

**THE EFFECT OF DISCLOSURES OF CORPORATE SOCIAL
RESPONSIBILITY ON CORPORATE FINANCIAL
PERFORMANCE OF MANUFACTURING CORPORATIONS
LISTED ON INDONESIA STOCK EXCHANGE
IN THE YEAR 2006-2011**



Compiled by:

**STEVEN TASLIM
STUDENT ID : 01053130084**

**To Fulfill One of the Requirement
To Obtain Bachelor of Economics**

**EDUCATION AND CULTURAL MINISTRY
SRIWIJAYA UNIVERSITY
ECONOMIC FACULTY
INDERALAYA
2012**

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APPROVAL LETTER OF UNDERGRADUATE THESIS

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EXCHANGE IN THE YEAR 2006-2011**

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NUMBER OF STUDENT ID : 01053130084
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SUBJECT OF STUDY : ACCOUNTING THEORY


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COMMITTEE OF ADVISORS:

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APPROVAL LETTER OF COMPREHENSIVE EXAMINATION

THE EFFECT OF DISCLOSURES OF CORPORATE SOCIAL RESPONSIBILITY ON CORPORATE FINANCIAL PERFORMANCE OF MANUFACTURING CORPORATIONS LISTED ON INDONESIA STOCK EXCHANGE IN THE YEAR 2006-2011

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has been examined by the committee of comprehensive examination on Tuesday,
July 10th, 2012 and has already fulfilled the requirement for approval.

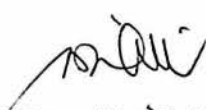
Committee of comprehensive examination
Inderalaya, July 16th, 2012

Main examiner,



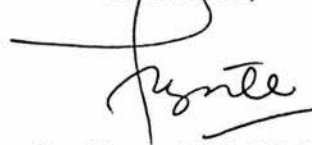
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MOTTO AND DEDICATION

If you can dream it, you can do it
~ Walt Disney

If you are born poor, it's not your mistake, BUT if you die poor, it's your
mistake
~ Bill Gates

Anyone who has never made a mistake has never tried anything new
~ Albert Einstein

If you really want to do something, you'll find a way. If you don't, you'll find
an excuse
~ Jim Rohn

Dream as if you'll live forever. Live as if you'll die today
~ James Dean

Knowing is not enough; we must apply. Wishing is not enough; we must do
~ Johann Wolfgang Von Goethe

Dream, Believe, and Make it happen
~ Agnes Monica

Luck is what happens when preparation meets opportunity
~ Darrell Royal

Dedicated to :

- ↓ My Parents
- ↓ My brother
- ↓ My Best friends
- ↓ My Faculty
- ↓ My Almamater

PREFACE

Praises and thanks to God for all His help and permit, so that the writer could successfully finish this undergraduate thesis. This undergraduate thesis is one of the requirements in order to obtain the bachelor degree in economics at University of Sriwijaya. The undergraduate thesis entitled The Effect of Disclosures of Corporate Social Responsibility (CSR) on Corporate Financial Performance of Manufacturing Corporations listed on Indonesia Stock Exchange aimed to examine and analyze the impact of CSR disclosures in the annual reports on corporate financial performance. The writer hopes that this research would bring useful information for companies in general and especially manufacturing companies while preparing to disclose their CSR implementations to the public.

This research is divided into five chapters; therefore, it would be easier for readers to understand the whole information. The first chapter consists of background for this research and also the problem statement. In the chapter two, all the literature reviews related with the CSR and Corporate Financial Performance are described. In the chapter three, readers will found the methodology used in this research and also the model for testing the hypothesis. The fourth chapter consists of the result of the test and analysis of the hypothesis. The last chapter concludes everything from the whole research.

Even though this research is far from perfection and still lack of accuracy, the writer hopes that this research could give additional information for readers and next researchers to improve and fix all the mistakes made in this research. Critics and suggestions will be very welcomed for the writer, so that the same mistakes will not be repeated. Thank you.

-Writer-

STEVEN TASLIM

ACKNOWLEDGEMENTS

The very first gratefulness is delivered to The Almighty God. The Greatest Creator and The Best Motivator to the everlasting and mercy who kept me tough during my writing entitled The Effect of Disclosures of Corporate Social Responsibility (CSR) on Corporate Financial Performance of Manufacturing Corporations listed on Indonesia Stock Exchange. Therefore, this undergraduate thesis is finally completed.

