CHAPTER II

LITERATURE REVIEW

2.1 Theories

2.1.1 Corporate Social Responsibility (CSR)

The World Business Council for Sustainable Development (WBCSD), an international association of companies directly involved in business and sustainable development, defines CSR as an ongoing commitment from businesses to behave ethically and contribute to economic development, while enhancing the quality of life of employees and their families, as well as local communities and the wider community at large (siteresources.worldbank.org). The corporate social responsibility (CSR) disclosure is an accounting concept that takes into the transparency of social disclosure on CSR. It is not only financial information, but however also CSR, including voluntary disclosures regarding the social and environmental impacts caused by the activities of the company (Restuningdiah, 2010)

According to the University of Edinburgh in 2017, CSR is a business ethics for companies in conducting business. This means, that the company not only concern with their profits but also social, economic, environmental, and human rights impacts. CSR is deemed necessary by the company because it has a significant impact on the company's image. Through CSR disclosure, it could be seen that the company has carried out its social responsibility.

Social responsibility can be used as corporate governance that is not only for shareholders but also to all stakeholders (Sacconi,2004). Then social responsibility is to identify stakeholders and their legitimate hopes and needs ("mapping stakeholders") to be taken into account in the development of company policies and strategies (Valeri, 2018). Therefore, the development of social responsibility carried out by a company is inseparable from the role of needs and hopes by stakeholders.

Activities within the frames of CSR realize the assumption of economic effectiveness through a corporation with the closet environment, i.e minimization of areas of contradictory interests (Golinska and Spychala, 2017). According to European Commission in Brussels (2011), analyzing the definition of CSR is not only includes moral norms, human rights, work practices and employment (e.g gender equality, employee health and welfare) but also environmental issues (e.g efficient resource management, pollution prevention) and organizational relationship with the environment relations (e.g fair competition, combating bribery, and corruption). Companies can implement CSR policy in one of the areas or engage in more activities, comprehensively approaching the concept of responsibility (Paulina and Malgorzata, 2017).

Bhaduri and Selarka in 2016 also mentioned that CSR is a product in the twentieth century in the emergence of mass production. It is a subject that became grown attention and importance from both the academic world and the business world. In a broad sense, social responsibility captures a set of core values and proposes criteria for measuring the organization's performance in the social aspect (Ana et al, 2018).

2.1.2 Stakeholder Theory

A stakeholder perspective emerges as an alternative way of understanding how companies and people create value and trade with each other in a world where there are very little stability and certainty (Freeman et al., 2010). Theory of stakeholders according to Wachowiak (2014) stakeholders as individuals, group of people or organizations within or outside the company whose interest to the management, able to influence directly or indirectly to the operations of the company and by generating some risks and being influenced by the company. Therefore, stakeholders are who able to influence the company and are affected by its operations in parallel.

Ulum (2009) states that managers expected to undertake activities deemed important for their stakeholders and report on such activities means that companies need to apply their responsibilities to their stakeholders and implement good corporate governance. This theory also states that the success or failure of a company depends on its ability to balance the diverse interests of stakeholders. The company will achieve sustained support and could increase the growth of market share, sales, and profit. In the perspective of stakeholder theory, society and the environment are the core stakeholders of the company that have to be considered by the company (Lako, 2007)

According to Wilmshurst and Frost (2000), stated that stakeholders need CSR report to understand the environment, and how to be proactively related to social and environmental issues. Stakeholder theory has emerged as a kind of strategic issue management tries to resolve by focusing on the decision-making process between parties (Boucher & Rendtorff, 2016).

Moreover, The strategic management of stakeholders is primarily based on a capacity to understand their expectations as a factor in the development of the organization and for their recognition of the performance of both the internal as (investors, ensemble of collaborators) or external (customers, suppliers, civil society, public authorities) to the corporation (Maria Bonnafous&Jacob Dahl, 2016). CSR disclosure becomes very important for stakeholders. We understand that CSR is one of the company’s operational responsibilities towards stakeholders and the natural environment (Waddock,2008)

2.1.3 Social Contract Theory

This theory states that the existence of the company in an area because it is politically supported and guaranteed by the government regulation and parliament which is also a representation of the community. Thus, there is an indirect social contract between an enterprise and a society in which it provides cost and benefits for the sustainability of a corporation. Therefore, CSR is a non-voluntary Corporate Liability (Lako, 2007). Fundamentally, ‘social contract' is considered an implied contract between the organization and society, whereby the community assigns responsibility to the organization (Muhammad Azizul Islam, 2016)

Social Contract Theory also says that humans live together in society in accordance with the principles that form the moral and political (Ethics Unwrapped-McCombs School of Business, The University of Texas at Austin, 2-18). According to Fred D’Agostino (2012), The aim of the social contract theory is that it has a reason to learn about the basic social, legal, institutional and/or principles of that society. In addition, the ultimate goal of social contract theory is to show that social (moral, political, legal, etc) rules could be rationally justified.

