



**FAKULTAS EKONOMI
UNIVERSITAS ANDALAS**

THESIS

**THE EFFECT OF COMPANY CHARACTERISTICS
ON CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE**

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

by:

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PADANG

2009

ABSTRACT

The aim of this research is to examine some determinants of Corporate Social Responsibility (CSR) disclosure in manufacturing companies in Indonesia. 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 inconsistencies. The inconsistencies contribute substantially to the diversity of result. This research attempts to correct by using three company's characteristics such as company size, profitability and leverage. The sample of this research was extracted by using purposive sampling method. The population is all manufacturing companies listed in Indonesian Stock Exchange (IDX). The 19 annual reports year 2007 were analyzed as sample by examining hypothesis through multiple regressions model. The result indicates that company size has significant influence on the CSR disclosure, but profitability and leverage fail to show significant influence.

Keyword: CSR, CSR disclosures, Company size, Profitability, Leverage.

CHAPTER I

INTRODUCTION

1.1 Background

Some environmental issues such as global warming, the damage of ozone, ineffective agriculture area and environmental damage round into problems in early of 1980s. Coat snow attenuating, air temperature mount, sea level go up, island and lowland sink, long drought, storm, floods, harvest failure, new diseases which mount, and security problem are some threats the world facing in the future. In addition, some social issues such as poverty and unemployment level that increased and the slow growth of local society economics getting worse and need to be handled seriously.

WCED (World Commission on Environment and Development), a body formed by PBB to formulate a global agenda for change, have arranged long-range strategies in environmental area to achieve sustainable development at and after year 2000; one of them is sustainable development.

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs (The Brundtland Report, 1987). 20th century development has raised gross world products but kept billions of people below the poverty line and degraded the environment, the market works for economic issues but not for social and environmental issues, social conflicts cannot be solved through market, environmental services provided by forests, river basins, land and seas are free and hence overused.

Then one term comes up as the application of sustainable development from corporate world's point of view, called CSR (Corporate Social Responsibility). CSR may be defined as a mechanism for organizations to voluntarily integrate social and environmental concerns into their operations and their interactions with their stakeholders, which are over and above the organizations legal responsibilities (as quoted by ACCA). CSR represent a real form of company care to the environment, including some sectors such as education, health, economics, environment and socio-culture.

The awareness of the Corporate Social Responsibility is increasing significantly in last two decades. The number of academic studies in this area has also increased substantially in recent years. The theme of environmental and social responsibility appears in a number of political and legal documents and gain ever-greater importance at the international level. Today, corporate leaders face a dynamic and challenging task in attempting to apply societal ethical standards to responsible business practices. Companies, especially those operating in global markets, are increasingly required to balance the social, economic and environmental components of their business, while building shareholder value (Morimoto et all 2004).

CSR activities of companies are those that exceed compliance with respect to, e.g., environmental or social regulations, in order to create the perception or reality that these firms are advancing a social goal. It is not surprising that some firms choose to be socially responsible in this sense. Most large multi-national companies encounter extensive pressure from costumers, employees, suppliers, community groups, government, non-

CHAPTER V

CONCLUSION

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

5.1 Conclusion

This research is an empirical research to get statistical data to show the influence of firm's characteristics such as size, profitability and leverage to the corporate social responsibility disclosure analyzed by using multiple regressions model. The population of this research is all manufacturing companies listed in Indonesian Stock Exchange year 2007 by analyzing the items of Corporate Social Responsibility Disclosure in annual report of each company. After doing hypothesis testing, the results can be concluded as follows:

1. Size of the company (in amount of total assets) has positive and significant influence to the corporate social responsibility disclosure.
2. Profitability of a company (in term of ROI) has positive but insignificant influence to the corporate social responsibility disclosure.
3. Leverage has positive but insignificant influence to the corporate social responsibility disclosure.
4. Simultaneously, there is no significant relationship of company size, profitability and leverage to corporate social responsibility disclosure.



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