

FACTORS AFFECTING DISCLOSURE OF SOCIAL RESPONSIBILITY OF THE COMPANY AND ITS IMPACT ON INVESTOR REACTIONS

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ABSTRAK

Tujuan dari penelitian ini adalah untuk mengetahui pengaruh ukuran perusahaan, tipe kantor akuntan publik, dan konsentrasi kepemilikan terhadap pengungkapan tanggung jawab sosial perusahaan dan dampaknya terhadap reaksi investor. Populasi penelitian ini adalah 1.573 perusahaan yang terdaftar di Bursa Efek Indonesia tahun 2014-2016. Teknik pengambilan sampel menggunakan purposive sampling dan didapat 135 perusahaan. Hasil penelitian ini menunjukkan bahwa tipe kantor akuntan publik berpengaruh terhadap pengungkapan tanggung jawab sosial perusahaan sedangkan yang tidak berpengaruh yaitu ukuran perusahaan dan konsentrasi kepemilikan. Selain itu, pengungkapan tanggung jawab sosial perusahaan juga berpengaruh terhadap reaksi investor. Penelitian ini diharapkan menjadi pengembangan pengetahuan tentang pentingnya pengungkapan tanggung jawab sosial perusahaan di Indonesia serta dapat dijadikan sebagai bahan pertimbangan perusahaan dalam pembuatan kebijakan guna meningkatkan kepeduliannya terhadap lingkungan sosial.

Keyword : *Tanggungjawab sosial, reaksi investor, abnormal return*

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Introduction

In the context of current economic development this, the company is no longer only faced with responsibility in terms of profit only, but also must pay attention to aspects social and environmental. Based on data from the Ministry of Environment and Forestry of the Republic of Indonesia in 2017, currently Indonesia faces a high threat of forest destruction of which 82% is due to human greed exploiting nature without regard to environmental sustainability (Hadi, 2018).

Floods, landslides and disasters others are threats from forest destruction. The most important factor causing floods and landslides are factors anthropogenic or human effect. Head of the National Disaster Management Agency's Information Data and Public Relations Center, Sutopo Purwo Nugroho, explained that local politics also increases vulnerability to floods and landslides (Ramdhani, 2016). There are several governments the area that passed mining business permits in the upper reaches of the river basin. Funding for disaster risk reduction

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in the region as well very minimal, and professional staff are also very limited. Based on information about many disasters that occur as a result of human activities or the company causes the importance of conservation environment. Company it is appropriate to take part in preserving the environment, one of them in the form of corporate social responsibility.

Corporate social responsibility is an ongoing obligation of every company to the surrounding community as a result of the company's operational activities for the future of the company by providing the best assistance and solutions to employees, communities, consumers and the environment. The implementation and reporting of the company's social and environmental responsibility has been required through Law Number 40 Year 2007 regarding Limited Liability Company.

Implementation of the implementation of sustainable social responsibility in Indonesia is supported by Law Number 32 Year 2009 on Environmental Protection and Management. Although it has been regulated by the government in the Act, but the procedures on the implementation of corporate social responsibility are not explained more specifically. The law does not explain in detail how corporate social responsibility is performed and reported in annual reports, so its implementation at the company seems only to comply with applicable regulations. In fact, investors appreciate information on corporate social responsibility disclosed in the annual report.

Based on legitimacy theory and stakeholder theory, the influence of the wider community can determine the allocation of financial resources and other economic resources. Companies tend to use environmental-based performance and disclosure of environmental information to justify or legitimize company activities in the eyes of society and investors (Gray et al.,1995). In legitimacy theory, firm size has a relationship with social responsibility disclosure where large companies will be more publicly highlighted so that large companies are required to disclose information more widely as a form of accountability than small companies (Suta and Laksito, 2012).

The greater the type of public accounting firm that audits the company, the better the financial statements reported by the company, including the disclosure of corporate social responsibility (Uyar et al., 2013). Companies with institutional ownership see the legitimacy benefits that come from their stakeholders so that they can provide high existence in the long run. This disclosure of social responsibility is one way that is used to show the company's concern for the surrounding community. Disclosure of corporate social responsibility is expected to provide a positive response to investors. An information can be a signal for investors if the information reacts to conduct transactions in the capital market (Spence, 1973). This can be seen from the abnormal return which is one indicator that can be used to see the current market situation. Abnormal return itself is the difference between real return and expected return (Jogiyanto, 2009). If the company voluntarily discloses its positive social responsibility, this action can reduce the risk of reduced prosperity that the company might face in the future. This shows a positive signal for investors to invest their shares.