The Company through CSR Disclosure is expected to fulfill the community’s expectations of organizational behavior towards the community. Through regulations in various countries for companies that require to report CSR activities as a response to Social Contract.

2.1.4 Corporate Sustainability Theory

According to this theory, in order to live and grow sustainably, corporations must integrate business objectives with full social and ecological objectives. Business development must be based on three main pillars: economic, social and environmental in an integrated manner and not sacrificing the interest of the next generation's interest to li-ve and fulfill their needs. In the perspective of corporate sustainability theory, society and environment are the basic and essential pillars in determining the success of a company’s business so it must always be protecting and empowering (Lako,2007).

Corporate sustainability becomes very important for business nowadays and for the long-term success of the company and to ensure that the company provides value throughout the community. In order to be sustainable, the company must do a number of things such as Corporate must be responsible for universal principles and take action with the support of their communities. Then, to support the sustainability of the company, report annually on their efforts, and engage locally where they have a presence. (United Nations,2014)

According to Whelan and Frink (2016) Sustainability practice as a practice that 1) minimally does not harm people or the planet and best create value for stakeholders, 2) focus on improving performance, social, and governance (ESG) in areas where the company or brands have environmental or social material impacts (such as in their operations, value chains, or customers).

Previous research found that a company's commitment to sustainability and corporate social responsibility (CSR) could reduce uncertainty, reduce risk and, by extension, the cost of capital (Bassen et al. 2006; Orlitzky and Benjamin 2001). If the company committed to carrying out the responsibilities, then it would be reduced for consumer boycotts or other penalties, and it would be an attractive thing for investors (Alexandra S.Garcia et al. 2018).

2.1.5 CSR Dimensions

Carrol (1991) in Satria Emerald Dany (2013), perfecting his idea of the CSR dimension. According to him, CSR consists of four dimensions of economic, law (legal), ethics (ethical), and humanity (philanthropic).

Dahlsrud (2008) divides 37 CSR actions into five dimensions summarized in a table below:

Table 2.1 The five dimensions of CSR

Dimensions	The definition is coded to the dimensions if it refers to	Example phrases
The Environmental dimension	The Natural environment	'a cleaner environment' 'environmental stewardship' 'environmental concerns in business operations'
The Social dimension	The relationship between business and society	'contribute to a better society' 'integrate social concerns into their business operations' 'consider the full scope of their impact on communities'
The Economic Dimension	Socio-economic or financial aspects. Including describing CSR in terms of a business operation	'contribute to economic development' 'preserving the profitability' 'business operations'
The stakeholder dimension	Stakeholders or stakeholder groups	'interactions with their stakeholders' 'how organizations interact with their employees, suppliers, customers, and communities' 'treating the stakeholders of the firm'
The voluntariness dimension	Actions not prescribed by law	'based on ethical value' 'beyond legal obligations' 'voluntary'

Moreover, M.Scilly Demand Media published an article on Hearst Newspaper (2014) about five dimensions of corporate social responsibility that described it as follows:

1. The dimension of the CSR environment refers to organizational activities that have an impact on the environment.

2. The social dimension of CSR involves the relationship between the organization and the surrounding community as a whole, in this case, the corporate must aim to use their business for benefits.

3. The economic dimension, this dimension refers to the effect of CSR on organizational finance. Ensure that this action balances between corporate social responsibility and generating profits.

4. The stakeholder's dimension. Refers to all matters included in the organization (employees, suppliers, and community). Through this dimension, it is also seen how corporate decisions could influence this group.