Thank's to our Rector Prof. Dr. Hj. Badia Parizade, S.E., M.BA. and also our Dean Prof. H. Syamsulrijal, AK, Ph.D.

I am very thankful to my first supervisor, Ms. Dra. Kencana Dewi, M.Sc., Ak. and my second supervisor, Mr. M. Nasai, S.E, MAFIS, Ak. (Alm.). It was such a luck for me for having such great lectures and supervisors like them. They have been very professional in supervising me to accomplish my undergraduate thesis' writing and treated me like their own child. They were also very cooperative in conveying their clear and sensible ideas for the sake of my undergraduate thesis. There will be an endless thank you and I can do nothing to repay all their kindness. I hope God could hear my prayer and bless them with His greatest blessing.

My appreciation also goes to all lecturers who have helped and motivated me to finish this undergraduate thesis: Mr. Drs. Burhanuddin, M.Acc, Ak. as the former Head of the Accounting Department, Mr. Ahmad Subeki, S.E., M.M., Ak. as the current Head of the Accounting Department, my comprehensive examination`s examiners: Mr. Mukhtaruddin, S.E., M.Si., Ak. and Ms. Hasni Yusrianti, S.E., M.AAC, Ak., and Ms. Dr. Inten Meutia, S.E., M.Acc., Ak. as my academic advisor.

My endless love is dedicated to my beloved family. A lot of thanks must be delivered to my beloved father, Burhan Taslim (Alm.), I wish he could share the happiness that I feel, my mother, Linawati, and my foster mother, Yustina Wijaya. Thank you so much for all the support and motivation, Mom, so I could finish this undergraduate thesis. I also would like to thank to my brother N.Sun

Taslim. Also, for my grandmother, aunts, and uncles who always supported me, thank you so much.

I also would like to say thank you to my best friends (Valerian Martinet, Hoang Nhan, Tanto, Erick Ch., Imamura Kiyotaka, Hiwatashi Kota, Prima, Edo, Christine, and Ko Jonhan), all the Accounting students, especially the 2005 fellows, and my IC class friends. To Aldi, Fitrah Ainun, Ridwan, Reza P., Ucok, don't forget our togetherness in the struggle to finish this undergraduate thesis! My thankfulness also goes to all my junior students in the faculty, especially Stephanie, Ditha, Chaca, and all unmentioned names. Thanks for all the supports and cooperation during my study in this university and I am sure that it has become a once-in-a-lifetime story for all of us.

Last but not least, the writer hopes this undergraduate thesis will be useful for others.

-Writer-

STEVEN TASLIM

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Last but not least, the writer hopes this undergraduate thesis will be useful for others.

-Writer-

STEVEN TASLIM



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STATEMENT OF ABSTRACT APPROVAL

We are as the committee of advisors, hereby stating that the abstract of the undergraduate thesis compiled by:

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SUBJECT OF STUDY : ACCOUNTING THEORY
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UNDERGRADUATE THESIS : THE EFFECT OF DISCLOSURES OF
CORPORATE SOCIAL RESPONSIBILITY ON
CORPORATE FINANCIAL PERFORMANCE
OF MANUFACTURING CORPORATIONS
LISTED ON INDONESIA STOCK EXCHANGE
IN THE YEAR 2006-2011

has been checked in terms of the way of writing and the structure and we have approved it to be placed at the abstract page.

Inderalaya, July 16th, 2012

COMMITTEE OF ADVISORS

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ABSTRACT

The Effect of Disclosures of Corporate Social Responsibility on Corporate Financial Performance of Manufacturing Corporations listed on Indonesia Stock Exchange in the year 2006-2011

**Compiled by:
STEVEN TASLIM**

The objectives of this research are to examine and analyze the impact of corporate social responsibility disclosures in the annual reports on corporate financial performance of manufacturing corporations listed on Indonesia Stock Exchange. Variables used in this research include corporate social responsibility (CSR) disclosures as the independent variable and corporate financial performance represented by return on equity (ROE) as the dependent variable. This research was analyzed by using linear regression analysis with 5% of significant level. Data collection was conducted by using secondary data collected by observation study and literature study. The sampling technique used in this research is purposive sampling method.

This research used 9 selected samples out of the available population. The research finding has shown that the current year of CSR disclosures do not significantly affect on corporate financial performance reflected by ROE of the following year. In addition, it was found that the effect of the CSR disclosures on ROE was in negative way or the research variables are inversely associated.