Firm size, type of public accounting firm, and concentration of ownership have the potential to have an influence on disclosure of corporate social responsibility and finally disclosure of corporate social responsibility will have an impact on investor reactions. Anugerah et al.,(2010) concluded that firm size has a positive effect on corporate social responsibility disclosure. Large companies are issuers that are highlighted by investors, more disclosure is a reduction in political costs as a form of corporate social responsibility. Yuliana et al.,(2008) showed that concentration of ownership influenced the extent of corporate social responsibility disclosure, while firm size was not proven to influence the extent of corporate social responsibility disclosure. Kastutisari and Dewi (2011) conducted a study to determine the effect of corporate social responsibility disclosure against abnormal return with corporate social responsibility results have no effect on abnormal return.

This study aims to reexamine the effect of firm size, type of public accounting firm, and concentration of ownership on the disclosure of corporate social responsibility and its impact on investor reaction in companies listed on the Indonesia Stock Exchange in 2014-2016 which is the development of previous research because based on research results previously showed differences in results. The reason for choosing 2014-2016 as a research period is because in 2017, the House of Representatives of the Republic of Indonesia canceled the draft corporate social responsibility law which had been regularly held for 3 years through commission meetings. The year 2014-2016 was considered by researchers as a transition period and to find out the reaction of investors before the adoption of the latest law on corporate social responsibility. The government actually objected to the rules of corporate social responsibility stipulated in the law. Moreover, many companies that reject corporate social responsibility are regulated by law. As a result, due to the government's disapproval, the draft law was replaced by a draft law on the practice of social work (Hidayat, 2017). The results of this study are expected to provide information to potential investors as a consideration of decision making in assessing the company in Indonesia and for the company as a consideration that corporate social responsibility is very important to disclose and can increase the value of the company.

Review of Literature and Hypotheses

Stakeholder Theory

Stakeholder theory as a collection of policies and practices related to stakeholders, values, fulfillment of legal provisions, community and environmental awards, and the commitment of the business world to contribute to sustainable development (Freeman, 1984). Stakeholders are both internal and external parties, such as governments, competing companies, surrounding communities, the international environment, outside agencies (NGOs and the like), environmental organizations, corporate workers and minorities because of their influence and influence.

This applies to both variants of stakeholder theory (Hadi, 2011). The first variant relates directly to a model of accountability in which stakeholders and organizations influence each other. This can be seen from the social relations both in the form of responsibility and accountability. Therefore, the organization has accountability to its stakeholders. The nature of accountability is determined by the relationship between stakeholders and the organization.

The second variant of stakeholder theory relates to a view of empirical accountability. Stakeholder theory may be used strictly in a centralized direction organization. It was revealed that corporate social responsibility is a means of success for companies to negotiate relationships with stakeholders.

Based on the assumptions of stakeholder theory, the company can not escape from the social environment. Companies need to maintain the legitimacy of stakeholders and their position in the framework of policy and decision making, so as to support the achievement of corporate goals, namely business stability and survival (Hadi, 2011).

Legitimacy Theory

According to Dowling and Pfeffer (1975) shows a legitimacy is important for the organization, the boundaries emphasized by social norms and values, and the reaction to these limits encourage the importance of analyzing organizational behavior with regard to the environment. Legitimacy theory focuses on the interaction between companies and society. This theory states that organizations are part of society so they must pay attention to social norms of society because conformity with social norms can make companies more legitimate.

Community legitimacy is a strategic factor for the company in order to develop the company in the future. This can be used as a vehicle to construct corporate strategy, especially related to efforts to position themselves in the midst of an increasingly advanced society. The legitimacy of the organization can be seen as a desired or sought company from the community. Thus, legitimacy must be properly considered by the newly established company because it is a potential benefit or resource for the company to survive.

The definition implies that legitimacy is a corporate management system oriented to the alignment of society, government, individuals and community groups. For that, the operation of a system put forward the alignment to the community and the company's operations must be in line with the expectations of the community (Hadi, 2011).

Signaling Theory

Signal theory suggests how a company signals financial users (Spence, 1973). One type of information issued by a company that can be a signal to investors is the disclosure of corporate social responsibility which can lead to investor reaction. Information published by management will give a signal to creditors and investors in decision making, be it a good signal or a bad signal.