5. The voluntariness based on organization's trust in things that are declared right to do.

On the other hand, in the GRI standard, the CSR dimension is only divided into 3 dimensions, namely economics, environments and social; which is then the details that included are explained in more specifically as below:

1. For the economic dimension, the GRI has formulated specific standards into a topic named topic 200 which specifically contains economics. On this topic discussed several issues which are:

    - Economic performance
    - Market presence
    - Indirect economic impacts
    - Procurement practices
    - Anti-corruption
    - Anti-competitive behavior

2. Then, for the environmental dimension, the GRI has made one topic is Topic 300, this topic is more specific about environmental standards including:

    - Materials
    - Energy
    - Water and effluents

- Biodiversity
- Emissions
- Effluents and waste
- Environmental compliance
- Supplier-environmental assessment

3. And the last dimension is the social dimension, that covers more because this topic includes employees, human rights and services as below:
    - Employment
    - Labor management relations
    - Occupational health and safety
    - Training and education
    - Diversity and equal opportunity
    - Non-discrimination
    - Freedom of association and collective bargaining
    - Child Labor
    - Forced or compulsory labor
    - Security practices
    - Rights of indigenous peoples
    - Human rights assessment
    - Local communities
    - Supplier social assessment
    - Public policy
    - Customer health and safety
    - Marketing and labeling
    - Customer privacy
    - Socio-economic compliance

There are some differences in the CSR dimensions but this does not become a limitation for companies to carry out CSR actions. Based on some literature above it could be concluded that basically, CSR dimensions refer to the economy, environment, stakeholders, and society.

2.1.6 Company Financial Performance

Financial performance as the determination of certain measures that can measure a company in generating profit. In measuring the financial performance needs to be linked between the company with the responsibility center. Performance measurement is the process of determining how well business activity is done to achieve goals, strategies, eliminating waste and providing timely information for continual improvement. Good Corporate performance affects the company's ease of obtaining loans, influencing investor's decisions in determining their capital and for the future of the company (Irawati, 2006).

2.1.7 Company Size

Company size is basically grouping companies into several groups, including large, medium, small companies. Company size scale is a measurement tool used to reflect the size of the company based on the company's total assets (Suwito & Herawaty, 2005). Company size is the scale of the company seen from the total assets of the company at the end of the year. Total sales can also be used to measure the size of the company because the costs that follow sales tend to be larger, then companies with high levels of sales tend to choose accounting policies that reduce profits. (Utama,2000)

2.1.8 Profitability Ratio

Profitability Ratio is one of the main indicators in measuring the degree of success in achieving company purpose to creating wealth for their owners (Atrill,2015). Through this profitability ratio also look at the role of the manager in the company in generating profits (Watson, 2016)

Financial Statement provides information used in profitability ratio. And five following ratios as profitability ratios:

a. Return on Capital Employed (ROCE)
   This ratio is called primary ratio which relates the overall profitability of the company with a long average long-term capital invested. This ratio also focuses on the company's ability to generate profits from capital invested (Loth, 2017).

b. Return on Assets (ROA)
   This ratio is very commonly used. ROA measures after-tax operating income as part of the company's total assets. Because these assets have been funded by investors by both debt and equity investors.

c. Net Profit Margin (NPM)
   NPM shows operating margin profit from income (after interest and tax). The higher percentage of this ratio indicates the more efficient company's ability in controlling cost in generating profits from sales.

d. Net Assets Turnover
   This ratio describes how to productivity efficiency the company use assets in generating sales. Usually, the measurement of the assets are used on average assets in the same period.

2.1.9 Company Size

Company size is basically grouping companies into several groups, including large, medium, small companies. Company size scale is a measuring tool used to reflect the size of the company based on the company's total assets (Suwito & Herawaty, 2005). Company size is the scale of the company seen from the total assets of the company at the end of the year. Total sales can also be used to measure the size of the company because the costs that follow sales tend to be larger, then companies with high levels of sales tend to choose accounting policies that reduce profits. (Sidharta,2000)

Defining company size can be seen in qualitatively. According to Hatten, 2011 economists classify company size with several qualitative indicators. The most common criteria for determining between large and small business is the number of employees. In some countries, the definition of company size is also taken from the total of workers in the company.

