Stakeholder and Corporate Social Responsibility Disclosure: A Comparative Study of Indonesia, India, and Pakistan

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ABSTRACT

The research was aimed to examine the differences Corporate Social Responsibility (CSR) disclosure in Indonesia, Pakistan and India, also examine the influence of stakeholders toward CSR disclosure. Stakeholders are identified by manager, employee, shareholder, creditor and customer. Company's CSR disclosure is measured using GRI index version 4. Population of this research uses secondary data from annual reports in 2014 obtain through Indonesia Stock Exchange (IDX), Pakistan Stock Exchange and India Stock Exchange. Sample of this research are 125 companies in Indonesia, Pakistan and India that generated using purposive sampling method. According to objectives of this research, ANOVA test result there were differences level of CSR disclosure between Indonesia, Pakistan and India. Linear regression analysis and the result were employee and customer have positive impact on CSR disclosure. In addition, there is no significant impact between shareholder, manager and creditor toward CSR disclosure.

Keywords: CSR disclosure, voluntary disclosure, stakeholder, GRI version 4

1. INTRODUCTION

Corporate social responsibility (CSR) is a common practice of companies in Indonesia. Companies have numerous approaches and resources to accomplish CSR. They range from training to the utilization of community expertise (Helmiati, et al, 2013). Corporate Social Responsibility (CSR), as one of the new accounting concepts, based on the idea that companies have not only economic and legal responsibilities, but also responsibilities to other parties concerned (stakeholders), such as customers, employees, communities, investors, governments, suppliers and even competitors (Purnomo, et al, 2012). The study aims to examine whether stakeholder affects Corporate Social Responsibility (CSR) disclosure in Indonesia, Pakistan, and India. Corporate Social Responsibility is an integral component of company's operation, which voluntarily contribute to the environment in terms of investment, economic, environmental, social and ethic (Kanji and Chopra, 2010)

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The implementation of CSR in Indonesia is regulated by the Law No. 40 of 2007 regarding the limited liability company (corporation). According to the law, CSR disclosure must be conducted by acompany whose operation is involving the natural resources directly. Based onthe Law No. 25 of 2007 articles 15 and 34 that states that companies that do not implement CSR will be imposed to administrative sanction such as written warning, cancellation of business activity, suspension of business activity, and revocation of licenses. CSR disclosure is also regulated in the Government Regulation No. 47 of 2012 regarding Corporate Social Responsibility of limited company. Other regulations regarding CSR in Indonesia is strengthened with the decision of Bapepam-LK KEP-431/BL/2012 (Indonesian SEC) which states that the annual report shall include a Corporate Social Responsibility.

In India, regulations regarding CSR is organized at paragraph 135 of 2013s Companies Act issued by the India's Ministry of Companies Affair that contains a statement that states if a company must allocate a minimum of 2% of their net profit for the CSR activities. This regulation is valid in India since 2014 and the company are asked to form a CSR committee consisting of the board of director members and one of the independent director.

The implementation of CSR in Pakistan is still in a nearly stage due to the absence of government regulations regarding CSR. In 2002, Pakistan government issued the 2002's Trade Policy thus the industries in Pakistan is equal with the international standard. Pakistan start adopt CSR because of Iqbal Masih case, a murdered child due to his actions that is against child slavery in Pakistan. Reporting from www.dunyanews.tv, survey conducted by the International Labor Organization (ILO) in 2014 shows that Pakistan ranked at the third position for the country that employing the under ages child.

In India and Indonesia, even though there are specific regulations regarding CSR, there are several cases happened regarding CSR. A case on Coca Cola Company in India which caused its company operation to be stopped due to its operations causing a pollution around the factory. The company has been warned by the local environmental control agency, yet due to the no response given so they stopped the factory operations (www.taipetimes.com, 2006).

There are many cases in Indonesia regarding with CSR. Other cases is happened in Indonesia's company conducted by PT Indofood subsidiary and PT PP London Sumatra. The violation committed by the company is for employing the under age child, vaiolation in employee's health and safety, and intimidation and unacceptable lower wages rate (www.eco-business.com, 2016).

