



**FAKULTAS EKONOMI  
UNIVERSITAS ANDALAS**

**THESIS**

**CORPORATE SOCIAL AND ENVIRONMENTAL  
RESPONSIBILITY (CSER) DISCLOSURE  
AND EARNING RESPONSE COEFFICIENT (ERC)**

Submitted in Partial Fulfillment Of The Requirement For  
Undergraduate Degree in Economics

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**PADANG  
2009**

## ABSTRACT

The objectives of this research are to examine hypothesis that presume any effect of corporate social and environmental disclosure in annual report to earning response coefficient and to examine which category of CSER influence on ERC. The study hypothesized that there is negative effect of CSER disclosures level on the ERC since the CSER disclosures provide investors more information which is not captured by accounting earnings. The sample of this research consist of 15 companies which is included as high profile company that listed in Indonesian Stock Exchange from 2004-2007.

The results of the study indicate that investors did not consider yet about CSER information disclosed by the companies in their annual reports for their investment decision. The test for each categories of CSER showed that community category has only negative significant effect to ERC among environment, energy, product, employment and general categories.

Keywords: Corporate Social and Environmental Responsibility Disclosure, CSER Categories, Earning Response Coefficient

# CHAPTER I

## INTRODUCTION

### 1.1 Background

The degradation of environmental quality caused by activities of big corporations has occurred in Indonesia for decades. Take for example the cases of PT Freeport in Papua, and the current hot mud floods caused by PT Lapindo Brantas's drilling activities in Sidoarjo, East Java. The companies not just for profit oriented but should also be aware with their environment and community where they operate their activities.

The industrial development increases over the time. It gives positive and also negative impact to the society. The industry operation gives many negative impacts to the environment for example global warming, increasing of temperature, increasing of sea levels, and destroying of environment.

In the last decade, many pressures from the international stakeholders to the public company in order to have bigger attention about social and environmental problems in making economic decision and disclose their social and environment activities in financial report to public. They want government and public company give more attentions to the social and environment consequences to their business activities (Adi, 2004).

In recent years firms have greatly increased the amount of resources allocated to activities classified as Corporate Social and Environmental Responsibility (CSER). Many companies are aware with their environment and community that proved by many companies disclosed their social activities in their annual report at some different variety. Sayekti's research (2006) showed almost all listed companies in Indonesian Stock Market disclose CSR information in their annual report. Latest data show 12 companies issuing sustainability report as disclosure of CSR.

The regulation in Indonesia also encourages companies to do Corporate Social and Environmental responsibility that stated on Undang-Undang no. 40 / 2007. In this regulation, The company that do not realizes CSER activities will have same penalty from the government. It is a compulsory for the company to do and report their CSER activities.

There are many researches about CSER activities. The environmental and employment indicators are negatively correlated with return while the community indicator is weakly positively related (Brammer et. al, 2005). Firms with higher social performance tend to achieve lower return.

According to Gray et. al, (1995a), there are two approaches which significantly different in research about corporate social and environmental responsibility (CSER) disclosure. First, CSER disclosure might be conducted as a supplement from conventional accounting activities. This approach assumes financial society as main user of CSER disclosure and tends to make boundaries of perception

## CHAPTER V

### CONCLUSION AND LIMITATIONS

#### 5.1 Conclusion

This research examines the corporate social and environmental responsibility (CSER) disclosure and earning response coefficient for a four years period from 2004 until 2007. The research objective is to examine hypothesis that presume any effect of corporate social and environmental responsibility disclosure in annual report to earning response coefficient. In this research, I use high profile Company as sample. There are 15 companies that fit the sample criteria, hence there are 60 companies as sample in this research.

The result showed that the company give more attention to disclose their CSER activities in their annual report. It can be seen from 2004 until 2007, the company tended to increase their CSER disclosure.

Based on the result in Chapter 4, CAR as dependent variable has negative effect to interaction between Unexpected Earning and CSRI, the value is -2,575. We can conclude that CSER disclosures have negative effect to the earning response coefficient, but the result is not significant.

The main conclusion of this study is that the hypothesis is rejected because there is no significant negative effect between CSER disclosure and Earning Response Coefficient.

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