European commissions (2016) and the World Bank (2008) both determine the criteria of companies based on total assets and annual sales as follows:

Table 2.2 Category based on Europian Union Standard

Enterprise Category	Headcount: Annual Work Unit (AWU)	Annual Turnover	Annual Balance Sheet Total
Medium-sized	< 250	≦ €50 Million	≦ €43 Million
Small	< 50	≦ €10 Million	≦ €10 Million
Micro	< 10	≦ €2 Million	≦ €2 Million

Table 2.3 Category based on World Bank Standard

Enterprise Category	Number of Employees	Annual Turnover	Annual Balance Sheet Total
Medium-sized	> 50 ≦ 300	> $ 3.000.000 ≦ $ 15.000.000	> $ 3.000.000 ≦ $ 15.000.000

Small	> 10 ≦ 50	> $ 100.000 ≦ $ 3.000.000	> $ 100.000 ≦ $ 3.000.000
Micro	< 10	≦ $ 100.000	≦ $ 100.000

Besides differences in denominations (EU/USD) can be understandable but in the category of a number of employees and financial categories are very different. While the EU uses the criteria of asset turnover and balance sheet total, World Bank use the criteria of total assets and annual sales. The limits for each category based on the World Bank is smaller than the EU (Berisha & Pula, 2015).

There are many definitions of a firm size which not only come from the EU or World Bank but also there is a categorization about firm size issued by the U.S Small Business Administration (SBA). This institution is an individual institution that aims to help small-sized company owners to grow in the business world. The criteria provided by SBA as the table below:

Table 2.4 Category based on SBA

Firm Size Category	Employment Size	Assets Size	Sales Size
Family Size	1-4	Under $ 100.00	$ 100.00 - $ 500.00
Small	5-19	$ 100.00 - $ 500.00	$ 500.00 - $ 1 M
Medium	20-99	$ 500.00 - $ 5 M	$ 1 M - $ 10 M
Large	100-499	$ 5 M - $ 25 M	$ 10 M - $ 50 M

From the criteria above, it can be seen the similarities in firm size category which including employment size, asset size, and sales size. Although the limits in each category are different from both of the EU and World Bank. Defining firm size can also be done in a qualitative way with a qualitative approach. The company's management market share or the independence of the company which means more freely in company decisions are things that used in a qualitative approach. The following table presents several qualitative indicators in defining company size that has been summarized by UNIDO, Industrial Development Organization of the United Nations

Table 2.5 Qualitative Category based on UNIDO

Category	SMEs	Large Companies
Management	- Proprietor-Entrepreneurship - Functions linked to personalities	- Manager-entrepreneurship - Division of labor by subject matters

Personnel	- Lack of university graduates - All-around knowledge	- A dominance of university graduates - Specialization
Organization	- Highly personalized contacts	- Highly formalized communication
Sales	- Comparative position not defined and uncertain	- Strong competitive position
Buyer's Relationships	- Unstable	- Based on long-term contracts
Production	- Labor intensive	- Capital intensive, the economics of scale
Research Development	Following the market, intuitive approach	- Institutionalized
Finance	- Role of family funds, self-financing	- Diversified ownership structure, access to the anonymous capital market

This qualitative approach seems difficult to implement because we need to classify firm size based on class as a size reference. Hence it is rarely seen the firm size definition which uses a qualitative approach. Although there are many definitions of firm size however the EU standard is the common standard to use.

2.2 CSR in Taiwan

CSR trends have grown rapidly in Taiwan. Began in 2013, when GRI paid its first visit to Taiwan and has been establishing a collaborative relationship with local stakeholders.

Back in 2005, there was a survey conducted by a local magazine, Global View. The results of the survey were used for the CSR awards to companies that achieved the highest score on their CSR performance. From 2005 to 2010, the survey and awards were conducted each year to recognize those companies that were more socially responsible than other companies (Gau, 2010a). The awards continue to be carried out every year. There are several important key findings:

1. Performance on CSR disclosure was not good. The results revealed that only 32.7% of companies listed on the Taiwan Stock Exchange (TWSE) published CSR reports.

2. The concept of water management was weak. Over 30% of companies listed on the TWSE have done anything for water resource management.

3. Carbon reduction actions were not active. Only about 9.2% companies listed on the TWSE had their carbon emission data verified.

Recently in 2014, TWSE has determined that listed companies with industry specifications such as food processing, chemical & financial services and those paid in capital are above NT $ 10 billion are required to issue a standard alone CSR report (GRI, 2014). Food processing companies must obtain external verification and a CPA's letter of an opinion issued according to the rules published by the Accounting Research & Development Foundation on their CSR Reporting (KPMG Taiwan, 2015). TWSE will be the first market in Asia-Pacific to implement mandatory CSR reporting, adhering to the Global Reporting Initiative (GRI) G4 Principles (Hermer, 2015).

