



**THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY
DISCLOSURE TO COMPANY FINANCIAL AND MARKET
PERFORMANCE**

(An Analysis on Companies Listed in BEI)

THESIS

**Submitted in partial fulfillment of the requirement for Undergraduate degree in
economics**

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PADANG
2009**

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ABSTRACT

The purpose of this research is to test the effect of CSR on company financial and market performance. This research is motivated by the fact that there is a lower level of activities of CSR and its disclosure and also mixed results from previous research.

This research used Corporate Social Disclosure Index (CSDI) as a measure of CSR disclosure, based on indicators from Global Reporting Initiatives (GRI). The samples of this research are 47 public companies listed in Indonesian Stock Exchange (IDX) year 2004 until 2007

Relatively lower score of CSDI shows that CSR disclosure in company's annual report is still low. This may due to there is still no mandatory rules regarding CSR disclosure in Indonesia and the lack of company's awareness of the importance of CSR and its disclosure in annual report. Test results show that CSR disclosure has negative and insignificant effect on Return on Equity (ROE) as a measure of financial performance, and CSR disclosure do not has significant effect on cumulative abnormal return (CAR) as a measure of market performance.

Keywords: *Corporate Social Responsibility; Return on Equity; Cumulative Abnormal Return.*

CHAPTER 1

INTRODUCTION

1.1 Problem Background

Corporate Social Responsibility (CSR) today, is more famous and as a trend to be used by the companies in the world. The stronger effect of Good Corporate Governance was supported the CSR to touch the "Main Heart" of the business world. In Indonesia, CSR is strongly supported in UU PT No.40 tahun 2007 that DPR gives the legalization.

Issues about CSR, discussed by a lot of college, economist, lecture, and people that want to see the company awareness to society. During company activities to making profit, at the same time, company has to do social activity too. Does the company get real benefits from their social activity?

The question above, try to answer by Dahlia and Siregar (2007) in "Pengaruh CSR Terhadap Kinerja Perusahaan". This thesis discusses about the relationship between CSR disclosure and the increasing in company performance. Company performance was showed by increasing ROE and positive impact in CAR (Cumulative Abnormal Return). They used two years 2005 and 2006 as references for the data and hypothesis.

In this thesis, the writer wants to continue their research, with different data, and adds the years as references for analysis. This thesis use 2005, 2006 and 2007 company's financial report, using 2004, 2005 and 2006 company's annual report, and

change companies as research object and sample. The writer expects to see the change of conclusion if the data has change. Is there any changes?

The writer is interesting to replicate this research because the previous research limits the sample period for 2 years 2005 and 2006. Meanwhile, this CSR topic is the dynamic issue and better to research in longer period of time. So, the writer decides to add the sample period become 3 years, to describe the company long term prospect as consideration for stakeholders to measure the company performance.

The previous research also includes all kind of industries in Indonesia listed in BEI. In this research, the writer argues to take samples from industries that have directly or significantly relationship with environment, community and resources. It is based on GAAP that made by Indonesia Accounting Organization that accommodate this thing into Statement of GAAP no.1 paragraph 9th :

“ Corporate can present additional report like environment report and value added statement especially for industry that environment has important role for industry that assume the employee as a group of reporting user that has important role.”

1.2 Problem Definition

The major question of this research is: Did the implementation and disclosure of the CSR in Indonesia give positive impact to company performance, especially financial and market performance.

CHAPTER 5

CONCLUSION

5.1 Conclusion

Empirical proof of this research does not support the hypotheses that CSR disclosure has positive impact to the ROE_{t+1} variable (as proxy of company financial performance). It means, company CSR disclosure activity is not proven has positive impact and significant productivity to company financial performance. The result of this research indicates the company ethic behavior as social responsibility to environment which does not give positive impact yet, where in the long term will show with company profit and increasing the company financial performance. In the first model, all of control variables are *leverage (+)*, *size (-)*, dan *growth (-)* statistically has not significant influence to ROE_{t+1} . It becomes different with previous research because :

1. The differentiation in sample data

The previous research used companies without taking the banking and financial organization companies outside. Meanwhile, in this research, the writer uses companies that has complete data and without including bank and financial organization companies.

2. The sample year

Based on the number, the ROE of several companies from 2005 to 2006 and 2006 to 2007 is decrease. It probably happen because economic condition in

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