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Corporate Social and Environmental Responsibility Disclosure in Indonesian Companies: Symbolic or Substantive?

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ABSTRACT

This study investigated the extent and quality of corporate social and environmental responsibility disclosure (CSERD) and whether firms increase CSERD in their annual reports as a form of moral responsibility (substantive actions) or to gain the attention of stakeholders (symbolic actions). A content analysis of the annual reports obtained from 1129 publicly listed companies on the Indonesia Stock Exchange measured the extent and quality of CSERD between 2011 and 2013. A descriptive analysis approach was used to address the research questions. We found that the quantity (quality) of CSERD in 2013 was 15695 (19820), which was higher than it was in 2011, 9928 (12355). Community involvement themes were the most frequently disclosed items. Interestingly, our findings showed that financial services companies communicated the most CSER information in comparison to companies in other industries. In terms of the quality of disclosure, this study found that firms disclosed more substantive information rather than symbolic actions. The substantive nature of CSERD was reflected in the majority of the disclosure themes, which consisted of both internal and external activities and actions related to helping others. The finding suggests that while the Indonesian government's regulations oblige extractive industries to disclose their CSER activities, this study provides evidence that the financial industry leads the way in disclosing CSER activities in comparison to other industries. Further research is

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necessary to examine how government regulations affect the institutionalisation of CSERD.

Keywords: Corporate social responsibility, content analysis, disclosure, Indonesia, social environmental responsibility

INTRODUCTION

Corporate social and environmental responsibility (CSER) is a trend that has developed in the last two decades. Companies have demonstrated increasing interest in communicating their CSER information in their annual, stand-alone and integrated reports and on their websites. However, the increase in the disclosure of CSER information raises the following questions: why do companies communicate CSER information, and is this disclosure a manifestation of corporate accountability or merely a mechanism to influence certain stakeholders or the public? This study examined the extent and quality of corporate social and environmental responsibility disclosure (CSERD). Specifically, this paper investigates whether companies in Indonesia communicate CSER information substantively or symbolically.

The Indonesian government requires companies that use natural resources (i.e. extractive sectors) in their operational practices to report their CSER activities. The obligation to report these activities is legislated in Company Law Number 40 (2007) and government Regulation Number 47 (2012). This law requires companies running their business activities in the field of and/or related to the natural resources to implement social and environmental responsibility (Article 74 paragraph 1). Any company that does not adhere to this obligation will be sanctioned in accordance with the provisions of the legislation (Article 74 paragraph 3). However, previous studies have indicated that the practice of CSER is still relatively low and the disclosure is mainly descriptive (Cahaya et al., 2012; Djajadikerta & Trireksani, 2012; Gunawan, 2007; Mirfazli, 2008a, 2008b).

Empirical studies have indicated that researchers are still debating about what motivates companies to disclose their CSERD information (Belal et al., 2007; Gray, 2010). For example, some studies have revealed that legitimacy is the dominant motivation for CSERD (Archel et al., 2011; Deegan, 2002; Gray et al., 1995; Hrasky, 2012; Kent & Zunker, 2013; Patten & Zhao, 2014). Haigh and Jones (2006) stated that CSERD was generally viewed as a public relations tool rather than as a form of corporate accountability to the public. This is because the information presented in each company's corporate annual and/or social responsibility report varies, making it difficult to evaluate and compare the reports. However, other studies have argued that both legitimacy and accountability motivate companies to disclose their CSER information (Bebbington et al., 2009).

The present study contributes to the accounting literature, specifically CSER research, by investigating the extent and the quality of CSERD practices in an emerging country (Indonesia). Some studies have examined the extent of CSERD (see, for example, Gunawan, 2010; Haji, 2013), but they have yet to explore whether the pattern of CSERD is substantive or symbolic. The only exception is Mahadeo et al. (2011) who used Mauritian companies as their sample. However, the institutional settings in Indonesia and Mauritius are different: CSERD is still voluntarily in Mauritius, but it is mandatory in Indonesia. By investigating the quality of CSERD, the present study aims to reveal what motivates Indonesian companies to disclose information about CSER. An understanding of the motivations for CSERD might help users and stakeholders make a decision regarding the quality information contained in their CSERD, whether companies are disclosing factual data or if their actions are merely symbolic. The research questions to be addressed are as follows:

RQ1: What is the extent of CSERD in Indonesian companies?