A research on Corporate Social Responsibility needs to be conducted because of a CSR report represents a disclosure of an additional information beside the disclosure of financial information, thus accounting researchers are interested to conduct a further research to find out how is the role of CSR disclosure in company assessment (Moser and Martin, 2012). The general purpose of financial information is providing financial information to assist the decision making for the parties who will use the report (Agustiningsih et al., 2017). Economic activities, especially in the globalization era, is more integrated so that companies are also in under pressure to disclose their CSR activities (Hooghienstra, 2000). Dhaliwal (2012) states that the activity of CSR is a response to the request of the stakeholders. Therefore the disclosure provides useful information to the user of financial statements to help the investors and the potential investors in forecasting, thus the error probability could be reduced. CSR disclosure can be defined as an additional non-financial information regarding the integration of the

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company with their environment, it can be disclosed in the financial statements or in separated report (Hackston and Milne, 1996).

A study on the similar topic is conducted by Muttakin and Subramaniam (2013) focussed on India companies. The study examines whether the ownership structure and the firms' characteristics has a positive effect on CSR disclosure. The result shows that institutional ownership and independent director haspositive effect on CSR disclosure. Other study in India regarding the effect of stakeholder on CSR is conducted by Mishra and Suar (2010), and results show that employee, customer, investor, society, the environment, and supplier haspositive effect on CSR in India's company.

Another research regarding CSR disclosure in Indonesia is conducted by Gunawan (2015) examines the effect of the stakeholder and the motivation of social disclosure on companies listed in Indonesia Stock Exchange, the result shows that society is a group of stakeholders that mostly effects the corporate social disclosure in the financial statements. While in Pakistan, study regarding CSR is conducted by Sajjad and Eweje (2014), the result showsthat only large and multinational corporations has been conducting CSR well, while for the small and medium corporation are already implement CSR but is limited to the demand of its customer abroad.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

2.1. Stakeholder Theory

Stakeholder theory states if acompany wants to be success for a long term they should be able to meet the demand of the stakeholders (Freeman, 1984). At first, acompany is considered for having only one stakeholder, which is its owner (Simonsen & Wenstop, 2013). According to Freeman (1984), stakeholder is a group or individual who can affect or affected by the achievement of an organizational goal. According to Crowther and Araas (2008), stakeholder is a group or individual who can affect or affected by the achievement of organizational goal. Without the presence of stakeholder, company's activities will be stopped.

Clarkson (1995) divides stakeholder into two types, primary stakeholder and secondary stakeholder. Primary stakeholder is a group of stakeholder whose absence of its member will affectsto the company's going concern, this type of stakeholder consist of shareholders, customers, employees, managers, governments, suppliers, and creditors. While secondary stakeholder is a group who can affect or affected by the company, yet they are not directly involved in company's operation, this type of stakeholder including their competitor, media, local society, and non-governmental organizations (NGOs).

Stakeholder theory provides a new understanding of company's managerial actions, a new thing to unite the idea that the need of the shareholders cannot be achieved without fulfilling the needs of the shareholders (Jamali, 2008). Accomplishment of profit as much as possible and increase the shareholders' value is no longer be the main purpose of a company, instead the goal of a company should be about the increase of shareholders' value which include their demand to the company related sustainable social behavior (Longo et al., 2005).

Kakabase, Rozuel, and Lee-Davis (2005) state in relation of the theory and companies'CSR activity, CSR aims to define what kind of responsibility that should be done by a company, while the concept of stakeholder state to whom a company manager must be responsible. Jamali (2008) state that both of these concepts are related.

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Snider, Hill and Martin (2003) state that the stakeholder theory provides a framework to evaluate CSR through reporting its activities.

