ACKNOWLEDGEMENT

All the glory and praise to Lord Jesus Christ for all the blessings that He had given so that the author is capable to complete this thesis well and on time.

This thesis report with the title of "THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY DISLOSURES ON COMPANIES' PROFITABILITY PERFORMANCE: AN EMPIRICAL STUDY OF COMPANIES LISTED ON INDONESIA STOCK EXCHANGE" was written to fulfill one of the academic requirements in order to achieve a Bachelor of Economic degree in Accounting from Universitas Pelita Harapan.

Researcher realised that without advices, guidances, and prayers from a lot of parties, this thesis will not be finished on time. It is my greatest pleasure to thank those people whom made these possible. Researcher would also like to thank especially to those people listed below whom had assisted the researcher in writing this thesis:

1) Dr. Kim Sung Suk as the Dean of Business School in Universitas Pelita Harapan.
2) Dr. Antonius Herusetya, Ak., MM. as the Head of Accounting Department.
3) Dr. Drs. Marcus Jacob Papilaja, MS., as my thesis advisor. Thank you for your cooperation, advices, time, encouragement and willingness to help me throughout the writing of this thesis.

4) Mr. Sahat S. Simanjuntak, B.A., M.B.A. as the Deputy Head of Accounting Department and my academic advisor.
5) All lecturers in Universitas Pelita Harapan who had taught the researcher, especially Mr. Satria Militant Sembiring, and Mr. Tanggor Sihombing.
6) All staffs in the Accounting Department of Universitas Pelita Harapan.
7) Dad, Mom, my sister Jeanette and my brother Joshua, for your unstoppable supports from the beginning until the end. For every prayer and love, so that I could finally finish this thesis on time.
8) All of researcher's best friends in Universitas Pelita Harapan : Monica, Agustinus, Ayu, Rara, Ferdina, Edward, Fu, Indra, Ryan and Sherly. Altogether with all researcher's friends that cannot be mentioned one by one. Thank your for these past 3,5years of togetherness, laughs, love, experiences, and lessons.
9) To my extraordinary best friends: Rissa Margareta and Angelina Silvia. Thank you for your endless motivations, love, supports, and laughs, so that I could finally finish this thesis on time.
10) To my friends, colleagues, and seniors at KPMG Hadibroto: Graham, Iwan, Wahyu, Wara, Danial, Andrian, Lenny, Jessica, Vina, Daniel, and Annisa. Thank you for your understanding, supports, opportunities, guidance, and trusts, so I could finish this thesis at the right time.
11) Other people whom unfortunately cannot be mentioned one by one.For anyone who had given a lot of help, whether it is directly or indirectly, while I was written this thesis.

At the end, researcher realized that this thesis is far from perfection. For that reason, researcher welcomes to any critics or suggestions for the benefit of this research. Hope this thesis would be advantageous for the readers and the end users.

Karawaci, December 2012

;

Juliet Stephanie Koo;

TABLE OF CONTENTS

COVER PAGE
STATEMENT OF ORIGINALITY OF FINAL PAPER.....i
AGREEMENT OF MENTORING GUIDANCE FOR FINAL PAPER.....ii
THESIS EXAMINING LECTURERS APPROVAL.....iii
ABSTRACT.....iv
ACKNOWLEDGEMENT.....v
TABLE OF CONTENTS.....viii
LIST OF TABLES.....xi
LIST OF FIGURES.....xii
LIST OF APPENDICES.....xiii
CHAPTER I.....i
INTRODUCTION.....1
1.1. Background.....1
1.2. Research Problems.....5
1.3. Research Purposes.....5
1.4. Research Benefits.....6
1.5. Scope of Research.....8
1.6. Writing Scheme.....8
CHAPTER II.....11
THEORITICAL BASE AND HYPOTHESIS DEVELOPMENT.....11
2.1. Definitions of Corporate Social Reponsibility.....11
2.1.1 Benefits of Applying Corporate Social Responsibility.....15
2.1.2. Types of Corporate Social Responsibility activities.....18
2.1.3. Indonesia Legal Basis of Corporate Social Responsibility.....21
2.2. Corporate Social Responsibility Disclosures.....23
2.2.1. Definition of Corporate Social Responsibility Disclosures.....23
2.2.2. Corporate Social Responsibility Disclosure and Reporting Standards.....25
2.2.3. Corporate Social Responsibility Disclosure as Independent Variable.....30
2.3. Return on Equity.....30