RQ2: What is the quality of CSERD in Indonesian companies, and is this disclosure symbolic or substantive?

Theoretical Frameworks

CSERD is the process of communicating the social and environmental effects and economic actions of and organisation to particular groups in the wider community. Gray et al. (2001) noted that social and environmental reporting as the practice entailed providing internal and external stakeholders with information on measurement, disclosure and liability regarding an organisation's performance in order to achieve the goals of sustainable development. Various theoretical perspectives have consistently been used in CSERD research to explain what motivates companies to disclose their CSER information (Deegan, 2002; Gray et al., 1995). The present study combines three theories, stakeholder, legitimacy and institutional, to provide meaningful insights to better understand a company's motivation to provide CSER information. As argued by Cormier et al. (2005), the practice of CSERD is a complex phenomenon that cannot be explained by a single theory.

According to stakeholder theory, the existence of a company is strongly influenced by the support of its stakeholders (Ullmann, 1985). Freeman (1984) defined stakeholders as the parties with an interest in a company that could influence or could be influenced by the activity of the company. One of the principles of stakeholder theory is that everyone should take responsibility for the impact of their respective actions towards others. Such a responsibility could be realised by the creation of added value for the stakeholders, such as customers, employees, suppliers, communities and funders. According to this theory, each stakeholder must receive attention and special treatment based on the extent to which the company impacts them (Gray et al., 2001). The more powerful the stakeholders, the greater the company's effort to meet their demands (Parmar et al., 2010). Thus, providing information about CSER might be as an effective way to establish a dialogue between a company and its stakeholders (Deegan, 2002).

Several previous studies have suggested that companies increase the extent of their CSERD in order to meet the expectations of their stakeholders (Amran & Susela Devi, 2008) and to manage stakeholder groups (Abeysekera, 2008; Belal et al., 2007). Soobaroyen and Ntim (2013) investigated how and why companies in South Africa disclosed CSER. Their results suggest that a company provides more CSERD in its annual reports as a way to respond to demands from the government, employees and unions. Furthermore, their finding showed that a company shifts from symbolic disclosure to substantive disclosure to serve the accountability demands of specific stakeholders. Using a combination of interviews and content analysis, Islam and Deegan (2008) studied the CSERD practices of the Bangladeshi clothing industry. They found that powerful stakeholders, such as multinational buying companies, the United Nations Children's Fund (UNICEF), the International Labour Organization (ILO), the United States (US) government and non-governmental organisations (NGOs), encouraged companies in the clothing industry to provide more CSERD. Overall, stakeholder theory suggests that the greater incentive to disclose CSER information, the higher the trust of the stakeholders. Moreover, the better quality information (e.g. substantive) of the CSER provided, the more credible the company is perceived by its stakeholders. Therefore, CSERD might be used as a powerful medium to influence the perceptions of stakeholders, thereby contributing to the maximisation of a company's earning potential (Gray et al., 2001).

Legitimacy theory asserts that a company should continue to strive to ensure that it operates within the existing norms in the society or the environment in which it conducts business in order to ensure that its activities are considered "legitimate" by outsiders (Guthrie & Abeysekera, 2006). According to Deegan (2002), legitimacy and status are conditions that occur when a company's value system is congruent with the value system of the larger social system in which the firm operates. The legitimacy of the company is threatened when there is a real or potential difference between these two value systems. The theoretical construct, known as the "social contract", is central to legitimacy; it relies on the notion that the legitimacy of a business entity to operate in society depends on an implicit social contract between that business entity and society (Lindblom, 1994). Therefore, an organisation's survival might be threatened if society perceives that it has breached its social contract (Guthrie & Parker, 1989). Deegan and Soltys (2007) argued that CSERD consisted of information related to a corporation's activities, aspirations and public image with regard to environmental, community, employee and consumer issues.