2.2. *Corporate Social Responsibility* (CSR)

Wood (1991) explains CSR as a principal arrangement of company's CSR, social response process, policies, program, and outcome thatis related to corporate social relations. Confederation of British Industry (CBI) defines CSR (Hemingway, 2002) as:

> "*... Corporate Social Responsibility requires companies to acknowledge that they should be publicly accountable not only for their financial performance but also for their social and environmental record. More widely, CSR encompasses the extent to which companies should promote human rights, democracy, community improvement and sustainable development objectives throughout the world.*"

In other word, acompany should not only focus on financial aspect, also to pay attention to environmental and social aspect. Chauhan (2014) states that CSR is an integral component of company's operation in which the company voluntarily contribute toward the environment in form of financial assistance, environmental, moral, and social investment. The company must be responsible for all activities that affect the environment and social.

Jenkins and Obara (2006) state that company's CSR is manifestation of a movement toward a larger sustainability within the industry which is the practical implementation of sustainable goals. CSR is a media for companies to frame its attitude and strategy toward stakeholders, investors, employees, and society. CSR focused on social marketing. Social marketers believed that highly profitable organizations can easily perform good things for the environment. Organizations have to be accountable to the environment according to business ethics. Furthermore, people desired transparency from organizations (Helmiatin,et al, 2013).

2.3. Hypothesis Development

2.3.1. Comparison of CSR disclosure levels in Indonesia, Pakistan, and India

Kolk, Walhain and Wateringen (2001) state that there are many differences in terms of social disclosure level in different countries. This is caused by several factors, such as, the situation of country's economy, and regulatory difference where the company is established. There are many research regarding CSR in western countries, but onlyfew focusing on Asia countries (Chapple and Moon, 2005). In developed countries, a concern regarding CSR has increased, yet in developing countries such as Asia, a concern regarding CSR is relatively low (Ip, 2008). Chapple and Moon (2005) state with the presence of globalization and operation of foreign company in developing countries, will make them to be responsible according tothe norms in their country. Research regarding CSR thatinvolve at least two countries is conducted by Chapple and Moon (2005). Until now we did not find any comparation research on CSR level among Indonesia, India, and Pakistan. Therefore, the hypothesis proposed is:
H1. There is a difference on CSR disclosure in Indonesia, India, and Pakistan.

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2.3.2. Manager and CSR Disclosure

Manager is part of stakeholders that has direct effect on company's activities. Company's policy and public relation, remuneration policy, working condition, and abolition of force labor or child labor are determined by manager (Park and Ghauri, 2015). Companies with social responsibility will not exist without amanager who has the ability to adjust company goals, strategy, and allocation for social activities.

Chan, Watson and Woodliff (2013), state that according to the stakeholder theory, company's profitability can affect the decision in CSR disclosure. The relationship between company's profitability and corporate social responsibility disclosure has been postulated (basic assumptions) to reflect opinion that social reaction requires managerial style. Therefore,the higher level of company's profitability will resultedin the bigger social information to disclose (Bowman and Haire, 1976).

H2. Manager has a positive effect on CSR disclosure.

2.3.3. Employee and CSR Disclosure

With the increase on environmental concern, employees start to pay attention to company's strategy. Huang and Kung (2010), state that bad company's strategy will cause the company toget a bad reputation and penalty. The consequence is, the company's employees' right not be distributed properly. This condition can make the company lose their potential employees.

A research conducted by Huang and Kung (2010) finds that there is positive effectof employees on CSR disclosure. Generally, companies with a good organizational strategy have agency such as anagency thatresponsible forCSR activities. This type of company has huge number of employees thusthey need an agency to organize employees'opinion in order to get to the top manager. Therefore, the higher number of employees will has an effect on the higher CSR disclosure.

H3. Employee has a positive effect on CSR disclosure.

2.3.4. Shareholder and CSR Disclosure

Solomon, Solomon, and Suto (2004), state that the institutional ownership has a strong interest not only on the company's financial performances but also on the company's social and environmental strategy. Mahoney and Robert (2007), suggest that, based on the superior viewpoint of their institutional ownership, the insitutional investorprocess information well before investing in order to make good assessment. In other word, the institutional ownership increases the company's involvement on CSR by involved in decision-making process (Li et al., 2006).

