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The Effect of Profitability to the Disclosure of Corporate Social Responsibility (Csr Disclosure) on Mining Companies Listed on Indonesian Stock Exchange (Bei) in the Year 2010-2012

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Abstract: *The main objective of this study was to analyze the effect of profitability on the disclosure of Corporate Social Responsibility (CSR Disclosure). The ratio of profitability is proxied by the ROA, ROE, and net profit margin. This study was conducted by examining the effect of profitability as the independent variable on the disclosure of CSR as the dependent variable.The sample of this study was the annual report mining company listed on the Stock Exchange in the period 2010-2012. Samples were selected using purposive sampling method and acquired 63 mining companies that have met the criteria of the sample. Data were analyzed using multiple regression methods. The results of this study find that there are significant effects on profitability through ROA, ROE, and NPM on the disclosure of CSR. ROA and NPM have positive effects on the disclosure of CSR, while ROE negatively affects CSR disclosure.*
Keywords: *Profitability, ROA, ROE, Net Profit Margin, Disclosure of Corporate Social Responsibility (CSR Disclosure)*

I. Introduction

The development of CSR in Indonesia was marked by several companies implementing CSR. More and more companies implement CSR in the form of charity and empowerment. At least, It can be seen from the incessant publications related to the implementation of CSR in the printed and electronic media. In Indonesia, in addition to the diversity of activities and management become more various, If seen from the financial contribution, the greater the amount is. PIRAC study in 2001 showed that the fund of CSR in Indonesia reached more than 115 billion rupiah, or about 11.5 million US dollars from 180 companies spent on 279 social activities recorded by the mass media (Saidi, 2004).

More broadly CSR is defined as the company's commitment not only to provide goods and services that are good for society but also maintain the social environment and physical quality, and also to make a positive contribution to the welfare of the communities where they are located so that it has emphasis on how the company gives what people desire (Wahyudi, 2008: 35). CSR practices are important to the company because in addition to profit-orientation, the company should also be responsible for the social problems that they incur as a result of operational activities of the company on the environment. Thus, the practice of CSR is considered as an idea that not only refers to the single bottom line that is the responsibility of a company which is only reflected through their financial condition alone but refers to the triple bottom lines which also had to give attention to environmental and social issues.

By the practice of CSR, companies can improve public trust relating to the achievement of improvement efforts by the company to the environment and the communities as a part of the stakeholders. Companies and society are two elements that have an interlinked relationship in carrying out its activities and needing each other (Kelvin, 2014). The example of corporate social responsibility in Indonesia is the case of hot gas in Sidoarjo caused by the gas exploitation of PT. Lapindo Brantas, environmental destruction due to gas operational activities by PT. Freeport, and violations of CSR PT. Silva Inhutani. In this case PT. Lapindo Brantas, a company that prioritizes the rescuing of its assets rather than addressing the environmental and social issues that have arisen, giving rise to social issues and has a negative impact on people living in nearby drilling (Tempo Magazine, 2014).

"Companies can also present additional statements such as statements regarding the environment and report value added (value added statement), especially for industries where factors of the environment plays an important role and for an industry that considers employees as a group of users of the report."

Profitability is an indicator of management performance demonstrated by the profit generated for managing the company's assets (Brigham, 2010). Profitability can be measured using profitability ratio which will show how effective the company is operating so as to produce a profit for the company through ratios such as ROA (Return on Assets), ROE (Return on Equity), and NPM (Net Profit Margin) (Brigham and Houston, 2010). ROA is a profitability ratio that indicates the company's profit by dividing net income to total assets owned by the company, so this ratio is also called the earning power because it illustrates the company's ability to generate profits from every single rupiah assets used. ROE is a profitability ratio that reflects the type of company profits through the distribution of net profit and total equity of the company so that through this ratio the company can find its performance in managing the available capital that will be reserved for the shareholders.

NPM is a profitability ratio that shows the company's profit through the distribution of net income to total sales of the company so by knowing this ratio; the company will be able to see how much profit earned from each sale will be used as the determination of the pricing strategy.