Previous studies have shown that companies can use CSERD as a mechanism to obtain or maintain their legitimacy. Haji (2013) studied the extent and quality of the CSERD of Malaysian companies from 2006 to 2009 using the legitimacy perspective. He found that firms increased CSERD over a period of time when a number of incidents, such as policy changes and the global financial crisis, occurred in the Malaysian business environment. Furthermore, he argued that an increase in the level and quality of the CSERD was driven by the legitimacy factor. By disclosing more CSER information, Malaysian companies can reduce the legitimacy gap; this simultaneously indicates that they are obedient and disobedient towards regulations and policies. In summary, companies that use CSERD as a form of legitimacy will only disclose positive information in order to influence the public's perception of their CSER performance. In this context, the extent and quality of CSERD can be used as a symbolic action to obtain or maintain the status of legitimacy (Barkemeyer et al., 2014; Cormier et al., 2005; Kent & Zunker, 2013).

Institutional theory is a branch of legitimacy theory that describes the institutional pressures faced by organisations. Due to these pressures, organisations tend to be similar in shape and practices (Unerman, 2008). According to Cahaya et al. (2012), institutional theory has two dimensions: isomorphism and decoupling. In the context of this study, isomorphism relates to the ways in which the institutional setting affects CSERD. Deegan (2009) suggested that decoupling occured when the practice of CSERD created a different image of CSER activities, programmes and policies among workers. Moreover, Deegan (2009) stated that isomorphism was composed of three processes: coercive, mimetic and normative. According to DiMaggio and Powell (1983), coercive ismorphism refers to situations where institutional practices, such as CSERD, arise from stakeholder pressure. Mimetic isomorphism refers to situations where an organisation mimics the practices of other institutional organisations, which often happens in order to gain a competitive advantage. Finally, normative isomorphism refers to pressures arising from the norms of groups, for example a manager is pressured to implement a specific institutional practice (DiMaggio & Powell, 1983).

Some previous research has suggested that regulation pressure is a factor that motivates a company to disclose more CSER information (Cahaya et al., 2012; Noronha et al., 2013; Othman et al., 2011). Cowan and Deegan (2011) investigated the changes in the quantity of emissions disclosures of Australian companies during the implementation of the National Pollutant Inventory (NPI). They found that the quantity of emissions disclosures in annual reports increased over the implementation period. Momin et al. (2017) investigated the greenhouse gas (GHG) disclosure of Chinese power companies. They found that the GHG-related disclosures increased when the Chinese government ratified the Kyoto Protocol and instituted environmental regulations.

Other previous studies have also shown that CSERD policy and performance could reduce the asymmetry of information between corporations and external stakeholders, especially in the investment community (Cho et al., 2013). The lack of a CSERD policy could be detrimental to the financial health of a company (Global Reporting Initiative, 2006). Investors might be discouraged by the asymmetry of information in a company that does not disclose its CSER information (Jones et al., 2007). Consequently, a company's stock price might decrease (Brammer & Pavelin, 2004). To reduce this risk, a company should attempt to adhere to the rule of law (Rusmanto & Williams, 2015; Waagstein, 2010), meet the expectations of its stakeholders (Soobaroyen & Ntim, 2013), respond to media attention regarding social and environmental problems (Mahadeo et al., 2011; Patten, 2002), manage its stakeholder groups (Abeysekera, 2008; Belal & Owen, 2007; Islam & Deegan, 2008) and attract investment funds (Attiq et al., 2013; Nakamura, 2015).

METHODS

Sample Selection

This study's sample consists of publicly listed companies on the Indonesia Stock Exchange. Data were obtained from the annual reports of these companies between 2011 and 2013. Table 1 provides more information about the sample selection.

Table 1

Sample selection

Criteria	Year			
	2011	2012	2013	Total
Number of firms listed on the Indonesia Stock Exchange	442	463	486	1391
Firm that do not provide CSER section/ information in their annual reports	136	82	44	262
Final sample	306	381	442	1129
Total sample for three years = 1129 firms (81.16%)				

Measurement

This study used a descriptive quantitative research method and two forms of content analysis: disclosure index and narrative. Content analysis is a method that is used to transfer qualitative data into quantitative data through coding (Guthrie & Abeysekera, 2006; Krippendorff, 1980); the coded data are then used to analyse the extent (quantity) and quality of the CSERD for the studied firms.