Based on the analysis, the writer suggests using more independent variables and/or adding a moderating variable. Also, it is recommended to the future researchers to use research samples from all the different sectors on Indonesia Stock Exchange so that the upcoming conclusion could show the general condition in Indonesia and the results of analysis are comparable among business sectors.

Keywords: Corporate Social Responsibility (CSR) and Return on Equity (ROE)

STATEMENT OF ORIGINALITY / NO PLAGIARISM

By means of this letter, I am,

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NIM : 01053130084

Department : Accounting

Faculty : Economics

frankly confirming that my undergraduate thesis entitled :

THE EFFECT OF DISCLOSURES OF CORPORATE SOCIAL
RESPONSIBILITY ON CORPORATE FINANCIAL PERFORMANCE OF
MANUFACTURING CORPORATIONS LISTED ON INDONESIA STOCK
EXCHANGE IN THE YEAR 2006-2011

Advisors :

Main : Dra. Hj. Kencana Dewi, M.Sc., Ak.

Co - advisor : Muhammad Nasai, S.E., MAFIS, Ak.

Date of examination : July 10th, 2012

is genuinely my own work under the guidance of the advisor teams.

There is no other people's works that I fully or partly copy without mentioning the original sources in the content of this undergraduate thesis.

To the best of my knowledge and belief, I frankly compose this letter of statement. If proven in the future that my statement is not true, then I am willing to accept any disciplinary actions in accordance with the University regulations, including the cancellation of my bachelor title.

Inderalaya, July 11th, 2012

Statement's composer



STEVEN TASLIM

NIM : 01053130084

CHAPTER I

INTRODUCTION

1.1. Background

Generally, a main goal of most enterprises is to maximize their profits (profit oriented). To achieve this major objective, a corporation, in conventional or mainstream accounting, focuses merely on its stockholders and bondholders' needs whereas those of other parties are often ignored. Therefore, pressures from a variety of sources to corporations have recently increased. A corporation is expected to pay attention not only to investors and creditors' needs but also to those of employees, consumers and society. Nevertheless, corporations often ignore this expectation with a reason that they do not directly contribute to corporations' going concern.

Due to this ignorance, there have been environmental and social society's problems appearing to be serious issues. Gibbs (2002) and Maignan and Ralston (2002) stating that the collapse of Enron, the destruction of documents at Arthur Andersen, questionable compensation packages for Tyco and Disney executives, and charges of fraud at WorldCom have led to new calls for reform are some of environmental and social problems happening in the United States. In Indonesia, there are numerous similar issues like habitual damage in mining areas in West Papua by PT Freeport Indonesia that has been internationally criticized (Wootliff, 2009). Besides that, PT Newmont Minahasa Raya also got critique due to mercury



and arsenic-laced waste disposal causing severe ailments to local residents and destroying surrounding environment (Rumteh, 2005). Furthermore, in Sidoarjo, East Java, PT Lapindo Brantas's problem of excessive mining exploitation caused gush of hot mud from earth surface, so that most parts of its areas not only residential areas but also the main roads linking Sidoarjo to other cities, including provincial capital Surabaya to be swamped with mud (Jayakarna, 2009). Moreover, cosmetic products containing harmful ingredients, which may cause fatal diseases, were also found in Indonesia (Wisnu, 2009). In addition, melamine cutlery and plate products containing formaldehyde and beef product labeled with a *halal* verification mark; however, contained traces of pork were the other example of environmental and social affairs appearing in Indonesia (The Jakarta Post, 2009).

All of these problems have worsened corporations' image both in Indonesia and international. Consequently, there is an increase in stakeholders' pressures, in the form of demonstration or complaint, to corporations to measure and disclose their social and environmental performances recently. Otherwise, stakeholders, especially investors will think twice to reinvest in those corporations. It is evidenced in Warta Ekonomi (2006) that a global survey conducted by The Economist Intelligence Unit showing that 85% of senior executives and investors from various organizations make use of corporate social and environmental performances as main consideration in decision making. Besides that, the results of the survey in Britain declared that 60% of consumers buy products that are perceived less environmentally damaging. Even 40% of

respondents are actively looking for environmentally-friendly products. Moreover, surveys conducted in the European Union in 2002 also gave similar results. Corporate social responsibility (CSR) is considered important by 70% of consumers in Europe when buying a product. Even 44% out of those consumers are willing to pay more for an environmentally-friendly and socially-concerned product. In addition, KPMG (2008) reports that about three-quarters of Global Fortune 250 companies surveyed during 2007-2008 have a publicly communicated CSR strategy that includes defined objectives. Another piece of evidence for the growing importance of CSR is the survey conducted by Economist Intelligence Unit in the year 2007 (*The Economist*, 2008), nearly 30% of surveyed global executives consider CSR as the highest priority issue for their organizations, with a further 40% assigning it high priority. In effect, corporations that do not get support from government and societies certainly will not survive in business.

