



FACULTY OF ECONOMICS

ANDALAS UNIVERSITY

THESIS

**THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE
ON CORPORATE MARKET VALUE**

(An analysis on mining and manufacturing companies listed in IDX)

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

by:

Yona Syaputri

06 153 023

Accounting Departments Student of S1 Program

PADANG

2010

ABSTRACT

The objective of this research is to examine the influence of Corporate Social Responsibility (CSR) disclosure on mining and manufacturing companies in Indonesia on corporate market value. The CSR disclosures include details of the environment, energy, labor health and safety, labor other, products, community development and general. Review of previous researches show the diversity of result. This research attempts to correct by using price to earnings ratio as proxy of corporate market value. The sample of this research is extracted by using purposive sampling method. The population is mining and manufacturing companies listed in Indonesian Stock Exchange (IDX). The 19 annual reports with three consecutive years are analyzed as sample by examining hypothesis through Simple Regressions Model. The result indicates that corporate social responsibility disclosures has significant influence on corporate market value in manufacturing industry and both mining and manufacturing industries as high profile companies, but in mining industry corporate social responsibility disclosures failed to show significant influence.

Keyword: CSR, CSR disclosures, Corporate Market Value.

CHAPTER I

INTRODUCTION

1.1 Background

Technology develops continuously that causes so many change either in the positive or negative ways. Some of phenomenal issues that are loudly discussed and need to be solved are environmental and social issues. Environmental issues such as global warming, ocean acidification, environmental and land degradation, ozone and resource depletion, water and air pollutions, and many other problems related to the environment. Another issue is social complication such as poverty, neglected children, and the increasing of unemployment level because overpopulation grows rapidly with slow economic development.

During the late 10 years, social and environmental issues increasingly play an important role in every aspect of modern life, from politics, business, religion and entertainment. United nation, government of the countries, business and many other institutions start to give more attention toward those issues and always try to solve the problems. United nation has formed WCED (World Commission on Environment) to concerns about deterioration of human, environment, and natural resources as the consequences of economic and social developments. Another independent organization that also concerns to the environment is CDP (Carbon Disclosure Project), whereby requires the members to standardize carbon emission from their operation, in order to protect the environment.

Indonesia, as a democracy country set the regulation for the companies operated in its country to disclose corporate social responsibility. The law of Republic of Indonesia number 40, years 2007 about limited liability partnership states that company has a duty to disclose its implementation of social and environmental responsibility as a commitment of the company to participate in the sustainable of economic development in order to improve the quality of life and environment which is useful for company itself, local community and society in general.

The important of corporate social responsibility is not only to obey the regulations, but also as the responsibilities to safe the nature for the next generation and humanity. Business is a part of society, because basically business is a system that covered some elements to support the continuity of the business system itself internally (Pinus, 2010). Corporate social responsibility is needed to create a balance and continuity of business relationship to stakeholder. The relationships will bring business to earn profits economically and socially in the short term and expected to support business existence, continuity, and credibility in the long term.

Some accounting institutions start to determine company's social accounting that intended to accommodate company's need in reporting its corporate social disclosure reporting to the public (Ramanathan in Gray *et.al.*, 1995). Every company usually reports its corporate social responsibility disclosure in annual report or makes separate corporate social report.

Every company has different ways to implement their corporate social responsibility. The differences depend on such factors as the specific company's

CHAPTER V

CONCLUSION

This chapter provides conclusions drawn from findings and discussion presented in the previous chapter, followed by assessment of the potential limitations present in this study and possible future directions for the research.

5.1 Conclusion

This research is an empirical research to get statistical data to show the effect of corporate social responsibility disclosure (CSR) toward corporate market value, by using simple linear regression analysis. It has been conducted on mining and manufacturing companies listed in Indonesia Stock Exchange from 2006 through 2008 and published annual reports during the period of the study.

The data used are secondary data gathered from ICMD, www.idx.co.id, and the official website of the sample companies. Data have been processed by using a simple regression model with SPSS 16.0 software tool as previous data processing, classical assumption test has been performed in order to ascertain that data are normally distributed and satisfy the normality assumption.

Based on the analysis conducted, the test hypothesis results are concluded as follows:

1. Corporate social responsibility (CSR) has no effect to investor perspective to gauge the company future prospect in mining companies.

REFERENCES

- Adi, Puguh Siswanto. (2002), *Pengaruh Pengungkapan Sosial Dalam Laporan Tahunan Perusahaan Terhadap Reaksi Investor (Studi Kasus Pada Perusahaan High Profile yang listing di BEJ)*, retrieved on May 4, 2010 from <http://www.umm.ac.id>
- Bassen, Alexander et al. (2007), *The Influence of Corporate Responsibility on the Cost of Capital*, retrieved on May 4, 2010 from <http://www.ssrn.com>
- Corporate Social Responsibility, retrieved on March 5, 2010 from <http://en.wikipedia.org>
- Dahlia, Lely, and Sylvia Veronica Siregar. *Pengaruh Corporate Social Responsibility Terhadap Kinerja Perusahaan (Studi Empiris pada Perusahaan yang Terdaftar di Bursa Efek Indonesia pada Tahun 2005 dan 2006)*, Simposium Nasional Akuntansi XI, Pontianak, 2008.
- EU Green Paper (2001), *Promoting a European Framework for Corporate Social Responsibility*, Brussels. Commission of the European Communities, Retrieved on August 27, 2004. retrieved on March 5, 2010 from <http://www.htplc.com>
- Fiori, G, F. di Donato and M.F. Izzo. (2008), *Corporate social responsibility and stock prices (an analysis on Italian stock market)*, retrieved on May 15, 2010 from <http://www.ssrn.com>
- Gallagher, Timothy J., and Joseph D. Andrew Jr. (2000), *Financial Management*. Prentice-Hall International, Inc.
- Goss, Allen, and Gordon S. Roberts. (No Year), *The Cost of Virtue: Corporate Social Responsibility and the Cost of Debt Financing*, retrieved on July 4, 2010 from <http://www.ssrn.com>
- Gray, et al. (1995), *Corporate Social and Environmental Reporting: A Review of the Literature and a Longitudinal Study of UK Disclosure*, retrieved on March 1, 2010 from <http://www.ssrn.com>
- Hadi, Nor. (2009), *Studi Eksplorasi Motivasi Dan Pendekatan Praktik Social Responsibility Serta Pengaruhnya Terhadap Market Value Kasus Perusahaan Go Publik Di Bursa Efek Inonesia*, retrieved on May 15, 2010 from <http://www.stainkudus.ac.id>