II. Theoretical Basis

1. Stakeholder Theory

Stakeholders can be defined as the people who are parties or groups which have an interest in the company either directly or indirectly. According to Freeman (1983) in the Deegan (2004) concept of stakeholders has undergone many changes which were initially reserved for the shareholders now starting to be extended to include more members as a group to be unprofitable (adversial group) which is the regulator and the other parties who have specific interests.

Basically, stakeholders can be classified into two categories, Stakeholder is considered important by the company and is very influential on the course of the company's activities as in the operations of companies would be dealing with stakeholders who are numerous in accordance with the broad range of the company's operations. In order to business activities come to the expectations, good relationship and communication between the company and its stakeholders is needed. This is in accordance with what is stated in stakeholder theory that the existence of a company is determined by the stakeholders which ultimately Companies will meet all the needs of the stakeholders to obtain support as expected by the company. According to Gray et al. (1995) which states that:

"The company's survival depends on the support of stakeholders and the support should be sought so that the activity of the company is to seek such support. The more powerful the stakeholders are, the greater the company's efforts to be able to adapt. "

2. Legitimacy Theory

According to Gray *et al.* (1995), Another theory underlying the disclosure of CSR is the theory of legitimacy. Legitimacy is a system in the public interest or more favorable to the public (Deegan, 2004). Furthermore, Deegan (2004) also argued that the legitimacy of the community is one strategic factor for companies in order to develop the company to the future. It can be used as a tool for companies to develop a strategy, especially related to efforts to position the company in the midst of society which is more advanced. Thus, the legitimacy is regarded as a potential strategy for the company to survive (going concern).

3. The definition of Corporate Social Responsibility (CSR)

The term 'Corporate Social Responsibility' became more popular during the 1960s and is still used widely to describe the moral and legal responsibility of a company. Corporate Social Responsibility (CSR) is one of the principles of good corporate governance, that is the principle of responsibility. Corporate Social Responsibility (CSR) in Indonesian known as the social responsibility of the company to the . In Chapter V, Article 74 of Law Number 40 Year 2007 regarding Limited Liability Company (Company Law) regulates the Social Responsibility and Environment, where the Company is conducting its business activities in the field and or related to the natural resources required to implement the Social Responsibility and Environment.

4. ROA (Return on Assets)

ROA is a measure to assess how much the rate of return (%) of the assets owned by the company. The greater the value of the ROA, the better the performance of the company is, which is due to have a greater return value. Moreover, if this ratio is high, it indicates the efficiency undertaken by the management. According Tsoutsoura (2004), ROA is a financial ratio that can be formulated as follows:

ROE is one of the main tools investors have utility in assessing the feasibility of a value stock. According to Li-Ju Chen and Shun-Yu Chen (2011) adds ROE is the ratio between net profit and equity in common shares or the rate of return on shareholders' investment (rate of return on stockholder's investment). This ratio is seen as a tool most commonly used by investors in making investment decisions. ROE calculation formula can be measured by measuring ROE. According Mahduba and Farzana (2013) states that the Return on Equity (ROE), is one of the profitability ratio that is used to determine the amount of return given by the company for every rupiah of capital from the owners. ROE formula is:

$$\frac{\text{Net Profit}}{\text{ROA}} = \text{Total Assets}$$

5. **ROE (Return on Equity)**

ROE is one of the main instruments used by the investors which are useful in assessing the feasibility of a value stock. According to Li-Ju Chen and Shun-Yu Chen (2011) adds ROE is the ratio between net profit and equity in common shares or the rate of return on shareholders' investment (rate of return on stockholder's investment). This ratio is seen as a tool most commonly used by investors in making investment decisions. ROE calculation formula can be measured by measuring ROE. According Mahduba and Farzana (2013) states that the Return on Equity (ROE), is one of the profitability ratio that is used to determine the amount of return given by the company for every rupiah of capital from the owners. ROE formula is:

$$ROE = \frac{\text{net Profit}}{\text{total Equity}}$$

6. NPM (Net Profit Margin)

NPM is a ratio used to measure the profit margin on the sale. NPM is used to demonstrate the company's ability to generate net profit. The greater the NPM means the more efficient the company is in issuing expenses in association with its operations. According to Brigham (2010) stated that the NPM is a ratio that illustrates the net revenue from each sale, calculated by the quotient between net income to sales, as follows:

$$NPM = \frac{\text{net Profit}}{\text{total Sales}}$$

7. The Influence of ROA on CSR Disclosure Company

ROA is a profitability ratio that measures the company's ability to generate net income based on the amount of assets held overall. ROA is called Earning Power as this ratio illustrates the advantage of any one of rupiah assets used. Through this ratio we will be able to know whether the company has been efficient in utilizing its assets in the operational activities of the company or not. Thus, the higher the value of this ratio is, The better the company is.