Signaling theory explains that giving signals is given by company management to reduce the existence of information asymmetry. Company management provides information through an annual report that contains not only financial information, but also non-financial information. Financial reports published by the company are expected to be able to help users of financial statements, especially creditors and investors in making credit and investment decisions. These creditors and investors expect to get complete information, to avoid asymmetric information.

Disclosure of Corporate Social Responsibility

In general, social responsibility means the ability of people as individual members of the community to be able to reach existing social conditions and to enjoy and utilize the environment including changes that exist while maintaining or in other words is the way the company regulates the business process to produce impact positive in a community, or an important process in the regulation of the costs incurred and the business benefits of internal and external stakeholders (workers, investors, owners) (community, community members, civil society groups and other companies) .

Corporate social responsibility is basically also related to corporate culture that is influenced by the ethics of the company concerned. Corporate culture is formed from individuals as members of the company concerned and is usually formed by the system within the company. The company system especially the plot of dominance of the leaders of the important role in the formation of corporate culture, corporate leaders with a strong motivation in ethics that leads to humanity will be able to give a sense of corporate culture as a whole.

According to Darrough (1993) suggest there are two types of disclosures in relation to the requirements set by the standard:

1. **Mandatory disclosure**

Mandatory disclosure is the disclosure required by government regulations. For issuers after public disclosure shall be the minimum disclosure required by applicable accounting standards. Mandatory disclosure after going public may occur as long as the company is still an open company.

2. **Voluntary disclosure**

Voluntary disclosure is a disclosure by a company outside what is required by the accounting standards or the regulatory body's rules. The disclosure of the marking information will also have a positive impact on the users as a matter of decision-making.

Firm Size

According to Ferry and Jones (1979), the size of a company is a scale that can be classified by the size of the company in various ways, including total assets, sales, stock market values and others that are all highly correlated. The larger the size of the company, the tendency to use foreign capital is also greater. This is because large companies need large funds to support their operations and one of the alternative fulfillment is with foreign capital if the capital itself is not sufficient (Halim, 2007).

Type of Public Accounting Firm

The type of public accounting firm can be a factor that influences the disclosure of corporate social responsibility because the public accounting office that is in the audit process is in accordance with applicable audit standards, in the results of the audit also presented reports of its client's social responsibility so that it can be useful for decision making for report users finance. There are two types of public accounting offices that are often used by companies, namely the Big Four and Non Big Four (Budiman, 2015). The Big Four is the largest group of

four professional service firms and international accounting that handle the majority of audit work. Public accounting offices including the Big Four are: Deloitte Touche Tohmatsu (Osman Bing Satrio and Eny), Pricewaterhouse Coopers (Tanudiredja, Wibisana and Haryanto Sahari), Ernest and Young (Purwantono, Sarwoko and Sandjaja), and Klijnveld, Peat, Marwick, Goerdeler (Siddharta and Widjaja). The type of public accounting firm determines the level of ability, adequacy of resources, and experience in conducting financial statement audit processes (Uyar et al., 2013). Larger public accounting firms will have more expert auditor resources and adequate audit work systems.

Concentration of Ownership

The concentration of ownership can be an internal mechanism of disciplinary management as one of the mechanisms that can improve the effectiveness of supervision because with increasing ownership the shareholders have significant communication access to offset the informational gains that management (Hubert and Langhe, 2002). If this can be realized it can reduce management actions in an effort to hide information. The concentration of ownership itself is the ownership of the company's shares by the public or institution (agency).

Abnormal Return

Abnormal return is often used as a tool to assess investors' reactions. Abnormal return is one indicator that can be used to see the current state of the market (Islami and Sarwoko, 2012; Setiawan and Bandi, 2015). An information can be said to have value for investors if the information provides a reaction to conduct transactions in the capital market (Jogiyanto, 2009). The investor trust aspect is one of the most influential aspects of the stock market. Therefore, a social disclosure will be responded to by various investors.

Conceptual Framework and Hypothesis Development

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Firm size and corporate social responsibility

Firm size is one of the variables commonly used in explaining variations in disclosures in the company's annual report. In legitimacy theory, the size of the company has a relationship with the disclosure of social responsibility. Large companies generally get more public attention. This is because large companies have more complex business activities and may have a large impact on the community and the surrounding environment. Therefore, large companies are required to disclose information more broadly as a form of accountability than small companies. The greater the size of the company, the greater the disclosure of corporate social responsibility. Machmud and Djakman (2008) and Suta and Laksito (2012) stated that firm size has a positive effect on corporate social responsibility disclosure. Based on the description above, the first hypothesis in this study is:

H1: Firm size positively affects corporate social responsibility disclosure.

