1.824 + 0.076\text{SIZE} - 0.011\text{AGE} - 0.078\text{ORIGIN} + \epsilon \]

5.4. Hypothesis testing

### Table 5

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.233a</td>
<td>.054</td>
<td>.025</td>
<td>1.118</td>
<td>2109</td>
</tr>
</tbody>
</table>

**a.** Predictors: (Constant), origin, size, age

**b.** Dependent Variable: csr

When viewed from the R-square value in the amount of 0.054 indicates that the proportion of variable influence SIZE, AGE, and ORIGIN to variable TCSR of 5.4%. That is, the size of the company, firm age and ownership of the company has a proportion of influence on the online csr reporting by 5.4% while the remaining 94.6% (100% - 5.4%) is influenced by other variables that are not in the linear regression model.

5.5. Hypothesis test

Value prob. t of the independent variable SIZE amounted to 0.049 <0.05 so that the independent variable SIZE significant effect on the dependent variable of CSR at alpha 5% or in other words, CSR SIZE significant effect on the 95% confidence level. Unlike the case with AGE independent variables on the dependent variable of CSR, since the
Table 6

<table>
<thead>
<tr>
<th>variables</th>
<th>Coefficient</th>
<th>Significant</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIZE</td>
<td>0.076</td>
<td>0.049</td>
<td>Significant positive effect</td>
</tr>
<tr>
<td>AGE</td>
<td>-0.011</td>
<td>0.168</td>
<td>No significant positive effect</td>
</tr>
<tr>
<td>ORIGIN</td>
<td>-0.078</td>
<td>0.748</td>
<td>No significant positive effect</td>
</tr>
</tbody>
</table>

Source: Processed Data, 2018.

value prob. t 0.168 > 0.05 so that it can be said that the independent variable AGE no significant effect on the dependent variable of CSR at alpha 5% or in other words, AGE no significant effect on CSR at the 95% confidence level. Similarly, the influence of independent variables on the dependent variable ORIGIN CSR, since the value prob. t count 0.748 > 0,

6. Discussion

These results refute the findings of stakeholder theory asserts that the companies with a large number of branches report more information about CSR because of their visibility and brand names (see [15, 21]). These findings also contradict the theory of stakeholders and the findings of previous studies (Kingsley et al, 2015). Slightly different from previous research, this study stated that companies with large size (SIZE) affect the extent of communications companies to social responsibility but age and does not affect the company’s origins. Perhaps because previous studies using the company to be said that the company is not too large, given that the insurance company is different from the manufacturing company. However, previous findings by implying that the lack of binding regulations may be useful in this case to increase the visibility of the insurance company’s CSR report that is not listed in the media given the importance of stakeholders’ interests and long-term performance industrial bias to one of the findings in this study as well. Our model, with R 2 0.054 melaporkan F-statistics show the size, age and ownership of the company contributed 5.4% multivariate model in explaining the online CSR reporting in Indonesia’s manufacturing industry. In contrast to research Kingsley et al (2015), where the free variables contributing just 7.79% in explaining the online CSR reporting in the insurance industry of Ghana.

Researchers highlight the specific characteristics of the company (ie a company’s age, size and origin) that is not a key driver of online CSR reporting by private insurance companies in developing countries. Our findings do not fail 100% support to the theory of stakeholder expectations. Because by using samples of different companies generate support for the theory influential stakeholders with firm size (SIZE) of the online
CSR reporting. In research Kingsley et al (2015) there are several reasons that cause can not give support to the theory of stakeholders, namely, first, Ghana has a poor culture of CSR disclosure. Ghana Companies Code, 1963 (Act 179), the Constitution of Ghana and Insurance Act, 2006 (Act 724) is the law on insurance companies’ CSR in Ghana. Generally, these documents are in poor condition regarding the issues surrounding CSR reporting. The insurance company’s CSR activities overall are not collected by the National Insurance Commission of Ghana. CIMG and CSR Diary and Award, however, have improved the lack of documentation and recognition of these CSR activities. Ratification of this award by AGI, Gcci, the Ministry of Trade and Industry, and many other organizations in Sub-Saharan Africa also represents rebirth and reporting CSR activities. In addition, professional and community interests including the latest investment in the Ghana Club 100 players in CSR will inevitably result in the disclosure of information culture of CSR better. Second, the insurance company in Ghana, these documents are in poor condition regarding the issues surrounding CSR reporting. The insurance company’s CSR activities overall are not collected by the National Insurance Commission of Ghana. CIMG and CSR Diary and Award, however, have improved the lack of documentation and recognition of these CSR activities. Ratification of this award by AGI, Gcci, the Ministry of Trade and Industry, and many other organizations in Sub-Saharan Africa also represents rebirth and reporting CSR activities. In addition, professional and community interests including the latest investment in the Ghana Club 100 players in CSR will inevitably result in the disclosure of information culture of CSR better.
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7. Conclusion

The concept of CSR has become a common practice in today’s business environment. Some research has been directed at CSR reporting in developing countries. This study uses the theory of stakeholders to understand the online CSR in Indonesia’s manufacturing industry. With the approach, knowing that the theory of stakeholders, among others, show the motivation of companies towards CSR online ([12, 19]; Archel-Domench 2003), Including protecting the reputation and goodwill of their investors [15]. The main contribution of this study is derived from the online CSR reporting exploration of manufacturing firms in developing countries.

Overall, the findings of researchers raised questions about the continued use of stakeholder theory in the study of CSR reporting in the context of developing countries. The research methodology, however, has its limitations. First, the analysis is based on three specific characteristics of companies including size, age and ownership of the company. Researchers intend to obtain beneficial results of this research. Finally, our
analysis is based on data of 144 manufacturing companies in Indonesia. Therefore, the findings can not be generalized beyond the scope of this study to the general manufacturing companies in Indonesia. For this reason, we encourage further research to replicate the study in manufacturing companies listed in Indonesia to establish the generality of these findings.

References


[31] www.sahamok.com/manufacturingcompany--in-bei