To measure the extent of CSERD, 46 checklist items adapted from Hackston and Milne (1996), Raar (2002) and Gunawan (2010) were used. These items were categorised into eight themes: environmental (14 items), energy (4 items), human resources (10 items), community involvement (10 items), product (3 items), sustainability (1 item), external relationship (1 item) and other (3 items). Table 2 describes the CSERD measurements. These indicators were developed by the Global Reporting Initiative (GRI) and used by previous studies in the area of CSERD. In terms of the quality measurement (substantive or symbolic), the present study used the items developed by Hrasky (2012) with some modifications. Table 3 presents the categories, descriptions and examples used in the present study.

Table 2
Quantity and quality disclosure measurement

Extent of disclosure	Quality of disclosure	Descriptions
1 = Sentences	1 = Monetary	Expressed in monetary units/ currencies.
2 = Paragraph	2 = Non-monetary	Expressed in units of volume, number, size, etc., but not in units of currency.
3 = One-half of a A4 page	3 = Qualitative only	Expressed only in the form of descriptive sentences.
4 = One A4 page	4 = Qualitative and currency	Expressed in the form of descriptive sentences and in unit of currency.
5 ≥ More than one A4 page	5 = Qualitative and non-monetary	Expressed in descriptive sentences and in unit of number.
	6 = Monetary and non-monetary	Expressed using a combination of unit of currency and number.
	7 = Qualitative, monetary and non-monetary	Expressed in the descriptive sentences, currencies and number.

Note: Adapted from Hackston and Milne (1996), Raar (2002) and Gunawan (2010).

Table 3
Disclosure categories

Disclosure type	Description	Exemplifying disclosure
Symbolic:		
1. Normative statement	Statements espousing commitment to and recognition of the importance of CSER but not indicative of a specific action or outcome.	In carrying out its responsibility as a good businessperson, the contribution of the company to grow and prosper with Indonesia is shown through its commitment to implementing the country’s policies on the environment, occupational health and safety as well as implementing corporate social responsibility.

Table 3 *(Continue)*

Disclosure type	Description	Exemplifying disclosure
2. Aspirational target	Articulation of targets or objectives to be achieved in the future without associated action.	Corporate social responsibility activities undertaken for the purpose of encouraging progress and the unity of Indonesia towards the nation's intelligent, prosperous and dignified future.
3. Awards or recognition	Statements indicating external recognition of positive efforts pertaining to CSER.	The company was recognised as one of the 25 organisations with a high commitment to environmental sustainability.
Substantive:		
4. Internal activities	Statements about specific internal corporate actions that were taken relevant to CSER.	Management of occupational health and safety (K3) is an attempt by the company to ensure that the safety and health of the employees of the company and its subsidiary are served in a corporate environment, including the health of the surrounding communities, on an ongoing basis.
5. External activities	Statements about involvement in activities relevant to CSER that are initiatives developed with partners or projects external to the organisation.	The implementation of social responsibility activities to the community is done through the implementation of aid programmes and community development programmes.
6. Assisting others	Statements about actions that are taken to help others.	The company's concern in an effort to improve the quality of human resources is realised through the implementation of a scholarship programme for elementary, junior and high school students reaching as many as 2500 students each year.
Descriptive Statements	Statements of fact about the company and/or its operations that do not describe specific actions taken in relation to CSER actions.	The average CO_2 emissions from the company's vehicle fleet is 9.2 CO_2 per vehicle. In 2008, 32% of greenhouse gas emissions were CO_2 and 68% were N_2O.
Other	General statements related to CSER that are specific to the company.	e.g. Tonne for tonne, methane gas produced by landfills and other activities has a global warming potential that is 21-times higher than CO_2.

Note: Adopted from Hrasky (2012).

RESULTS

Descriptive Statistics

Table 4 presents information on this study's sample, organised by industry classification. The results of the descriptive statistics show that the quantity of CSERD increased every year between 2011 and 2013. This finding might imply that a company's commitment to CSERD also increased during that time period. A corporation might perceive CSERD as an ongoing commitment to behave ethically and to contribute to economic development while enhancing the quality of life for its workforce, their families and, more broadly, local communities and society.