Realizing the consequence, corporations in Indonesia start responding. They have tried to harmonize relationship with their environmental societies again. By means of various media, not only mass media but also internal media (including annual report), they have made a great effort to communicate or disclose what their activities impact on social society and environment and what efforts that they have conducted to increase the quality of social and environmental surroundings.

Based on the existing phenomena, business has experienced orientation shift, which is from stockholders to stakeholders. Stakeholders are any groups

inside or outside a company, namely employees; lenders; suppliers and other trade creditors; investors; customers; governments and their agencies; and public. As an inseparable part of a corporation, conventional accounting has been criticized because it is considered to fail in accommodating wide societies' needs (Anggraini, 2006). For this reason, Accounting tries to accommodate this change by developing a new concept or sub discipline known as Social Accounting or Socioeconomic Accounting or Social Responsibility Accounting. There is a basic shift in this accounting sub discipline, which is a change in accountability paradigm. If, in the past, accounting product is a tool for corporate management to report their accountabilities to stockholders, then this paradigm has been recently extended to be accountabilities to all stakeholders. Socioeconomic Accounting, itself, has developed its measuring and reporting methods, especially those related to corporations' activities that impact on sustainability of surroundings societies and environments well-known as Corporate Social Responsibility (CSR).

Apparently, in Indonesia, *Standar Akuntansi Keuangan* issued by *Ikatan Akuntan Indonesia (IAI)* has implicitly recommended to disclose corporate social responsibility through *Pernyataan Standar Akuntansi Keuangan (PSAK) No. 1 (1998 Revised) Paragraph 9* stating that:

Perusahaan dapat pula menyajikan laporan tambahan seperti laporan mengenai lingkungan hidup dan laporan nilai tambah (value added statement), khususnya bagi industri dimana faktor-faktor lingkungan hidup memegang peranan penting dan bagi industri yang menganggap

pegawai sebagai kelompok pengguna laporan yang memegang peranan penting.

This statement clearly stated that an enterprise is responsible for its surrounding environment, especially manufacturing firms disposing waste that can pollute their surrounding environment if the waste is not filtered before being disposed. Similarly, consideration of social aspect into Accounting has also been conducted by Trueblood Committee. Trueblood Report No. 12 regarding social aspect consideration in the objectives of financial statements has stated that “an objective of financial statements is to report on those activities of the enterprise affecting society which can be determined and described or measured and which are important to the enterprise in its social environment” (Belkaoui, 1993, p. 187 and Schroeder, Clark, & Cathey, 2009, p. 40). This objective of financial statements asks for reporting function that not only as the safeguarding of assets of the enterprise but also as the safeguarding of the social welfare. In addition, since August 16th, 2007, Indonesia has had a regulation regarding Social and Environmental Responsibility governed by *Undang-Undang 40/2007 Pasal 74*. According to Kalangit (2009), this regulation stated that:

- (1) Perseroan yang menjalankan kegiatan usahanya di bidang dan/atau berkaitan dengan sumber daya alam wajib melaksanakan Tanggung Jawab Sosial dan Lingkungan.*
- (2) Tanggung Jawab Sosial dan Lingkungan sebagaimana yang dimaksud pada ayat (1) merupakan kewajiban Perseroan yang dianggarkan dan*

diperhitungkan sebagai biaya Perseroan yang pelaksanaannya dilakukan dengan memperhatikan kepatutan dan kewajaran.

(3) Perseroan yang tidak melaksanakan kewajiban sebagaimana dimaksud pada ayat (1) dikenai sanksi sesuai dengan ketentuan peraturan perundang-undangan.

(4) Ketentuan lebih lanjut mengenai Tanggung Jawab Sosial dan Lingkungan diatur dengan Peraturan Pemerintah.

This regulation indicates that Indonesia government has paid attention to social and environmental issues, which is corporate social responsibility. Then, government hopes that there is an increase in corporate attention to its society and environment.