H1: The level of profitability of the companies with proxy ROA affects CSR disclosure.

8. ROE Influence on CSR Disclosure Company

ROE is the ratio that indicates the company's ability to generate net income return on equity for shareholders. ROE is a financial ratio used to measure the level of profitability of the equity. The higher the ROE, the value of the company's performance can be said to be in good condition because of the increasing ratio means that good management performance in managing operational source of funding effectively to generate a net profit. According to Kumar and Singh (2013), ROE is always a concern for shareholders because through this ratio the shareholders will know how much profit is obtained in accordance with the share capital they have invested to management.

Based on this, we propose an alternative hypothesis as follows:

H2: The level of profitability of companies with ROE proxy effect on CSR disclosure.

9. NPM Influence on CSR Disclosure Company

NPM is a ratio used to measure profits by comparing the net income after interest and taxes compared to sales (Ramsden, 2012). This is to demonstrate the stability of the entity to generate revenue on sales levels. By examining the profit margins in the previous year, we can assess the operating efficiency and pricing strategies as well as the status of corporate competition with other companies. The operating efficiency of the company determines the amount of profit generated because it measures how big and maximum the company uses its resources. High profit margin is preferred because it shows that the company got a good result exceeding the cost of goods sold (Reverte, 2008). NPM high value ratio will demonstrate the company's ability to generate profits on certain sales levels while a low ratio value NPM precisely reflects the low level of sales to a certain cost level and are considered inefficient.

Based on this, we propose an alternative hypothesis as follows:

H3: The level of profitability of companies with proxy NPM effect on CSR disclosure.

III. Research Methods

The population as the object of this research includes all companies engaged in the mining industry and is listed on the Indonesia Stock Exchange (BEI) in 2010 - 2012. The sampling method in this research is purposive sampling, with a sampling method based on criteria in accordance with certain research purposes. The

reason for using purposive sampling method is based on the consideration that the data sample selected meets the criteria to be tested (Steiner, 2005).
The criteria used to select the study sample were:

1. The mining company listed on the Indonesia Stock Exchange (BEI) in the period 2010-2012,
2. The mining company that publishes an annual report with the period ended December 31, 2010, 2011, and 2012,
3. Conducting CSR disclosures in annual reports from 2010 to 2012, respectively, and
4. The company has a complete data related to the variables used in the study.

This study uses secondary data which has already existed and does not need to be collected by researcher (Uma Sekaran, 2006). This data was obtained from the company's annual report started in 2010-2012 which is available on the Corner Indonesia Stock Exchange (BEI) of UB and IDX website (www.idx.co.id). Based on the data obtained from the Indonesia Stock Exchange (BEI) total public mining company listed on the Stock Exchange in 2010-2012 was 114 mining companies. Selected 63 mining companies listed on the Stock Exchange in the period from 2010 to 2012 that have met these criteria and become the samples in this study.

The research variables are divided into two, the independent variables and the dependent variables. The independent variable is a variable that affects the dependent variable, either positively or negatively (Uma Sekaran, 2006). This study uses the ratio of profitability is proxied by ROA, ROE, and NPM.
ROA calculation formula in this study in line with the formula of calculation used by Tsoutsoura (2004), which stated as follows:

$$ROA = \frac{\text{net Profit}}{\text{total Assets}}$$

ROE is the ratio that indicates how far the companies manage their own capital (net worth) effectively, measuring the rate of profit from investments given by the owners of their own capital or shareholder of the company (Sawir, 2009: 20).
In this study, the ROE calculation formula refers to the calculation proposed by Mahduba and Farzana (2013) defined as follows:

$$ROE = \frac{\text{net Profit}}{\text{total Equity}}$$

NPM is a ratio that illustrates the company's net profit by net sales so it is called the profit margin on the sale. Measurement of this ratio is used to demonstrate the company's ability to generate net profit. In this study, the ratio of NPM selected because researchers refer to research conducted by Li-Ju Chen and Shun-Yu Chen (2011). NPM calculation formula refers to the calculation proposed by Brigham (2007) defined as follows:

$$NPM = \frac{\text{net Profit}}{\text{total Sales}}$$

The dependent variable is the key variable is the factor that applies in the investigation (Uma Sekaran, 2006).
CSRI calculations in this study use a dichotomous approach, in which each item of the social responsibility in the research instrument rated 1 if disclosed, and the value is 0 if it is not disclosed (Reverte, 2008). The score of each item is summed to get the overall score for each company. Reverte (2008) states that CSRDI calculation formula is as follows:

$$CSRDIj: \frac{\Sigma\, Xij}{Nj}$$

Information :
CSRDIj = CSR Disclosure Index of company j
Nj = number of items for company , nj ≤ 79
Xij = dummy variable: 1 = if the item i disclosed; 0 = if the item i is not disclosed.
Thus, 0 ≤ 1 ≤ CSRI

This research uses descriptive statistics and multiple regression analysis. Descriptive statistics in this study are the maximum, minimum, average value (mean), and the standard deviation of the data processed. Descriptive analysis is useful to support the interpretation of the analysis with other techniques (Ghozali, 2006). While multiple regression analysis are carried out on the model proposed by the researchers using software 17.0 to predict the effect of profitability as the independent variable on the disclosure of CSR as the dependent variable. Multiple regression equation in this study is as follows:

$CSRDIj = \beta 0 + \beta 2\ \beta 1ROA + ROE + \beta 3NPM + \varepsilon it$

Information:
CSRDIj = corporate social responsibility index
ROA = return on assets
ROE = return on equity
NPM = net profit margin
$\beta 0$ - $\beta 1$ = estimated coefficients
εit = error term

Classic assumption test must be satisfied to know that the regression analysis actually showed a significant association and representative. To meet all the classic assumption, then we have to do some testing such as multicollinearity test, heterocedasticity test, normality test, and autocorrelation test.

IV. Results And Discussion

The stages of data analysis in this study are:

1. Classic Assumption Testing

The regression model in this study has been free from classical assumptions. The regression model has met the requirements for the classical assumption, which is normally the variable doesn't contains multicollinearity, autocorrelation, and heteroskedasity.

2. Normality test

Normality test equipment used in this study, to determine whether the data is distributed normally or not is by looking and analyzing the histogram graph, chart Normal P-Plot of Regression Statistics and statistical tests with the Kolmogorov-Smirnov. Based on the histogram graph and chart Normal P-Plot of Regression Statistics and the Kolmogorov-Smirnov statistical test showed that the data were normally distributed. At the histogram graph, the curve forming a pattern likes a bell for the regression model. Moreover, the graph Normal P-Plot of Regression Statistics show that the points spread around the diagonal line (not spread far from the diagonal line) and follow the direction of the diagonal line. While based on the Kolmogorov-Smirnov normality test with $\alpha = 0.05$, obtained the test results of a regression model that generates residual value amounted to 0.948 asymptotic significance greater than 0.05. Due to the significant value of above 5%, it can be inferred that the regression model has a normally distributed.

3. Multicollinearity Test

Multicolinearity test in this study is done by studying the value of tolerance and VIF (Variance Inflaction Factor). Cutoff value that is commonly used to indicate the presence of multicollinearity is the tolerance value ≥ 0.10 and VIF ≤ 10. So, if the tolerance value is more than 0.10 and VIF is less than equal to ten it can be concluded that the regression is used free of multikolinearity. ROA, ROE, and NPM show a more tolerant values of 0.10 (tolerance ≥ 0.10), which was in the range of 0.13 up to 0.41. In addition, VIF results of each variable (ROA, ROE, and NPM) also showed a value of less than 10 (VIF ≤ 10), which has a range of between 2.4 to 7.5. From these results it can be concluded that the regression model is free from interference multikolinearity between independent variables.