Table 4
Sample by industry classification

Sector	Industry classification	2011		2012		2013	
		N	%	N	%	N	%
1	Agriculture, plantation, animal husbandry, fishery, forestry	11	3.59	13	3.41	20	4.52
2	Mining, coal mining, crude petroleum and natural gas production, metal and mineral mining and land/stone quarrying	27	8.82	33	8.66	33	7.47
3	Basic industry and chemicals, including cement, ceramics, glass, porcelain, metal and allied products, chemicals, plastics and packaging, animal feed, wood industries and pulp and paper	42	13.73	50	13.12	51	11.54
4	Miscellaneous industries, including machinery and heavy equipment, automotive and components, textile and garment, footwear and cable	29	9.48	28	7.35	35	7.92
5	Consumer goods industries, including food and beverages, tobacco manufacturers, pharmaceuticals, cosmetics and housewares	22	7.19	27	7.09	29	6.56
6	Property, real estate and building construction	31	10.13	41	10.76	47	10.63
7	Infrastructure, utilities and transportation, including energy, toll roads and airports	27	8.82	36	9.45	39	8.82
8	Financial services industry	56	18.30	72	18.90	93	21.04
9	Trade, services and investment industries, including wholesale, retail trade, restaurants, hotels and tourism	61	19.93	81	21.26	95	21.49
	Total	306	100	381	100	442	100

Table 5 presents the results of the descriptive statistics for CSERD. As seen, community involvement is the theme most often disclosed by a company. The community involvement category contains items, such as donations given to the community in the form of cash, products or the services of employees to support community activities, organisations, education and the arts. The result indicates that a higher number of companies are more interested in disclosing community involvement information than other CSER themes. This result seems to indicate the substantive aspect of the CSERD, and it is consistent with the findings reported by Mahadeo et al. (2011). This finding is also supported by the results reported by Gunawan (2015), which suggested that community pressure is the main motivation for Indonesian companies to disclose CSER information.

Based on the descriptive statistics presented in Table 6, it can be concluded that the financial services industry has the highest scores for the quantity of CSERD followed by trade, services and investment industries, including the wholesale, retail trade, restaurant, hotel and tourism industries; and basic industry and chemicals, including cement, ceramics, glass, porcelain, metal and allied products, chemicals, plastics and packaging, animal feed, wood industries and pulp and paper industries. Based on the information presented in Table 6, it can also be concluded that community involvement is the item that is consistently and most often disclosed by all industry sectors.

Table 5
Mean of CSER quantity by theme

No	CSER themes	The mean of CSER quantity			Total
		2011	2012	2013	
1	Environmental	1645	2366	2667	6678
2	Energy	180	282	373	835
3	Human resources	2327	3135	3776	9238
4	Community involvement	3267	4288	4835	12390
5	Product	221	432	703	1356
6	Sustainability	220	297	305	822
7	External relationship	0	0	0	0
8	Other	2068	2548	3036	7652
	Total	9928	13348	15695	38971

Table 6

Mean of CSER quantity by theme per industry

Sector	Industry classification	The mean of CSER quantity by themes per industry								Total
		1	2	3	4	5	6	7	8	
1	Agriculture, plantation, animal husbandry, fishery, forestry	505	40	364	653	103	62	0	277	2004
2	Mining, coal mining, crude petroleum and natural gas production, metal and mineral mining and land/ stone quarrying	1043	119	1013	1329	135	106	0	598	4343
3	Basic industry and chemicals, including cement, ceramics, glass, porcelain, metal and allied products, chemicals, plastics and packaging, animal feed, wood industries and pulp and paper	1145	182	932	1429	285	91	0	868	4932
4	Miscellaneous industries, including machinery and heavy equipment, automotive and components, textile and garment, footwear and cable	508	51	617	810	138	38	0	524	2686
5	Consumer goods industries, including food and beverages, tobacco manufacturers, pharmaceuticals, cosmetics and housewares	479	36	484	935	107	53	0	583	2677
6	Property, real estate and building construction	917	102	1005	1295	70	105	0	811	4305
7	Infrastructure, utilities and transportation, including energy, toll roads and airports	536	105	1044	1057	100	73	0	736	3651
8	Financial services industry	762	116	2053	2426	204	138	0	1714	7413
9	Trade, services and investments, including wholesale, retail trade, restaurants, hotels and tourism	784	82	1724	2463	222	156	0	1543	6974

Note: 1 = environmental; 2 = energy; 3 = human resources; 4 = community involvement; 5 = product; 6 = sustainability; 7 = external relationship; 8 = other

The quality of CSERD was assumed to be a disclosure related to CSR that was completed by a company and listed in its annual report in monetary units, currencies, number, volume and size or in the form of descriptive sentences. The information presented in Table 7 shows that the most important category for the quality of CSERD is community involvement, followed by the environment, human resources, other information, products, energy, sustainability and external relations themes.