Type of public accounting firm and corporate social responsibility

There are two types of public accounting firms that are often used to measure corporate social responsibility disclosures, namely the Big Four and Non Big Four. In connection with the litigation theory, companies audited by a large public accounting firm or the Big Four will present higher quality financial statements based on predetermined rules because they have good independence, quality, reputation and credibility compared to small or Non Big Four. The greater the type of public accounting firm that audits companies, the better the financial reports reported by the company, including the disclosure of corporate social responsibility. Uyar et al. (2013) and Budiman (2015) stated that the type of public accounting firm has a positive influence on the disclosure of social responsibility. Based on the description above, the second hypothesis proposed in this study is:

H2: The type of public accounting firm positively affects corporate social responsibility disclosure.

Ownership concentration and corporate social responsibility

The concentration of ownership is measured by institutional ownership. Institutional ownership is ownership of shares by parties in the form of institutions. Institutions usually control a majority of shares because they have greater resources than other shareholders. Institutional ownership is considered to have the ability to control management through an effective supervision process (Budiman, 2015). Institutional investors have strong incentives to monitor corporate social responsibility disclosure practices. Therefore, company managers can voluntarily disclose information to meet the expectations of the majority shareholders. Companies with institutional ownership see the benefits of legitimacy coming from their stakeholders so that they can provide a high level of long-term existence. This disclosure of social responsibility is one of the ways used to show the company's concern for the surrounding community. Institutional ownership can therefore encourage companies to increase the disclosure of corporate social responsibility. Budiman (2015) and Edison (2017) study concluded that institutional ownership has a positive effect on the disclosure of corporate social responsibility. Based on the description, the hypothesis formulated as follows:

H3: Ownership concentration positively affects corporate social responsibility disclosure.

Corporate social responsibility disclosure and investor reaction

For investors, information plays an important role in making investment decisions. Investors not only include profit as the sole consideration, but investors begin to see the disclosure of corporate social responsibility to the environment. Companies that voluntarily disclose their social responsibilities result in a risk of reduced prosperity that the company may face in the future, so that it can influence investors in decision making. Based on signal theory, an information can be said to be useful if it can provide changes in the recipient's beliefs and trigger certain actions that are reflected in price changes, where if the investor

considers the information as good information, there will be investor reactions reflected through changes in stock prices. Changes in stock prices can be tested by seeing abnormal returns that occur (Jogiyanto, 2009). Research conducted by Patten (1990) and Cheng and Christiawan (2011) concluded that the implementation of CSR has a positive impact on market reaction. Based on the description above, the hypothesis proposed in this study are:

H4: Corporate social responsibility disclosure positively affects investors reaction.

Research Methods

Types and Data Sources

This type of research is quantitative research. The data collected in the form of secondary data. The data that has been collected by other parties. The data sources of this research are annual reports of companies obtained from Indonesia Stock Exchange (IDX) and Indonesia Capital Market Directory (ICMD).

Population and Sample

The population of this research is 1.573 companies in Indonesia Stock Exchange year 2014-2016. Sampling method in this research is purposive sampling with sample criterion determined as follows:

1. Companies listed on the Indonesia Stock Exchange from 2014-2016.
2. Presenting annual reports from 2014-2016.
3. Present a report on corporate social responsibility disclosure in its annual report from 2014-2016.
4. The Company has a comprehensive profit in its annual report from 2014-2016.
5. Have complete data for research.

Table 1. Sample Criteria

No.	Criteria	2014	2015	2016
1	Companies listed on the Indonesia Stock Exchange from 2014-2016	509	525	539
2	Does not present annual reports from 2014-2016	(110)	(126)	(144)
3	Does not present corporate social responsibility disclosure reports in its annual report from 2014-2016	(183)	(174)	(150)
4	The company does not have comprehensive income in its annual report from 2014-2016	(82)	(98)	(102)
5	Do not have complete data for research	(89)	(82)	(98)
Total Sample		45	45	45

Based on this sampling technique obtained 135 companies that can be used as sample research.

