



**FAKULTAS EKONOMI
UNIVERSITAS ANDALAS**

THESIS

**MANAGEMENT OWNERSHIP AS THE MODERATING VARIABLE
IN THE RELATIONSHIP BETWEEN CORPORATE SOCIAL AND
ENVIRONMENTAL RESPONSIBILITY DISCLOSURE AND
STOCK RETURN**

Submitted in partial fulfillment of the requirement for
Undergraduate degree in Economics

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2010

ABSTRACT

The research investigates the effect of management ownership to the relationship between corporate social and environmental responsibility disclosure and stock return. The sample of this research consist of 15 companies which is included as high profile company that listed in Indonesian Stock Exchange from 2006-2008.

Result of this research find that there is insignificant negatively relationship between CSER disclosure and stock return. It's indicate that investors didn't consider yet about CSER informations disclosed by the companies in their annual reports for their investment decisions. The test for each categories of CSER showed that employment category has only positive significant effect to the stock return among environment, energy, product, community and general categories. The study find that management ownership strengthen the relationship between CSER disclosure and stock return as management ownership correlate negatively with the stock return.

Keywords: Corporate Social and Environmental Responsibility Disclosure, Management Ownership, CSER categories, Stock Return.

CHAPTER I

INTRODUCTION

1.1 Background

Information is the primary need for investor in making decisions about the investment. The complete, accurate, and timeliness information can influence the investor to take rational decision in order to get the expected result. It is a mandatory requirement for public companies in most countries to disclose information about the company's financial performance, financial report on a periodic basis for relevant regulatory bodies and shareholders. The financial report usually includes a director's report, three financial statements (financial position, performance and cash flows) and an audit report, as well as relevant notes to the accounts. With regard to the shareholders and other third parties, the mandatory reports are usually disseminated within the annual report, which may also contain non-mandatory information. Companies usually use the annual report as a marketing or communication tool for voluntary disclosure of non-financial information to their various stakeholders, including shareholders, employees, customers, suppliers, media and the government, and to develop a particular brand image for the organisation (Berkey 1990; Hopwood 1996; Judd and Timms 1991; Neu, Warsame and Pedwell 1998; Stanton and Stanton 2002).

One of information that is also often disclose by company is information about corporate social and environmental responsibility. Many companies

nowadays publish their CSER activities in annual reports or in special CSER reports. These reports reflect the need for corporate accountability in implementing CSER in order to enable its stakeholders to evaluate the implementation thereof. With transparency and accountability, it is hoped that companies voluntarily implement CSER.

Corporate Social and Environmental Responsibility (CSER) is a concept that has attracted worldwide attention and acquired a new resonance in the global economy. Nowadays a company is not only required to maximize its own profit, but also has to give more attention to the social responsibility of the society. From an economic perspective, a company has the goal to get the maximum profit. But from a social perspective, a company has to give direct contributions to the society by increasing the society's quality of life and its environment. For example, the cases in the Freeport and Newmont Company where there is an uprising coming from the society around a company who feels it didn't get direct contributions, even a negative impact from the company's operation.

The idea about corporate social and environmental responsibility comes from business ethics, which states that a company is not only required to have economic and legal responsibility but also responsibility to other related parties. CSER is based on three interrelated pillars: the economic, the environment and social aspects or in other words; the triple bottom line (TBL), people, planet, profit. Corporate social and environmental responsibility occurs between a company and all its stakeholders, that is, customer, employee, community, owner or investor,

CHAPTER V

CONCLUSION, LIMITATIONS AND IMPLICATIONS

The preceding chapter has presented the empirical results and this chapter provides conclusions drawn from the findings and discussions presented in the previous chapter, followed by an assessment of the potential limitations present in this study and possible future directions for research.

5.1 Conclusion

This research examines the corporate social and environmental responsibility (CSER) disclosure and stock return for a three years period from 2006 until 2008. The research objective is to examine hypothesis that presume any effect of CSER disclosure in annual report to stock return and the impact of the management ownership in the relationship between CSER and stock return. In this research, I use high profile Company as sample. There are 15 companies that fit the sample criteria, hence there are 45 companies as sample is this research.

The conclusion of this study are there is insignificant negative effect between CSER disclosure and Stock Return and management ownership strengthen the relationship between CSER disclosures and Stock Return.

The test for each dimensions of CSER items showed that just employment dimension has positive significant effect to the stock return. It means that investor consider the employment aspect in CSER activities in making decision as the employee and labour are the company's intangible assets and should be give

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