4. Autocorrelation Test

Autocorrelation test aims to test whether a linear regression model was no correlation between error in period t with error in period t-1 (previous). A good regression model is a regression that is free from autocorrelation. To detect the presence or absence of autocorrelation then the Durbin-Watson Test (DW Test) is used, by comparing the value of Durbin-Watson (DW) test results with tables Durbin Watson. It is known that the value of Durbin Watson table at $\alpha = 5\%$, n = 63, k-1 = 4-1 = 3 (where n is the number of samples and k is the number of variables tested) is dl = 1.346, and du = 1.534. While the value of Durbin Watson (dw) in the autocorrelation test conducted is worth 1,880. Dw value of 1.880 is greater than the value of the table Durbin Watson upper limit (du) which worth 1.534. Dw value also between du and (4-du), ie 1.534 <1.880 <4 to 1.534

= 2.466, so it can be concluded that that there are no positive or negative autocorrelation (Ho accepted) and indicating no autocorrelation hypothesis testing on all models ,

5. Heteroskidastity Test

Heteroskedastisitas test aims to test whether the regression model occurred inequality residual variance from one observation to another observation (Ghozali, 2006: 105). A good regression does not contain heteroskedastisity or homokedasity. To detect the presence or absence of heteroscedasticity, this study uses Glejser Scatterplot Test. In Scatterplot test results have shown that from the scatterplot can be seen that there is no clear pattern and dots spread above and below the number 0 on the Y axis, it can be concluded that no symptoms of heteroscedasticity in regression models. In Glejser Test, unstandardized residual value is converted to absolute residual. Furthermore, the multiple regression analysis using residual absolute variable as the dependent variable and variable ROA, ROE, and NPM as independent variables. The next step is to compare the probability with level of significant ($\alpha = 0.05$) with the provision that if the probability value is more than level of significant (P-value> α), then the regression model will be relieved of the symptoms heteroskedastisity. Heteroskedastisity test results concluded that no symptoms of the regression model, which means assuming non heterokedastisitas met or the data can be called as homokedastisity. This is because of the probability of significance of the overall value of independent variables that are above the confidence level of 5% or 0.05.

6. Regression Analysis Results

The hypothesis check in this study resolved by using multiple regression analysis models. Multiple regression analysis is conducted to predict the relationship between the dependent and independent variables. The dependent variable in this study is the disclosure of Corporate Social Responsibility (CSR) proxied through CSR disclosure index (CSRDI) and the independent variables in this study are the level of corporate profitability is proxied through ROA, ROE, and NPM.

Table 1. Simultaneous Significance Test (Test F) Source: Data processed with SPSS 17.0

Model	dF	F	Sig.
Regression	3	11.248	0,000[a]

From the table 4:10 above, it can be seen that in general the model is significant, assuming $\alpha = 5\%$. This is because the value of sig, namely (0.000) <α (0.05), can be interpreted that jointly independent variables affect the dependent variable. In other words, ROA, ROE, and NPM jointly affect the level of the company's CSR disclosure.

Table 2. Results of Multiple Regression Analysis Estimated Effect of ROA, ROE, NPM to the disclosure of CSR (CSRDI)

Variable	Unstandardized		Standardized	t	Sig.	Result
	Coefficients		Coefficients			
	B	Std.	Beta			
		Error				
ROA to CSR	1,270	0,605	0,597	2,098	0,040	Positive and Significant
ROE to CSR	-0,596	0,296	-0,554	-2,016	0,048	Negative and Significant
NPM to CSR	1,159	0,363	0,515	3,190	0,002	Positive and Significant

Source: data processed with SPSS 17.0

Based on the obtained results, we get the regression equation to determine the effect of the company's profitability (ROA, ROE, and NPM) on the disclosure of CSR which can be arranged as follows:
CSRDI ROA = 0.367 + 1.270 + 1.159 + -0.596 ROE NPM + εit.

7. The coefficient of determination (R2)

In this multiple linear regression, the coefficient of determination (R2) is analyzed, too. The coefficient of determination (R2) which indicated the adjusted R-square value of the regression model is used to determine the dependent variable (CSR companies) which can be explained by the independent variables (ROA, ROE, and NPM).