Operational Definition and Variable Measurement

1. Firm Size

According to Ferry and Jones (1979), the size of a company is a scale in which the size of a company can be classified according to various ways, including: total assets, sales, stock market value, etc. which are all highly correlated. Firm size can be measured by the number of employees, total asset value, sales volume, or index rating. In this study, the indicators used to measure the size of a company is the total assets and presented in the form of logarithms because the value is greater than other variables (Ferry and Jones, 1979).

2. Type of Public Accounting Firm

The type of public accounting firm in Indonesia is divided into two: the Big Four public accounting firm and the Non Big Four public accounting firm. The type of public accounting firm has an influence in determining the disclosure of corporate social responsibility because the type of public accountant office determines the level of ability, adequacy of resources, and experience in conducting the audit of financial statements. A larger public accounting firm will have more expert auditor resources and an adequate audit work system. The type of public accounting firm measurements used are dummy variables, 1 for Big Four and 0 for Non Big Four. Public accounting firm including the Big Four are:

- a) Deloitte Touche Tohmatsu is headquartered in the United States, in collaboration with Osman Bing Satrio and Eny.
- b) Pricewaterhouse Coopers headquartered in the United Kingdom, in collaboration with Tanudiredja, Wibisana and Haryanto Sahari.
- c) Ernest and Young are headquartered in the United Kingdom, in collaboration with Purwantono, Sarwoko and Sandjaja.
- d) MPG (Klijnveld, Peat, Marwick, Goerdeler) headquartered in the Netherlands, in collaboration with Siddharta and Widjaja.

3. Concentration of Ownership

The concentration of ownership is the ownership of the company's shares by the public or institution (agency). If a company has more than one ownership of an institution owning shares of a company, then its shareholding is measured by calculating the total of all shares owned by all the ownership of the institution compared to the number of shares outstanding (Chan et al.,2007).

4. Disclosure of Corporate Social Responsibility

Disclosure of corporate social responsibility according to Hackston and Milne (1996) is the process of communicating the social and environmental impacts of the organization's economic activities on specific groups of interest and to society as a whole. The extent of corporate social responsibility disclosure is the value of the company's performance of its social responsibility, which consists of economic, social, and environmental performance. The reference used in this study is the guidance of GRI G4 performance indicators. The latest details in corporate social responsibility disclosure are performance indicators. Performance indicators are arranged based on the existing aspects. The total number of performance indicators is 91. Thus, firms that meet the 91 performance indicators are said to be the most widespread disclosure of corporate social responsibility.

5. Investor Reaction

Investor reaction is measured by using abnormal return indicator. Abnormal return is the excess of the actual return that occurs to the normal return, where the normal return is an expectation (the return expected by the investor), thus an abnormal return (abnormal return) is the difference between the actual return that occurs with the expected return. Steps to get abnormal return value as follows (Murniningsih, 2007):

i. Calculating daily stock returns:

$$R_{it} = \frac{P_{it} - P_{it-1}}{P_{it-1}}$$

Description: R_{it} = Stock return of company i in current period
 P_{it} = Stock price of firm i in the current period
 P_{it-1} = Stock price of company i in previous period

ii. Calculating abnormal return:

$$AR_{it} = R_{it} - R_{mt}$$

Description: AR_{it} = Abnormal return of company stock i on day t
 R_{it} = Actual return of company stock i on day t
 R_{mt} = Market return, calculated by the formula:
 $R_{mt} = \frac{\text{composite share price index}_t - \text{composite share price index}_{t-1}}{\text{composite share price index}_{t-1}}$

iii. Calculates Cumulative Abnormal Return (CAR) of each share:

$$CAR_{it} = \sum AR_{it}$$

Description: CAR_{it} = Cumulative Abnormal Return
 $\sum AR_{it}$ = total abnormal return

Analytical Method

Testing with partial least square test consists of testing the outer model (measurement) and the inner (structural) model. Following are the results of hypothesis testing using the PLS method:

1. Outer Model (Measurement) Testing

There are three criteria used in the outer model assessment, namely convergent validity, discriminant validity, and composite reliability. The following is an explanation for each of these assessments:

a. Convergent Validity

Convergent validity of the measurement model with reflexive indicators is assessed based on correlations between item scores/component scores with construct scores calculated by PLS. Individual reflexive measures are said to be high if the constructs to be measured correlate. Nonetheless, for research the initial stage of developing a measurement scale of loading values of 0.50 to 0.60 is considered sufficient.

b. Discriminant Validity

Assess discriminant validity of reflexive indicators. Discriminant validity of the measurement model with reflexive indicators was assessed based on cross loading measurements with constructs. By comparing if the construct correlation with the measurement item is greater than the size of the other construct, it shows that the latent construct predicts the size of their block better than the other block size.

c. Composite Reliability

Composite reliability test of the indicator block that measures constructs. Composite reliability indicator blocks that measure a construct can be evaluated using two measures, namely internal consistency and cronbach's alpha. A good model must also have composite reliability above 0.7.