Earlier in 2014, GRI launched the translation of G4 in Traditional Chinese Language in Taiwan (GRI, 2014). There is a regulation that stipulates that companies which follow a CSR reports based on GRI must complete their CSR report at the end of June each year. If the company has never filed a CSR report, the company has not even prepared a CSR report based on GRI standards or CSR report has obtained CPA's letter of opinion, reporting could be done at the end of December. TWSE also extend compulsory CSR reporting to companies with the common stock of no less than NT$ 5 billion in 2017. The new amendments will extend TWSE's current reporting standards, under which CSR reporting is mandatory for companies with the common stock of more than NT$ 10 Billion. (TWSE, Corporate Governance Center; 2015).

2.3 CSR in Indonesia

Indonesia is the first country in the world to make CSR mandatory by Law instead of practices being voluntarily (MVO Nederland, CSR Netherland: 2016). There are six key CSR issues in Indonesia (according to MVO Nederland, CSR Netherland: 2016):

1. People – Labor Conditions: The government of Indonesia does not exercise control in labor contracts. There are still many companies in Indonesia that employ underage children.

2. People – Humans Rights and Ethics: There is still discrimination occurring within the company. Still, many who discriminate between religious and ethnic minorities. There are still many cases of discrimination caused by ethnicity, religion, race and intergroup differences.

3. Planet – Land and Use: Due to a large amount of forest used for oil palm cultivation, Indonesia is currently experiencing a critical period of green land conservation. Many companies have opened land for oil palm plantations. This causes smoldering peat and carbonized soil, furthermore, it leads to air pollution.

4. Planet - Environment: Nowadays, the environment in Indonesia is very critical because of the development for home, factories and etc by using

materials that are not environmentally friendly. As in Jakarta, flooding is a great risk, this is caused by pumping out *groundwater*.

5. Profit – Corruption: For current corrupt practices in Indonesia are still having difficulties to overcoming it. Almost every layer in the government takes corrupt practices even in some large companies. This is caused by the very high demands of lifestyle in Indonesia and a lack of understanding of the effects of corruptive actions.

6. Profit – Market Disruption: Companies in Indonesia still often do cheat on other companies. Indonesian companies on the domestic market are less concerned with fair business regulations.

Recently, the government and parliament of the Republic of Indonesia based Law no. 40 of the year 2007 regarding corporation, Article 74 of the Law said that all companies operating in and/or related to natural resources have to follow social and environmental responsibilities. On June 8, 2017, GRI has launched the GRI standards in the Indonesian Language in Jakarta. Although GRI standards have already been adopted in Indonesia, there are still many companies that do not use the GRI standards in disclosing CSR such as in textile companies.

2.4 Global Reporting Standard

In 2001, the business world only has standards in implementing CSR, namely CSR reporting standards regulated by the International Organization for Standardization (ISO). ISO is an international organization that formulates standards or guideline on CSR. ISO is one of the international standards in a management system for measuring organizational quality (Fesisiliaanggi, 2014). ISO is an independent, non-governmental international organization with a membership of 162 national standards bodies. Many companies in almost all countries use CSR standards formulated by ISO.

At present, the use of standards given by ISO on CSR has begun to be replaced with the standards provided by the Global Reporting Initiative (GRI). GRI is an independent international organization that has pioneered sustainability reporting since 1997. GRI help business and governments worldwide understand and communicate their impact on critical sustainability issues such as climate change, human change, human rights, governance, and social well-being (GRI, 2018). According to GRI in Enabling Smart Policy: The role of GRI Standards, the GRI G4 Guidelines are the most widely used framework for sustainability reporting in the world, with thousands of reporters in more than 90 countries. Over 40 countries and regions currently reference the GRI G4 Guidelines in their policies, with more than 24 stock exchanges and market regulators worldwide referring to the GRI Guidelines including the Taiwan Stock Exchange. Taiwan

Stock Exchange Corporation Rules governing the preparation and filing of CSR reports by TWSE Listed Companies (GRI, 2015)

Based on data obtained by Ernst & Young in 2016 on CSR magazine Indonesia, there are still 30% of companies from 100 top companies which listed on the Indonesia Stock Exchange that make sustainability reporting. According to GRI's country program manager in Indonesia, Bob Eko Kurniawan explained that there was a pressure comes from investors, especially investors from foreign countries, so that the listed companies should make sustainability reports using the standards issued by GRI.