Table 3. Analysis of Determination R2 Coefficient

Model	R	R Square	Adjusted R Square
ROA, ROE, NPM → CSR	0,603[a]	0,364	0,331

Source: data processed with SPSS 17.0

Obtained test results above showed that the R2 of 0.331 or 33.1%. Thus, it can be interpreted that 33.1% of CSR companies can be explained jointly by the level of profitability is proxied by the ratio of ROA, ROE, and NPM. While the rest of 66.9% indicates that the size of the company's CSR disclosure is explained by other variables not examined in this study and error.

8. ROA influence on CSR Disclosure Mining Company

The first hypothesis proposed in this study is the effect of ROA on CSR disclosure. The first hypothesis (H1) is accepted based on the results of multiple regression analysis that has been done. This indicates that ROA affects the disclosure of CSR. From the research also found that the effect of ROA on the disclosure of CSR has a positive direction so that it can be concluded that the greater the value of ROA is generated, the more CSR carried out by the company later in its annual report. Results of the first hypothesis (H1) that prove the perception of Tsoutsoura (2004) which states that companies with high resource advantages will be more invested in the dominant social work.

The positive influence of the ROA value generated by the company on the disclosure of CSR can be described using stakeholder theory and legitimacy theory. The use of stakeholder theory to explain the influence of ROA on the disclosure of CSR based on the fact that the company should be responsible to the parties concerned (stakeholders) about all activities undertaken by the company both in terms of activity required to be reported as well as volunteer activities that have been performed by the company, Companies with ROA good value indicates that the company is in a state of good performance and have a strong competitive position. This will trigger a reaction from the Model R R Square Adjusted R Square stakeholders to encourage companies to undertake repair business achievement and concern for environmental and social issues. One form of implementation, undertaken by the company to fulfill its role to the stakeholders by implementing CSR.

The same thing can be explained by the use of legitimacy theory to explain the influence of the value of profitability is proxied through ROA on CSR disclosure. According to Deegan (2004) in the perspective of the theory of legitimacy, it is stated that a company will voluntarily report any activity if that is what is expected by the community to ensure the company's operations are within the limits and norms in society. The results of this study are also supported by other studies that have the same outcomes, the research done by Tsoutsoura (2004); Mahduba and Farzana (2013); Perrigot et al (2012); and Paul et al (2006). So, based on the arguments described and supported by empirical results which have been done before, we can conclude that the ROA as a proxy of the value generated by the company's profitability express strong influence on CSR disclosure based on the results of research that has been done.

9. ROE Influence on CSR Disclosure Mining Company

The second hypothesis proposed in this study is the effect of ROE on the disclosure of CSR. The second hypothesis (H2) which is proposed in this study are accepted based on the results of multiple regression analysis which has been done before. The study concluded that ROE affect the disclosure of CSR with a negative direction. This may imply that the higher the value of ROE as a profitability ratio that is generated by the company the less disclosure of CSR in the company's annual report. The results of the second hypothesis (H2) is not capable of supporting the theory and also the statement put forward by Hackston and Milne (1996) which states that companies with high profitability, the company will provide more disclosure of CSR.

The negative influence on the value of ROE on the disclosure of CSR generated in this study suggests that companies with high profitability are not necessarily express CSR with more (Putu et al, 2014). Another argument to support the claim that the value of ROE adversely affect the disclosure of CSR allegedly for their motif of the shareholders (shareholder) who wish to obtain the maximum prosperity for himself.