2. Inner Model or Structural Model Testing

Structural models were evaluated using R-square (R^2) for dependent constructs, Stone-Geisser Q-square test for predictive relevance, and t-test and significant structural structural parameter coefficients.

Result and Discussion

Descriptive statistics

Descriptive statistics are useful to know the characteristics of the sample to be used or analyzed further as a basis for decision making. Results of treatment with SPSS as follows in table 2 and table 3:

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
FS	135	11.85	17.76	15.5316	1.63135
INST	135	16.72	99.90	59.9570	19.56856
CSR	135	.23	.50	.8946	.12443
AR	135	-.83	.23	.2576	.32621

Source: Processed Data (2017)

Table 3. Descriptive Statistics Type of Public Accounting Firm

	Frequency	Percent	Valid Percent	Cumulative Percent
Non Big Four	39	28.9	28.9	28.9
Big Four	96	71.1	71.1	71.1
Total	135	100.0	100.0	

Source: Processed Data (2017)

The size of the company proxied with FS has an average value of 15.5316 with a standard deviation of 1.63135. Standard deviations that are smaller than the average value indicate that the size of the firm with each other there is no difference. Public accounting firm type variables are calculated using dummy variables. Where variables are 1 if audited by Big Four and 0 when audited by Non Big Four. Table 3 is known from 135 data 39 (28.9%) data audited by Non Big Four while the remaining 96 (71.1%) are audited by Big Four. Thus it can be concluded that the average company is audited by the Big Four.

Table 2 explains that the concentration of ownership proxied by INST has an average value of 59.957 with a standard deviation of 19.56856. Standard deviations that are smaller than average indicate that the concentration of company ownership with each other there is no difference. Corporate social responsibility disclosures proxied with CSR have an average value of 0.8946 with a standard deviation of 0.12443. Standard deviations smaller than average indicate that the disclosure of corporate social responsibility between companies sampled with each other there is no difference. The abnormal return proxied with AR has an average value of 0.2576 with a standard deviation of 0.32621. Standard deviations greater than average indicate that corporate abnormal returns are different from one another.

Hypothesis testing

Testing with PLS method consists of testing outer model (measurement) and inner model (structural). Here is the result of hypothesis testing using PLS:

1. Testing outer model (measurement)

The criteria used in the assessment of outer models, namely:

a. Convergent Validity

Convergent validity of measurement model with reflective indicator is judged by correlation between item score/component score with construct score calculated by PLS. The result of the validity test using the convergent validity value calculated by PLS can be seen in table 4:

Table 4. Convergent Validity Test Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
AR <- IR	0.548	0.512	0.211	0.313	3.896
CSR <- CSR	1	1	0		
INST <- INST	1	1	0		
PAF <- PAF	1	1	0		
SIZE <- FS	1	1	0		

Source: Processed Data (2017)

The indicators used to measure investor reaction constructs have a correlation of 0.548 greater than 0.5 so valid. The indicators used to measure the constructs of corporate social responsibility disclosure (CSR), firm size (FS), type of public accounting firm (PAF), ownership concentration (INST) turn out to be more than 0.5 so it is said to be valid.

b. Discriminant Validity

Discriminant validity of the measurement model with indicator reflection is assessed based on cross loading measurements with constructs. Table 5 is the result showing the cross loading rating:

Table 5. Discriminant Validity Test Results

Scale Item	CSR	INST	PAF	IR	FS
AR	0.174	-0.042	-0.031	0.582	-0.235
CSR1	1.000	0.121	0.535	0.209	0.190
INST	0.046	1.000	0.313	-0.168	-0.186
PAF	0.519	0.199	1.000	-0.099	0.289
SIZE	0.242	-0.157	0.378	-0.286	1.000

Source: Processed Data (2017)

Based on table 5 it is known that the CSR construct correlation with CSR1 is 1.00 higher than the correlation of CSR1 indicator with other constructs (FS, PAF, INST and IR). This also applies to constructs with other indicators. Thus it is concluded that the latent construct predicts the indicators on their block better than the indicator on the other block.