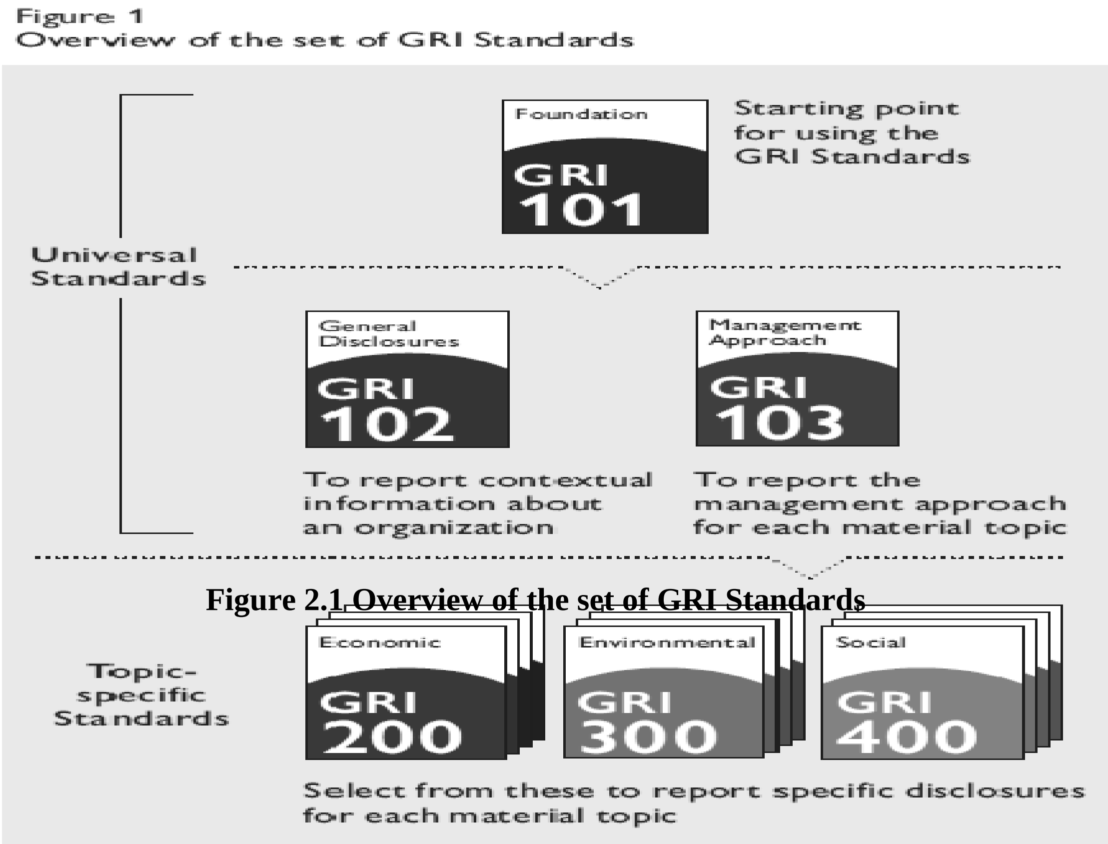


Figure 2.1 Overview of the set of GRI Standards

Figure 2.1 Overview of the Set of GRI Standards

Table 2.6 Description of the structure of the standards

Series	Description
Universal Standards 100 series	The 100 series includes three universal Standards: GRI 101: Foundation is the starting point

	for using the set of GRI Standards. GRI 101 sets out the Reporting Principles for defining report content and quality. It includes requirements for preparing a sustainability report in accordance with the GRI Standards and describes how the GRI Standards can be used and referenced. GRI 101 also includes the specific claims that are required for organizations preparing a sustainability report in accordance with the Standards, and for those using selected GRI Standards to report specific information
	GRI 102: General Disclosures is used to report contextual information about an organization and its sustainability reporting practices. This includes information about an organization's profile, strategy, ethics, integrity, governance, stakeholder engagement practices, and reporting process.
	GRI 103: Management Approach is used to report information about how an organization manages a material topically. It is designed to be used for each material topic in a sustainability report, including those covered by the topic-specific GRI Standards (series 200, 300, and 400) and other material topics
	Applying GRI 103 with each material topic allows the organization to provide a narrative explanation of why the topic is material, where the impacts occur (the topic Boundary), and how the organization manages the impacts.
Topic-specific Standards 200 series (Economic topics) 300 series (Environmental topics) 400 series (Social topics)	The 200, 300, and 400 series include numerous topic-specific Standards. These are used to report information on an organization's impacts related to economic, environmental, and social topics (e.g., Indirect Economic Impacts, Water, or Employment). To prepare a sustainability report in accordance with the GRI Standards, an organization applies the Reporting Principles for defining report content from GRI 101: Foundation to identify its material economic, environmental, and/or social topics. These material topics determine which topic-specific Standards the organization uses to prepare its