10. ROE influence on CSR Disclosure Mining Company

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The negative influence on the value of ROE on the disclosure of CSR generated in this study suggests that companies with high profitability are not necessarily express CSR with more (Putu et al, 2014). Another argument to support the claim that the value of ROE adversely affect the disclosure of CSR allegedly for their motif of the shareholders (shareholder) who wish to obtain the maximum prosperity for himself. It can be triggered from the high ROE value generated by the company will give an indication to shareholders about the return on investment that is destined for them will be of great value. The shareholders as parties who benefit from the company clearly wants high profits without thinking about other things that will affect profits such as the additional costs to disclose social information (CSR) which in turn can lead to a competitive disadvantage

(Belkaoui & Karpik, 1989). Therefore, a high ROE value will not trigger the company to more reporting other matters such as the execution of CSR through CSR disclosures in annual reports of companies (Barako, 2007). The results of this study are also supported by other studies that have the same result, namely ROE negative effect on the company's CSR disclosure. Some of these studies, including research conducted by Bowman and Haire (1976) and Cowen and Scott (1987). Thus, based on the arguments described and supported by empirical results that have been done before it can be concluded that the ROE as a proxy of the value generated by the company's profitability is expressed weakly affect the disclosure of CSR based on the results of research done.

11. NPM influence on CSR Disclosure Mining Company

The third hypothesis proposed in this research is the influence of NPM on the disclosure of CSR. The third hypothesis (H3) is accepted based on the results of multiple regression test. The regression results indicate that NPM affect the disclosure of CSR with the positive direction which means that the higher the value of NPM as a profitability ratio, the more CSR undertaken by the company in its annual report. The results of the third hypothesis (H3) stated in this study support the notion put forward by Reverte (2008) which states that companies with high profit value then the company will be more active in implementing CSR.

The positive influence of the NPM as the ratio of the company's profitability to the company's CSR disclosure can be connected via the legitimacy theory. Based on the theory of legitimacy, CSR can be used as a tool to establish a social contract with the community so that CSR is a way for companies to obtain and maintain legitimacy. Through the high NPM will make it easy for companies to establish a social contract with the community. Companies that have gained legitimacy and support from the community indicate that the company can continue its existence (going concern) so as to provide strong public confidence. Furthermore, the effect of profitability is proxied through the NPM on the disclosure of CSR can also be explained by the argument that NPM is a ratio that illustrates the company's ability to provide a return earned from net sales, so the larger the ratio of NPM will show good performance for the company. NPM ratio is one indicator that can judge whether or not the productive performance of the company and become one of the ratios of the most widely viewed by investors (Reverte, 2008). Therefore, through a high ratio of NPM will be able to increase the confidence of investors to invest in the company.

Investors are particularly interested in companies that have good financial and non-financial performance (Eipstein and Freedman, 1994). Investors assume that the value of good profitability supported by the disclosure of a good social activity is an appropriate combination. Investors assume that firms with high profitability will be able to provide prosperity to them.

Moreover, the CSR activities of the company will be an added value for investors to assess how long the going concern owned by a company that is a place for them to invest. Therefore, with the value of NPM is high, it will encourage the management company to disclose more detailed information regarding the condition of both financial and CSR activities undertaken to obtain compensation (Juholin, 2004). This information is considered essential for the company to be disclosed in detail to the public as a basis to attract investors (Hussainey et al, 2011). Given this, companies with high NPM results will also be more revealing voluntary activity more broadly. Information described fully and clearly by the company, both in terms of activity required to be reported and volunteer activities undertaken by companies such as CSR is expected to also provide information to external parties as well without causing the existence of an asymmetry of information. The results of this study are supported by previous studies which have the same outcomes. These studies are studies conducted by Hussainey et al (2011); Juholin (2004); and Lipton and Lorch (1992). Thus, based on the argument that has been described previously and supported by the results of empirical research done before can be concluded that the NPM expressed strong influence on the company's CSR disclosure.

V. Conclusion

This study was conducted to test the effect of profitability on the disclosure of CSR in the mining company listed on the Indonesia Stock Exchange (BEI) in the period 2010-2012. Profitability which is proxied by the ratio of ROA, ROE, and NPM. Disclosure of CSR is measured by the index GRI (Global Reporting Initiative) Guidelines 2006. The study finds the evidence of profitability gives significant effect on the disclosure of Corporate Social Responsibility (CSR). Profitability by proxy ROA and NPM gives positive effect on the disclosure of CSR, while profitability with ROE proxy negatively affects CSR disclosure.

Thus, it can be concluded in all, the greater the value of ROA and NPM owned by the company, the more disclosure of CSR. However, the greater the value of ROE generated then even the smaller CSR disclosures made by the company.

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