c. Composite Reliability

Reliability test is done by looking at the composite reliability value generated by PLS calculation for each construct. Reliability test results are presented in table 6 below:

Table 6 Composite Reliability Test Results

Konstruk	Composite Reliability	Keterangan
CSR	1.000	Reliabel
INST	1.000	Reliabel
PAF	1.000	Reliabel
IR	0.793	Reliabel
FS	1.000	Reliabel

Source: Processed Data (2017)

Based on table 6, it is known that the composite reliability value of corporate social responsibility disclosure variable (CSR), ownership concentration (INST), type of public accounting firm (PAF), investor reaction (IR), and firm size (FS) each have composite reliability in above 0.7 so it can be concluded that the indicator of the variable is reliable.

2. Testing inner model (structural)

The structural model is evaluated by using the stone-geisser Q square test for predictive relevance and t-test as well as the significance of the parameter coefficients. Table 7 contains a description of the structural model test results:

Table 7. Structural Model Test Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
CSR -> IR	0.310	0.334	0.045	0.088	2.921
INST -> CSR	-0.212	-0.178	0.098	0.078	1.907
PAF -> CSR	0.390	0.367	0.189	0.191	1.984
FS -> CSR	0.096	0.047	0.097	0.090	0.386

Source: Processed Data (2017)

Based on the above table it can be seen that there are two paths that have a statistical t value of more than 1.978 ie the influence of corporate social responsibility disclosure to investor reactions and type of public accounting firm to corporate social responsibility disclosure. Thus it can be concluded that the two paths are significant at 0.05 and have parameter coefficients of 0.310 and 0.390 respectively, while the firm size and concentration of ownership variables do not affect the disclosure of corporate social responsibility.

Discussion

The influence of firm size on corporate social responsibility disclosure

Based on the results of the t test in table 7 it is found that the t value of the correlation of the size of the company with the disclosure of corporate social responsibility is 0.386 which is less than 1.978 so that the company size variable does not affect the disclosure of corporate social responsibility, so H1 is rejected.

Legitimacy theory states that companies try to get public recognition regarding their business. The greater the resources owned by the company, the greater the efforts made to obtain this legitimacy through the implementation and disclosure of corporate social responsibility broadly. However, this study concludes that large companies view the disclosure of corporate social responsibility as not having a beneficial effect on the company. Investors are more interested in corporate financial performance than corporate social responsibility disclosure so that company management does not care about disclosure of corporate social responsibility and management only focuses on how to run a company to have good financial performance so that a large company does not guarantee social responsibility his company.

This research is in line with Budiman research (2015) where firm size does not affect corporate social responsibility disclosure. There are various issues regarding disclosure of corporate social responsibility faced by each company. In responding to these issues each company has its own way of both large companies and small companies by doing how extensive the information will be disclosed by the company so that it can be concluded that firm size does not affect the disclosure of corporate social responsibility. However, this study is not in line with Machmud and Djakman (2008) and Suta and Laksito (2012) research, which has a firm size effect that has a positive effect on corporate social responsibility disclosure. The greater the size of a company, the greater the company's social responsibility because the company feels it has more responsibility to the community, investors, and the government.

The influence of the type of public accountant firm on the disclosure of corporate social responsibility

Table 7 shows the value of t from the relationship between the types of public accounting firms with the disclosure of corporate social responsibility amounting to 1.984 which is more than 1.978 so that the type of public accountant variables affect the disclosure of corporate social responsibility, so H2 is accepted.

In connection with the theory of legitimacy, a public accounting firm that includes the top four will maintain a reputation as a credible public accounting firm so that the audited financial statements are in accordance with applicable regulations and standards and make credible and reliable financial statements. In addition, the disclosure of corporate social responsibility is expected to provide a view that the company is not only concerned with profit, but also the company's responsibility for its environment.

This research was supported by research by Uyar et al.,(2013) which resulted in the type of public accountant office having an influence on the disclosure of corporate social responsibility because the company audited by the Big Four would be more likely to disclose social information than the company audited by an ordinary public accounting firm, which meant The Big Four had follow international standards in conducting audit procedures. However, the study of Alsaeed (2005) states that the type of public accounting firms has no effect on CSR because currently there are many non The Big Four that follow international

standards and companies realize that disclosure of corporate social responsibility is important to report in the company's annual report, so companies that are audited by The Big Four and non The Big Four are the same as the results of the audit so that the type of public accounting firm does not affect the disclosure of corporate social responsibility.