Previous research regarding the effect of instutional ownership is conducted by Qu (2007), who finds that the institutional ownership has a positive effect on CSR disclosure because they intend to invest for a long period of time. Research conducted by Soliman, Din and Sakr (2012), find a positive effect on CSR disclosure and agreed with Sethi (2005) that the institutional ownership such as the pension funds, is intended to consider the company's impact on environment and sustainability when investing.

H4. Shareholder has a positive effect on CSR disclosure.

2.3.5. Creditor and CSR Disclosure

Chan, Watson and Woodliff (2013), state that the power of creditors can be seen from company's leverage. Considering that creditors are an important stakeholder, it is

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better for manager to meet the creditors'expectations related with company's activities (Mitchel et al, 1997). Creditors have the rights to observe the performances and monitor company's activities and its policies (Moqbel, Amran and Nejati, 2014). Suhardjanto and Miranti (2009), state that the use of debts will make companies provide more information to meet the demands from investors because they always supervised by the company.

Research regarding leverage and CSR disclosure has been widely conducted and the results are diverse. Research by Giannarakis (2014), Siregar and Bahtiar (2010), Suhardjanto and Miranti (2009) results discover the presence of negative effect between leverage and CSR disclosure. This is because of the higher leverage tend to make a company reduces the information disclosed in order to not attracts attention for debt holder. However, other research conducted by Robert (1992), Ferguson, Lam and Lee (2002), Naser, Alkhatib and Kabhari (2002), discover the presence of a positive effect between leverage and CSR disclosure.

H5. Creditor has a positive effect on CSR disclosure.

2.3.6. Customer and CSR Disclosure

The stakeholder theory suggest that acompany should be responsible on the entire stakeholder (Freeman, 1984) and one of the biggest stakeholder group is costumer (Maignan, 2001). Du, Bhattacharya and Sen (2010) state that costumers are tend to boycott a company's product that shows a bad CSR practice or they will switch to another brand. On the contrary, Mishra and Suar (2010) suggest if customers acknowledge that product is made by the companies who act responsible, they will be loyal to the brand.

A research conducted by Park and Ghauri (2015), state that customer has a positive effect on CSR disclosure. Since costumers pay attention to ethical practices of corporate behavior and customers believe the company will maintain their quality to enhance the company's reputation (Lamberti and Lettieri, 2009). Customer perception on ineffective CSR will interfere the growth of the company. A good perception of the customer about product quality and its safety can increase the sales or reduce the cost related with the stakeholders (Waddock and Graves, 1997). Therefore, the hypothesis proposed is:

H6. Customer has a positive effect on CSR Disclosure.

3. RESEARCH METHOD

Population in this research is companies listed in Indonesia Stock Exchange (IDX), Pakistan Stock Exchange (PSX), and National Stock Exchange (NSE). The second stage using purposive sampling method, this sampling method is limited to certain types of companies for providing the desired information on the criteria determined by researcher (Sekaran and Bougie, 2013). The criteria used as a reference in selecting the sample is companies listed in Indonesia Stock Exchange (IDX), Pakistan Stock Exchange (PSX), and National Stock Exchange (NSE) in the year of 2014, Top 50 Companies in each countries, companies thathaveaccessibleinformation and is inaccordancewith research's requirement, also companies thatprovide additional data that support the measurement ofresearch variables.

This research uses ANOVA and multiple linear regression test to test the hypothesis. Before conducting the ANOVA and multiple linear regression test, data analysis and classical assumption test are performed. Data analysis is performed to

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examine the spread of data using descriptive statistic (Ghozali, 2013). Clasical assumption test is performed to ensure that the data does not have normality problem, autocorrelation, heteroscedastivity, and multicollinearity, thus that the data is not biased.

Hypothesis testing is performed in two stages. The first stage is ANOVA test to determine the direct relationship and mutual effect between the dependent variable and the independent variables (Ghozali, 2013). Before performing ANOVAtest, the assumption of variance homogeneity must be fulfilled. That means, dependent variable and independent variables must have the same variance.