Due to there is no standard mandating a corporation to disclose social information especially that regarding corporate responsibility to its society and environment, a corporation in practice only voluntarily disclose it. On the other hand, stakeholders nowadays urge corporations to give information regarding financial, social, and environment (triple bottom line) as much as possible. This situation leads to variations in the width of corporate social responsibility disclosure.

Previous studies have shown that a number of corporations disclosing corporate social responsibility information in their annual reports have increased. Also, there is an increase in numbers and kinds of disclosed CSR information (Ernst & Ernst, 1978; Trotman, 1979; Kelly, 1981; Pang, 1982; Guthrie, 1982;

Gray, 1990; Gray et al, 1993; Sayekti, 1994). These phenomena exist because many corporations have increasingly realized the importance of implementing CSR program as part of their business strategies or business policy. In Indonesia, most corporations listed on Indonesia Stock Exchange have disclosed information regarding CSR in their annual reports. Therefore, this research is going to use annual reports of sample corporations as the way to get information about the disclosure of corporate social responsibility (CSR) of the corporations, like what have been used by most of other related researches.

Empirical studies of the relationship between CSR and financial performance comprise essentially two types. The first uses the event study methodology to assess the *short-run* financial impact (abnormal returns) when firms engage in either socially responsible or irresponsible acts. The results of these studies have been mixed. Wright and Ferris (1997) discovered a negative relationship; Posnikoff (1997) reported a positive relationship, while McWilliams and Siegel (2000) found no relationship between CSR and financial performance. Other studies, discussed in McWilliams and Siegel (2001), are similarly inconsistent concerning the relationship between CSR and short run financial returns.

The second type of study examines the relationship between some measure of corporate social performance (CSP) and measures of *long term* financial performance, by using accounting or financial measures of profitability. The studies that explore the relationship between social responsibility and accounting-based performance measures have also produced mixed results. Cochran and

Wood (1984) located a positive correlation between social responsibility and accounting performance after controlling for the age of assets. Aupperle, Carroll, and Hatfield (1985) detected no significant relation between CSP and a firm's risk adjusted return on assets. In contrast, Waddock and Graves (1997) found significant positive relationships between an index of CSP and performance measures, such as ROA in the following year.

Ratio analysis is a valuation and interpretation method of financial ratios to analyze and monitor corporate performances. Financial ratio is important and commonly used measurement for corporate performance. Financial ratio can be a tool to provide identification in areas needing further investigation. Due to the importance of financial ratios, Indonesia Stock Exchange discloses calculation data of financial ratios that up to now are quite accurate analysis tools. According to Wild, Subramanyam, and Halsey (2005, p. 36), "besides internal operation activities influencing corporate ratios, we have to realize implications of economic events; industrial factors; managerial policies; and accounting methods." Since CSR disclosure is one of managerial strategies or policies, the citation from Wild et al., 2005 implied that CSR disclosure has an impact on corporate ratio, which is the proxy of corporate financial performance. Realizing the essential role of accounting information represented by financial ratios and the relationship of CSR disclosure and financial ratios, this research will use financial ratios as proxies of corporate financial performances.

The empirical association between CSR and corporate financial performance has been assessed by extensive researches resulting in various

conclusions or largely indeterminate. The relationship of CSR and corporate financial performance can be explained by using stakeholder theory. Instrumental stakeholder theory (for example, Clarkson, 1995; Cornell and Shapiro, 1987; Donaldson and Preston, 1995; Freeman, 1984; Mitchell et al., 1997) suggests a positive relationship between CSR performance and corporate financial performance.

According to this theory, the satisfaction of various stakeholder groups is instrumental for organizational financial performance (Donaldson and Preston, 1995; Jones, 1995). Stakeholder-agency theory argues that the implicit and explicit negotiation and contracting processes entailed by reciprocal, bilateral stakeholder-management relationships serve as monitoring and enforcement mechanisms that prevent managers from diverting attention from broad organizational financial goals (Hill and Jones, 1992; Jones, 1995). Furthermore, by addressing and balancing the claims of multiple stakeholders (Freeman and Evan, 1990), managers can increase the efficiency of their organization's adaptation to external demands. Moreover, companies with superior social performance tend to perform better financially by attracting socially responsible consumers (Bagnoli and Watts, 2003), alleviating the threat of regulation (Lev et al., 2008), improving their reputation with consumers (Orlitzky et al., 2003), or soothing concerns from activists and non-governmental organizations (Baron, 2001).