	sustainability report. Selected topic-specific Standards, or parts of their content, can also be used to report specific information, without preparing a sustainability report.

Source: GRI 101 Foundation, 2016.

2.5 Previous Research

Several previous research has attempted to reveal the effect of CSR practices on Corporate Social Responsibility performance. These studies include as follows:

Supriyono (2013) conducted a research on Social disclosure practice: comparative studies in Southeast Asia in 2009 to examine the effect of corporate governance on the corporate social disclosure in the South East Asia companies as well as to test the difference of the level of Corporate Social Disclosure (CSD) among three countries: Indonesia, Malaysia, and Thailand. The research methodology used descriptive – one way ANOVA, descriptive statistics, and multiple regressions. The samples of the research are the number of commissioners, board competence, the proportion of independent commissioners, audit committee size, the proportion of independent audit committees, and ownership of management. And the results show that the number of commissioners, the proportion of independent commissioners and ownership of managerial are not as significant and only firms size and industry type were the significant determinants. There were different corporate social disclosure practice in Indonesia, Malaysia, and Thailand. Level of disclosure in Indonesia over an average of 40,14%, 58,52% in Malaysia and 54,12% in Thailand. Social disclosure practices are different because of the differences in corporate governance practices in those countries.

Futhermore, Yunari (2016) conducted a research on “A Comparison of Corporate Social Responsibility (CSR) Policies and Practices in Taiwan and Indonesia”, to illustrates the comparison of CSR arrangements in Taiwan and in Indonesia using normative juridical research methods, which were analyzed descriptively and the result was tough there are similarities in the policies and practices of CSR in Taiwan even Indonesia. There are still some differences in the materials for mandatory policies and practices in both countries. This is related to the differences in the use of terms, the scope of validity of CSR, amount of CSR obligations imposed on companies and supervisory institutions for the implementation of CSR including the implementation of penalties for companies that do not carry out CSR policies and practices.

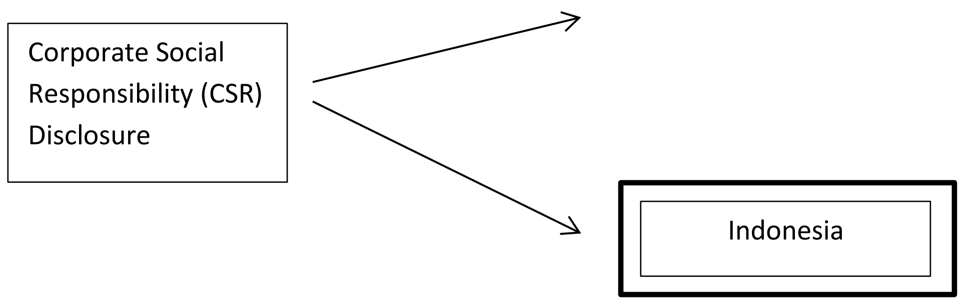
According to Mardiana (2017) conducted research in Oil Palm Plantation company go public in Indonesia and Malaysia. The study is considered variables to help improve stakeholder trust and consideration of issues to test, improve management performance; to give a good consideration in investing; and to be a reference for future research in the financial sector about Corporate Social Responsibility (CSR) Disclosure. The research performed descriptive statistics to explain the characteristics of data and hypothesis testing by using logistic regression, multiple regression, and T-test. The test was done by using SPSS release 2.0 software. And the results showed that CSR Disclosure in Indonesia and Malaysia were both still low. From a total of 152 samples, 80 above average and 72 under the lowest average score and the highest score of 20 % - 30% performed by Dharma Satya Nusantara Tbk (2014), Sampoerna Argo Tbk, Sinar Mas Agro resources and technology (Indonesia) and Genting Plantations Berhad, IJM Plantations Berhad, TDM Berhad (Malaysia). There were differences in social disclosure practices in Indonesia and Malaysia. There were influences of total assets in CSR disclosure practices of palm oil companies in Indonesia and Malaysia. There were influences of profitability in CSR disclosure practices of palm oil companies in Indonesia and Malaysia. And no influences of leverage in CSR disclosure practices of palm oil companies in Indonesia and Malaysia. There were influences of the size of the board independent commissioners in CSR disclosure practices of palm oil companies in Indonesia and Malaysia