The influence of concentration of ownership on the disclosure of corporate social responsibility

The results of the t test in table 7 find that the value of ownership concentration in this case institutional ownership with the disclosure of corporate social responsibility is 1.907 less than 1.978 so the ownership concentration variable does not affect the disclosure of corporate social responsibility, so H3 is rejected.

The concentration of ownership does not affect the disclosure of corporate social responsibility because according to stakeholder theory with high institutional ownership, company management will work harder to improve company performance to benefit shareholders. This is why management does not care about the disclosure of corporate social responsibility because it is encouraged to increase profits that will be obtained by shareholders. Institutional companies that invest their capital in other companies do not only consider the issue of social responsibility as one of the criteria for investing, whereas institutional investors tend to pay more attention to companies that can increase the profits of their investors.

This study supports the research of Karima (2014) which concluded that institutional ownership does not affect the disclosure of corporate social responsibility. This is due to the large number of institutional ownership entities that are banking, insurance, pension funds, mutual funds, and other institutions that have a tendency to invest in order to gain profits, so that a high level of institutional ownership raises a greater oversight effort to obstruct opportunistic behavior running optimally. However, this study does not support the study of Budiman (2015) and Edison (2017) who concluded that institutional ownership has a positive effect on corporate social responsibility disclosure where institutional ownership can encourage companies to increase disclosure of corporate social responsibility. The greater the institutional ownership of the company, the more the company tries to express its corporate social responsibility.

The influence of corporate social responsibility disclosure to investor reactions

Table 7 presents the results of the t test in which the t value is calculated from the corporate social responsibility relationship with the investor reaction of 2,921 which is more than 1,978 so that the variable disclosure of corporate social responsibility affects the investor's reaction, so that H4 is accepted.

This research supports signal theory where an event or message is said to contain information if the message causes changes in investor confidence and triggers certain actions, where the action is believed to be due to information in the event or message. The thing that underlies the disclosure of corporate social responsibility with the reaction of investors is to express corporate social responsibility will give a positive signal to the community so that investors are more interested. Disclosure of corporate social responsibility is captured as a

positive signal or good information by investors because it provides good prospects in the future. This makes investors interested in investing, causing stock trading activities. The increase in stock trading activity causes an increase in stock prices and stock trading volume which results in abnormal returns for the company.

The results of this study are consistent with the research conducted by Patten (1990) which reveal social and environmental themes influencing investor reactions because the company is now more likely that disclosure of social responsibility in annual reports can attract potential investors to buy company shares. However, this study is not consistent with Astuti and Nugrahanti (2015) research which shows that variables in disclosing social and environmental themes do not affect abnormal returns because companies tend to focus on how companies generate profits and the main purpose of prospective investors buying company shares is to get dividends so that disclosure of corporate social responsibility does not affect the reaction of investors.

Conclusion

Based on the results of research and on the basis of the results of hypothesis testing it can be concluded as follows:

- 1) Firm size has no effect on corporate social responsibility disclosure.
- 2) The type of public accounting firm positively affects the disclosure of corporate social responsibility.
- 3) The concentration of ownership does not affect the disclosure of corporate social responsibility.
- 4) Disclosure of corporate social responsibility positively affects investors' reactions projected from abnormal return.

Limitation

This study has limitations including:

1. The reaction of investors in this study is calculated based on the cumulative abnormal return so as to override the window period which results in unknown before and after the occurrence of social responsibility disclosure events.
2. Disclosure of social responsibility informed to stakeholders is only assessed by the index of the number of disclosures so that it cannot reflect the quality and main objectives of each disclosure of social responsibility.

Suggestion

Researchers are aware of the limitations in doing this research. Therefore, researchers are trying to provide suggestions for further research. As for some of these suggestions are:

1. Subsequent research is expected to use window periods so that events can be known before and after the occurrence of social responsibility disclosure events or using other indicators in measuring investor reactions, such as trading volume.
2. In the next study, the variables of social responsibility disclosure can be related to information asymmetry factors that occur between CSR report makers and information users, this is because there are differences in the company's motivation in disclosing CSR with stakeholders as digesters of information.

Implications

The implications of this study are:

1. Companies that have revealed their corporate social responsibility have their own added value in the eyes of investors.
2. Large companies are expected to be able to express the company's social responsibility well so that the future value of the company can increase.

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