Based on the results of the descriptive statistics presented in Table 8, the financial services industry was found to have the most CSER with a total score of 8812, followed by the trade, services and investment industries (8501), basic industry and chemicals (6559), mining, coal mining, crude petroleum and natural gas production, metal and mineral mining and land/stone quarrying industries (5528), property, real estate and building construction (5445), infrastructure, utilities and transportation industries, including energy and toll roads (4387), miscellaneous industries, including machinery and heavy equipment, automotive and components, textiles and garments, footwear and cable (3632), consumer goods industries, including food and beverages, tobacco manufacturers, pharmaceuticals, cosmetics and housewares (3250) and the agriculture, plantation, animal husbandry, fishery and forestry industries (2396). As previously explained, the CSER regulations in Indonesia are primarily highlighted for the extractive industry. However, as seen in the present study's results, the financial services industry disclosed more CSER information than any of the industrial sectors.

Table 7
Mean of CSER quality by theme

No	CSER themes	The mean of CSER quality			Total
		2011	2012	2013	
1	Environmental	2582	3666	4171	10419
2	Energy	337	455	637	1429
3	Human resources	2677	3268	4105	10050
4	Community involvement	4876	6237	7359	18472
5	Product	304	651	1130	2085
6	Sustainability	303	438	443	1184
7	External relationship	0	0	0	0
8	Other	1276	1643	1975	4894
	Total	12355	16358	19820	48533

Table 8

Mean of CSER quality by theme per industry

Sector	Industry classification	The mean of CSER quality by themes per industry								Total
		1	2	3	4	5	6	7	8	
1	Agriculture, plantation, animal husbandry, fishery, forestry	674	68	402	865	138	75	0	174	2396
2	Mining, coal mining, crude petroleum and natural gas production, metal and mineral mining and land/stone quarrying	1619	188	1114	1870	174	159	0	404	5528
3	Basic industry and chemicals, including cement, ceramics, glass, porcelain, metal and allied products, chemicals, plastics and packaging, animal feed, wood industries and pulp and paper	1802	281	1144	2223	447	129	0	573	6599
4	Miscellaneous industries, including machinery and heavy equipment, automotive and components, textile and garment, footwear and cable	874	106	714	1338	203	57	0	340	3632
5	Consumer goods industries, including food and beverages, tobacco manufacturers, pharmaceuticals, cosmetics and housewares	723	60	566	1299	160	75	0	367	3250
6	Property, real estate and building construction	1400	186	1030	2043	132	150	0	504	5445
7	Infrastructure, utilities and transportation, including energy, toll roads and airports	833	180	1083	1537	169	107	0	478	4387
8	Financial services industry	1219	195	2158	3644	321	204	0	1,071	8812
9	Trade, services and investment, including wholesale, retail trade, restaurant, hotel and tourism	1277	159	1839	3659	353	228	0	986	8501

Note: 1 = environmental; 2 = energy; 3 = human resources; 4 = community involvement; 5 = product; 6 = sustainability; 7 = external relationship; 8 = other

Table 9 provides the descriptive statistics for the measurement of CSERD based on the symbolic and substantive categories. The number of symbolic categories, including normative statements, aspirational targets and awards/recognition disclosures, increased. In the symbolic categories, most of companies disclosed awards and recognition in their annual reports, such as ‘top CSR company’ and ‘the best in sustainability reporting. However, information related to aspirational targets was the theme that was least often disclosed. Consistent with the symbolic pattern, the substantive CSERD also increased between 2011 and 2013. The firms in this study cohort most frequently disclosed the actions they had taken to assist others, such as providing educational funding as well as financial aid for religious facilities and small business development programmes.