The second stage is multiple linear regression tests, which is performed using F test and T test. F-test is performed to determine the effect of independent variables on dependent variable simultaneously. When the significant value or p-value is < 5%, independent variables' effect on dependent variable is significant. However, if the significant value or p-value is > 5%, it can be concludedthat independent variables does not have an effect on dependent variable simultaneously. Next, T-test is performed to determine the effect of each independent variables on dependent variable partially. If the significant value or p-value is < 5%, it can be concluded thatthe independent variable has a significant effect on dependent variable partially. However, if the significant value or p-value is > 5%, thus it can be stated that independent variable does not have an effect on dependent variable partially.

4. DATA ANALYSIS AND DISCUSSION

ANOVA test is performed on the data of CSR disclosure by companies in Indonesia, Pakistan, and India. In Table 2 below, the Games –Howell value shows the differences in disclosure level in Indonesia, Pakistan, and India. Based on Games-Howell, the mean difference between India and Indonesia is 0.096 and is significant with p-value is 0.000. While the mean difference between Indonesia and Pakistan is 0.076 and is significant with p-value is 0.011.

Table 2One-way ANOVA Analysis Test Result

Multiple comparisons

Dependent variable: SDI

	(I) COUNTRY	(J) COUNTRY	Mean difference (I-J)	Std. error	p-value
Games-Howell	India	Pakistan	0.100	0.035	0.018 *
		Indonesia	0.081	0.032	0.036 *
	Pakistan	India	-0.100	0.035	0.018
		Indonesia	0.018	0.027	0.782 *
	Indonesia	India	-0.081	0.032	0.036
		Pakistan	0.018	0.027	0.782 *

The result of the ANOVA test in the Table 2 provides an evidence that there are differences in term of CSR disclosure in Indonesia, Pakistan, and India, therefore the first hypothesis is accepted. The differences in term of CSR disclosure in the three countries is caused by the differences in term of regulation that regulate about CSR activities, while in Pakistan, there are no regulation related with CSR. India is the country with highest CSR disclosure because India require its companies todisclose CSR activities extensively (Chapple and Moon, 2005).

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Hypothesis testing is performed using multiple linear test. Table 3 shows the value of R-square (R2) of 0.411 and Adjusted R Square (Adjusted R^2) of 0.134. Based on the value of Adjusted R^2, it can be concluded that the independent variables can explain the variation in the dependent variable at13.4% and the other 86.6% can be explained by other variables outside the model.

Based on Table 3, F value is 4.838 with 0.000 of significance. F value is more than 4.000 with significance less than 0.05 shows that regression model is good (good overall model fit), thus regression model can be used to predict CSRdisclosure.

Table 3 Multiple Regression Analysis Result

Variable	Coefficient	T	Sig.
(Constant)	0,358	7,370	0,000 *
MGR	0,004	0,204	0,839
EMP	0,000	3,311	0,002 *
INSTOWN	0,064	1,197	0,234
CDTR	0,010	0,163	0,871
CSTM	0,000	2,221	0,028 *
Adjusted R square	0,134		
F	4,838		
Sig.	0,000 *		

Research Model:

$$\mathbf{CSRD = \alpha + \beta_1 MGR + \beta_2 EMP + \beta_3 INSTOWN + \beta_4 CDTR + \beta_5 CSTM + \beta_6 S + \varepsilon}$$

Information:

CSRD	: CSR Disclosure
α	: Constant
$\beta_1 - \beta_5$	: Coefficient of Regression
MGR	: Manager
EMP	: Employee
INSTOWN	: Institutional Ownership
CDTR	: Creditor
CSTM	: Customer
ε	: Error

Table 3 shows that the second hypothesis in this research, which states that manager has a positive effect on CSR disclosure, is accepted but is not significant. The result is consistent with the result of previous research conducted by Asl and Kutlu (2010). This indicates that the companies with higher profitablity is not essentially can perform more CSR activities as well as to disclose it because its orientation to get profits.