2.4. Corporate Social Responsibility Disclosures and Company Profitability 32
2.5. Conceptual Framework 35
2.6. Previous Researchs on Corporate Social Responsibility 36
2.7. Hypotheses Formulation 44
CHAPTER III 45
RESEARCH METHODOLOGY 45
3.1. Population and Samples 45
3.2. Definition of Operational Variables 45
3.2.1. Independent Variable 45
3.2.2. Dependent Variable 46
3.2.3. Control Variables 48
3.3. Data Collection Techniques 50
3.3.1. Type of Data 50
3.3.2. Data Source 50
3.3.3 Methods of Collecting Data 51
3.4. Research Empirical Model 51
3.5. Methods of Analysing Data 52
3.5.1. Descriptive Statististic 52
3.5.2. Normality Test 53
3.5.3. Classical Assumption Test 54
3.5.3.1. Multicolinearity Test 54
3.5.3.2. Heteroscedasticity Test 56
3.5.3.3. Autocorrelation test 57
3.5.4. Goodness of Fit Test 58
3.5.5. Hypotheses test 58
3.5.5.1. Partial Significance test (t-test) 58
3.5.5.2. Simultaneous Significance Test (F-test) 59
3.5.5.3. Regression Coefficient 61
3.6. Research Limitations 61
CHAPTER IV 62
RESULTS AND DISCUSSIONS 62

4.1. Overview of the Research Object 62
4.2. Overview of the Research Variables 64
4.2.1. Corporate Social Responsibility 64
4.2.2. Return on Equity 68
4.3. Data Analysis 70
4.3.1. Descriptive Statistics 70
4.3.2. Normality test 73
4.3.3. Classical assumption test 75
4.3.3.1. Multicolinearity test 75
4.3.3.2. Autocorrelation test 79
4.3.3.3. Heterocedasticity test 82
4.3.4. Hypotheses test 83
4.3.4.1. Simultaneous Significance test (F-test) 83
4.3.4.2. Partial Significance tes (t-test) 84
4.3.4.3. Coefficient of Regression 84
4.3.4.4. Coefficient of Determination 87
4.4. Discussions 87
4.4.1. Relationship between Corporate Social Responsibility and Return on Equity 88
CHAPTER V 91
CONCLUSION AND RECOMMENDATION 91
5. 1 Conclusion 91
5.2. Limitations 92
5.3. Recommendations 93
REFERENCES LIST 95
APPENDICES
CURRICULUM VITAE

LIST OF TABLES

Table 2.1 Previous Research on Corporate Social Responsibility.....42

Table 4.1 Population and Samples.....63

Table 4.2 Types of Industry and Number of Samples.....64

Table 4.3 Coefficient of intervals from disclosed indicators.....67

Table 4.4 Coefficient of intervals from Return on Equitty.....69

Table 4.5 Descriptive Statistics.....70

Table 4.6 Multicollinearity test – Correlation matrix on 123 observations.....75

Table 4.7 Multicollinearity test – Correlation matrix on 99 observations.....75

Table 4.8 Multicollinearity test – Auxiliary regression 1.....76

Table 4.9 Multicollinearity test – Auxiliary regression 2.....76

Table 4.10 Multicollinearity test – Auxiliary regression 3.....78

Table 4.11 Multicollinearity test – Auxliary regression 4.....78

Table 4.12 Autocorrelation test – Durbin Watson.....79

Table 4.13 Autocorrelation test – Durbin-Watson value.....80

Table 4.14 Autocorrelation test after treatment – Durbin-Watson value.....81

Table 4.15 Heteroscedasticity test – White test.....82

Table 4.16 Hypotheses test.....83

LIST OF FIGURES

Figure 2.1 Conceptual Framework.....35

Figures 4.1 Normality test – Histogram and Jaque-Bera.....73

Figure 4.2 Normality tet after treatment – Histogram and Jarque-Bera.....74

LIST OF APPENDICES

Appendix A – Key Performance Indicator of GRI Sustainability Reporting Guidelines 3.1

Appendix B – List of population companies

Appendix C – List of 41 sample companies

Appendix D – List of 33 sample companies

Appendix E – List of Companies' Return on Equity

Appendix F – List of Companies' CSR Disclosures on 2009

Appendix G – List of Companies' CSR Disclosures on 2010

Appendix H – List of Companies' CSR Disclosures on 2011