Table 9

Quality disclosure score based on symbolic and substantive categories

Disclosure Category	Year			Total
	2011	2012	2013	
Symbolic				
1. Normative statement	5	15	31	51
2. Aspirational target	1	4	18	23
3. Awards or recognition	23	20	39	82
Total	29	39	88	156
Substantive				
4. Internal activities	279	378	424	1.081
5. External activities	210	232	222	664
6. Assisting others	297	371	432	1.100
Total	786	981	1078	2845
Descriptive				
Descriptive	2	4	7	13
Other	31	70	141	242
Total	33	74	148	255

DISCUSSION

Overall, in relation to the research questions, this study provides evidence that the extent (quantity) and quality of CSERD increased every year between 2011 and 2013. This increase tends to reveal the CSERD was more substantive than symbolic. Based on the findings presented in Table 9, it can be seen that information related to internal activities, external activities and assisting others was reported more often than symbolic information, such as normative statements, aspirational targets and awards or recognition between 2011 and 2013. From theoretical perspectives, the substantive nature of CSERD can be interpreted as a form of accountability to a company's stakeholders. Based on the results, this study suggests that the government regulations, especially Regulation Number 47 (2012), have an impact on the CSERD of Indonesian companies. In terms of institutional theory, this study suggests that the increase in the extent (quantity) and quality of CSERD might be affected by coercive isomorphism. An increase in the extent (quantity) and quality of CSERD between 2011 and 2013 might indicate that companies have responded to the government's pressure to comply with the regulations. As previously mentioned, the Indonesian government has issued a regulation that requires companies that operate in the field of natural resources (extractive sectors) to disclose their CSER activities in their annual reports, although mandatory disclosure standards do not exist. Therefore, companies are required to adopt a voluntary reporting standard, such as the GRI. Mimetic isomorphism can be seen when a company from a different industry reports its corporate social responsibility using the same standards and templates.

However, this study also found that disclosure of symbolic information tended to increase between 2011 and2013. According to legitimacy theory, companies strive to inform their stakeholders in order to ensure that its operations adhere to the prevailing norms of society and the environment within which the company is located. Consistent with legitimacy theory, stakeholder theory suggests that the increase in disclosures might describe how committed a company is to maintaining a good relationship with its stakeholders by providing detailed CSER information in its annual report. Annual reports might be the most efficient way for organisations to signal this commitment to their stakeholders.

In summary, this study found that the primary motivation of Indonesian companies disclosing CSER information is influenced by institutional factors. However, the study's results also suggest that a company's motivation for CSERD is also driven by its desire to maintain legitimacy with its stakeholders. Soobaroyen and Ntim (2013) noted that social and environmental disclosure about HIV/AIDS in South Africa was motivated by the accountability demands of specific stakeholders to gain pragmatic and moral legitimacy. Gray (2010) and

Mahadeo et al. (2011) argued that companies might have different motivations for engaging in CSERD. In the context of Indonesia, Basalamah and Jermias (2005) argued that CSERD is conducted for strategic reasons. Gunawan (2007) suggested that companies were motivated to disclose in order to fulfil the requests of stakeholders and created a positive image of the company.

CONCLUSION

The following conclusions can be drawn based on the results of this content analysis, which was performed on 1129 annual reports of publicly listed companies on the Indonesia Stock Exchange. First, the extent (quantity) and quality of CSERD in Indonesia increased each year between 2011 and 2013. Second, the community involvement theme is the most disclosed item in the annual reports. Third, the financial services industry has the highest CSERD score both in terms of extent (quantity) and quality. Finally, the CSERD pattern is categorised as substantive since helping others, internal activities and external activities were the most common items found in the annual reports. The theoretical implication of this study is that an increase in the extent (quantity) and quality of the CSERD can be explained from the perspective of institutional, stakeholder and legitimacy theories. This finding suggests that these theories can be also applied to explain CSERD practice in the context of developing countries. This study also found that companies in the financial services industry disclosed more CSER information than companies in industrial sectors. This result provides a practical implication to government regulators to continue to encourage companies in the extractive industry (i.e. mining, agriculture and basic industry) to fully obey the guidelines as mandated in the government Regulation Number 47 (2012). Thus, although the CSERD of Indonesian companies is already substantive, institutional regulations are still required to maintain a climate that is conducive to CSRED activity.

Finally, this study has two limitations. First, the content analysis might contain subjective bias even though two experts validated the disclosure scores. Second, the checklist for the disclosure items might not be fully applicable to the Indonesian context because this study adopted a checklist of disclosure items from developed countries that might not fully represent the corporate social responsibility conditions in Indonesia.

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