The third hypothesis, which states that employee has a positive effect on CSR disclosure, is accepted. The result is consistent with the research conducted by Huang and Kung (2010) who state that the numbers employee play role in CSR disclosure in a company. A larger number of employee will has an effect on the stronger opinion and their interest to the management.

The fourth hypothesis, which states that shareholder has a positive effect on CSR disclosure, is rejected. This result is consistent with the research conducted by Barnae and Rubin (2010), and Oak and Dalbor (2015) who state that the shareholders has no effect on CSR disclosure. This shows that institution as shareholder can not encourage a company to disclose CSR, because of the shareholders' need of a high

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return for the company. Moreover, in India and Pakistan stock ownershipis dominated by promoter or board of directors who is the founder of the company.

The fifth hypothesis, which states that creditor has a positive effect on CSR disclosure, is rejected. This result is consistent with the research conducted by Giannarakis (2014) who state that the power of creditor in disclosing CSR is not based on the numbers of leverage ratio, but based on the company's concern to the surrounding environment. Another factor is that the company has a good relationship with the creditor, thus CSR disclosure is not based on leverage.

The sixth hypothesis, which states that customer has a positive effect on CSR disclosure, is accepted. This result is consistent with the research conducted by Hendriques and Sadorsky (1996) who state that customer's burden is the biggest burden after the government's burden.

5. CONCLUSION AND SUGGESTION

The conclusion of this research is that there are difference level of CSR disclosure level among Indonesia, India, and Pakistan. The result shows that CSR disclosure level in the three countries are differ significantly. Moreover, this research examine the effect of stakeholder on CSR disclosure and the result shows that stakeholdersthat has aneffect on CSR disclosure are employee and customer, while manager, shareholder, and creditor do not has an effect on CSR disclosure. Limitation of this research is this research does not examine the quality of CSR disclosure but only examine the quantity of CSR disclosure. Moreover, the presence of subjectivity element in this research is quite high, because of the determination of CSR disclosure measurement is based on the ability of the researcher to understand the standard.

Based on the conclusion above, the suggestion given by researcher is that each countries should establisha policy that regulates CSR disclosure. This research also suggest that companies should use the international standard in reporting CSR. In this research, the number of employees affects CSR disclosure, thus the company is expected to pay more attention to employee's role as one of CSR object. This research also finds that customer effects CSR disclosure thus a company is expected to pay more attention to customer's role in order to increase CSR disclosure.

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Apendix 1.

Research Variables and measurement

No	Variable	Definition
1	*Corporate Social Responsibility Disclosure*	CSR disclosure measured with Global Reporting Index version 4 (GRI version 4), a guidelines that help companies to arrange a meaningful and steady sustainable report into a standard of practice. According to McWilliams and Siegel (2001), CSR appears as a follow-up of social action, which is outside a company's interest and is required by law. In this research, CSR measurement performed by calculating the number of social

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		disclosure items disclosed in the annual report issued by the company. The disclosure will be measured with dichotomy approach, thus in each disclosure items will be given the value of 1 if it is disclosed and 0 if it is not disclosed in proportion to
	Manager	Profitability is a performance indicator conducted by the managerial in managing company's assets (Suhardjanto and Miranti, 2009). The ratio of profitability used in this research is Return on Equity (ROE) (Hossain and Hammami, 2009). Return on Equity (ROE) is a ratio between net profit and total equity.
	Employee	Total employees is the numbers of all employees owned by the company (Huang and Kung, 2010)
	Shareholder	The institutional ownership is measured from the numbers of stock owned by the institution divided with the numbers of company's shares outstanding (Oak and Dalbor, 2015).
	Creditor	The debt to total asset ratio is used to measure leverage. Lu and Abeysekara (2014) using leverage ratio as a proxy to measure the power of creditor.
	Customer	In this research, customer is measured with the changes of income from 2013 up to 2014. It is in accordance with a research conducted by Ittner and Larcker (1998).

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