2.6 Theoretical Framework

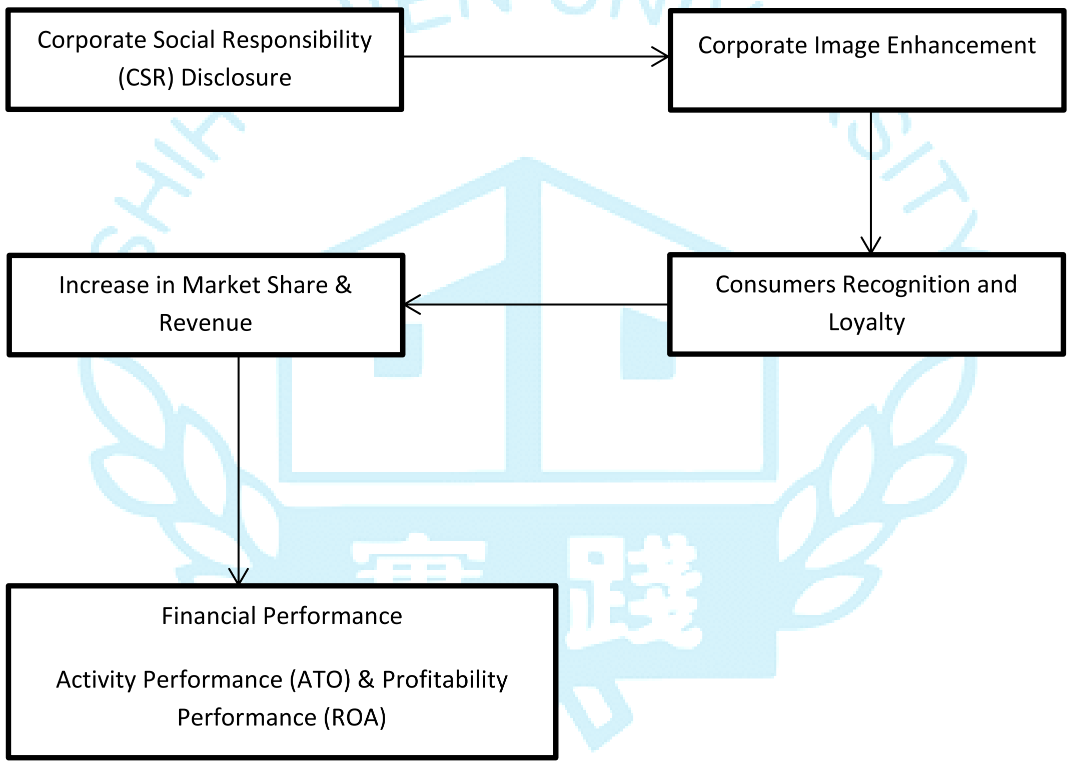
As illustrated in Figure 3.1, it shows how Corporate Social Responsibility (CSR) has a significant effect on Company Performance. The greater the company's investment on CSR issues, the greater the economic benefits it generates (Lako, 2007). It will affect the company’s performance both in the performance of activity and profitability performance.

The step I is to compare corporate social responsibility in Indonesia and Taiwan, while step II is to analyze the influence of CSR on Financial Performance. If the company seriously carries out CSR activities, there will be an increase in the company's image, recognized by consumers and company able to increase its revenue, which means that the company's financial performance will increase. The financial performance proxies in this research are activity ratio: Assets Turnover (ATO) and profitability ratio: Return on Assets (ROA). The path diagram provides explicitly the relationship of causality between variables. The arrows show the relationship between variables. Based on the explanation above, the model in this research could be described in the framework as follows.

Step I:


Corporate Social Responsibility (CSR) Disclosure
Indonesia

Step II :


Corporate Social Responsibility (CSR) Disclosure
Corporate Image Enhancement
Consumers Recognition and Loyalty
Increase in Market Share & Revenue
Financial Performance
Activity Performance (ATO) & Profitability Performance (ROA)