On the other hand, other researchers argue that trying to satisfy the conflicting objectives of different stakeholders might result in inefficient use of

resources and eventual deterioration of financial performance and that the costs incurred from socially responsible actions may put the firms at an economic disadvantage (Aupperle et al., 1985; Ullman, 1985). Still others argue that it is not possible to determine the relation between CSR and corporate financial performance since there are so many intervening variables that are hard to control (Fombrun and Shanley, 1990). In short, it is a moot question whether CSR contributes to or harms corporate financial performance for all companies or for all types of CSR activities. Therefore, the writer of this research is curious about researching the relationship between CSR and corporate financial performance.

Manufacturing corporations, which are included in secondary sector industries, transform raw materials into finished or intermediate products through the manufacturing process. Industries in this sector (e.g., automobiles, electronics, chemicals, tobacco, and paper) have the largest and most capital intensive in the economy, so that they tend to interface with the most extensive and complex array of stakeholder groups (Jones, 1999). Therefore, manufacturing corporations can be considered as high-profile industries. High-profile industries are those whose economic activities modify the environment, so they are more likely to disclose information about their environmental impacts than are companies in other industries (Dierkes & Preston, 1977). Moreover, Chand (2006) stated that research on the link between corporate social performance and corporate financial performance will have greater validity and accuracy if the focus is on a single industry. Based on the reasons, this research determines manufacturing corporations as the research population and samples.

Even though the phenomenon of corporate social responsibility disclosure has appeared more than two decades, researches about this issue tend to be centered in the United States, the United Kingdom, and Australia. There are only a few studies conducted in other countries such as Canada, Germany, Japan, New Zealand, Malaysia, Indonesia, and Singapore (Hackston & Milne, 1996). Studies regarding CSR disclosure in Indonesia were conducted by Utomo (2000), Widiastuti (2002), Zuhroh and Sukmawati (2003), Januarti and Apriyanti (2005), Sembiring (2005), and Sayekti and Wondabio (2007).

Nonetheless, there have been few studies included component of CSR disclosure out of those in Indonesia. Additionally, researches regarding the relationship between CSR disclosure and corporate financial performance are also rare. There are merely Widiastuti (2002) and Sayekti and Wondabio (2007) that conducted studies concerning the effect of the width of CSR disclosure on earning response coefficient as the proxy of corporate financial performance. Moreover, the results of these researches have been contradictory. Inspired by these facts and circumstances, writer is interested in conducting a research entitling **“The effect of disclosures of Corporate Social Responsibility on Corporate Financial Performance of manufacturing corporations listed on Indonesia Stock Exchange in the year 2006-2011.”**

1.2. Statement of Research Problem

Based on the previous discussion in the background, the following problem is drawn:

“How do Corporate Social Responsibility Disclosure Index affect on Corporate Financial Performance?”

1.3. Research Objectives

The objectives of this research are to examine and analyze the impact of corporate social responsibility disclosure in the annual reports on corporate financial performance of manufacturing corporations listed on Indonesia Stock Exchange.

1.4. Research Benefits

This research is expected to give benefits to various parties such as:

1. Practical benefit

The result of this research is expected to be an incentive for corporations, which are objects of this research, to improve the quality of information disclosed in the annual reports, especially that regarding corporate social responsibility so that it can increase the quality of decision determined by stakeholders.

2. Operational benefit

This research will be beneficial to enrich knowledge and experience in Socioeconomic Accounting and Financial Accounting.

3. Theoretical benefit

This research is expected to be useful in contributing to a development of theory especially concerning the effect of corporate social responsibility disclosure on corporate financial performance. Also, it is expected as a reference for those intending to conduct further researches.

1.5. Research Scope

The scope of this study is to quantify CSR disclosure reflected by CSR index obtained by using content analysis to the annual reports of manufacturing corporations in the year 2009. On the other hand, the corporate financial performances represented by financial profitability ratios consisting of Return on Assets (ROA) and Return on Equity (ROE) are taken from the annual reports of manufacturing corporations in the year 2010. By doing so, existence of the impact of CSR disclosure in the year 2009 on corporate performance in the year 2010 can be analyzed. Manufacturing corporations continuously listed on Indonesia Stock Exchange from the year 2009 through 2010 will be the research population. The manufacturing corporations are chosen because they are considered as corporations having wider CSR disclosures (Jones, 1999). Besides that, Chand (2006) stated that research on the link between corporate social performance and

corporate financial performance will have greater validity and accuracy if the focus is on a single industry.