CSR disclosure in Real Estate and Property sector's companies Listed at Indonesian Stock Exchange (IDX)

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Presentation Guide

- **Background**

- **Literature reviews and Hypothesis development**

- **Research method**

- **Results**

- **Conclusions**

Background : Aims of Research

CSR Disclosure Practices

PCs in Real Estate and Property

Effect CSR Disclosure Practice and Financial Characteristic on Performance

•Corporate social responsibility (CSR) is claim that the company not only operates for benefit of shareholders, but also for the benefit of stakeholders in business practices such as workers, local communities, government, NGOs, consumers, and environment (Grey et al, 1987; Sitnikov and Bocean, 2012; Karagiorgos, 2010)

•need a tool that can provide information about the social, environmental and financial simultaneously as sustainability reports (Kim et al, 2012; Candy, 2013; Martinez et al, 2014)

•It may be triggered by a number of issues in Indonesian related to CSR, such as the environmental problems caused by large populations, forest destruction and poor labor standards (Siregar and Yanivi, 2010).

•Balabanis et al (1988) indicated that the disclosure of CSR undertaken by companies listing on London Stock Exchange positively correlated with overall corporate profitability

• it is empirically proven that CSR negatively affect market performance (Salewski and Zulch, 2012; Kurniawan and Wibowo, 2011; Chen et al, 2008)

Literature Reviews : *What is Financial Accounting Characteristics?*

Accounting Process

Results :

Financial Statement

- Balance Sheet
- Income Statement
- Cash Flow
- Others

Financial Characteristics

Used ***Financial Statement*** to measure :

- Liquidity (ex. Current Assets/Current Liabilities)
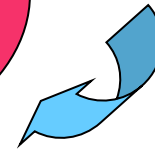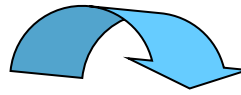- Leverage
- Activity
- Others

Financial Accounting Characteristics

Current Ratio (CUR)

Debt to Equity (DER)

Total Assets Turnover (TAT)

Literature Reviews : *What is Performance ?*

Market Performance

Markets aspects

Financial Aspects

Cumulative Abnormal Return (CAR)
(Siregar and Yanivi, 2010)

Security Return (SC)
(Hill et. al, 2007)

Stock Return (SR)
(Fiori et al, 2008)

- **Returns on Sales (ROS)**
- **Returns on Assets (ROA)**
- **Returns on Equity (ROE)**
  (Siregar and Yanivi, 2010)
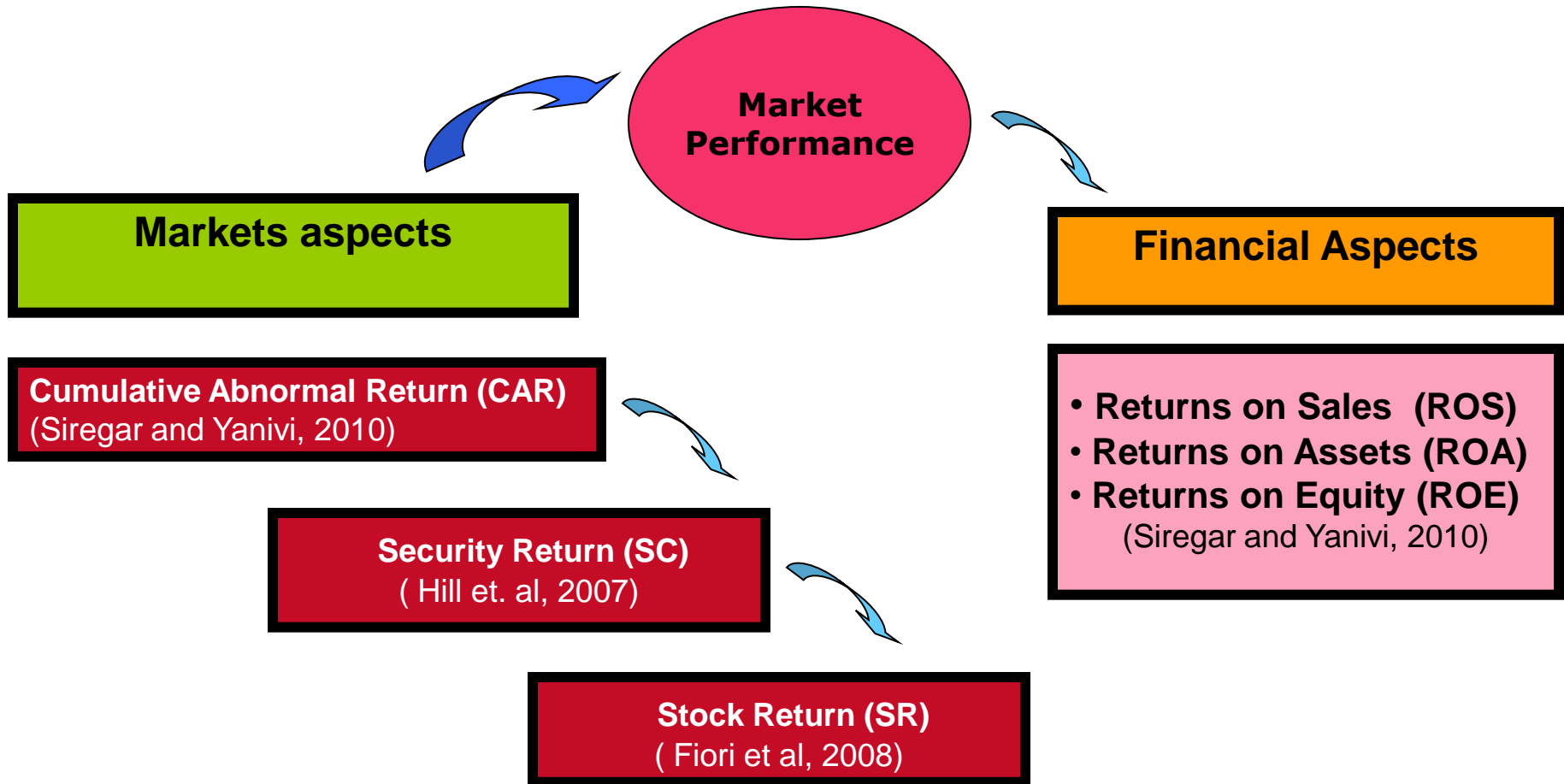
Model : *Impacts CSDI and Financial Accounting Characteristics on PCs Market Performance*

Current Ratio (CUR)

CSR disclosure Index (CSDI)

• **Labor indicators**
• **Human rights indicators**
• **Society indicators**
• **Product respon indicators**

(GRI, 2006)

PCs Market Performance

Debt to Equity (DER)

Total Assets Turnover (TAT)
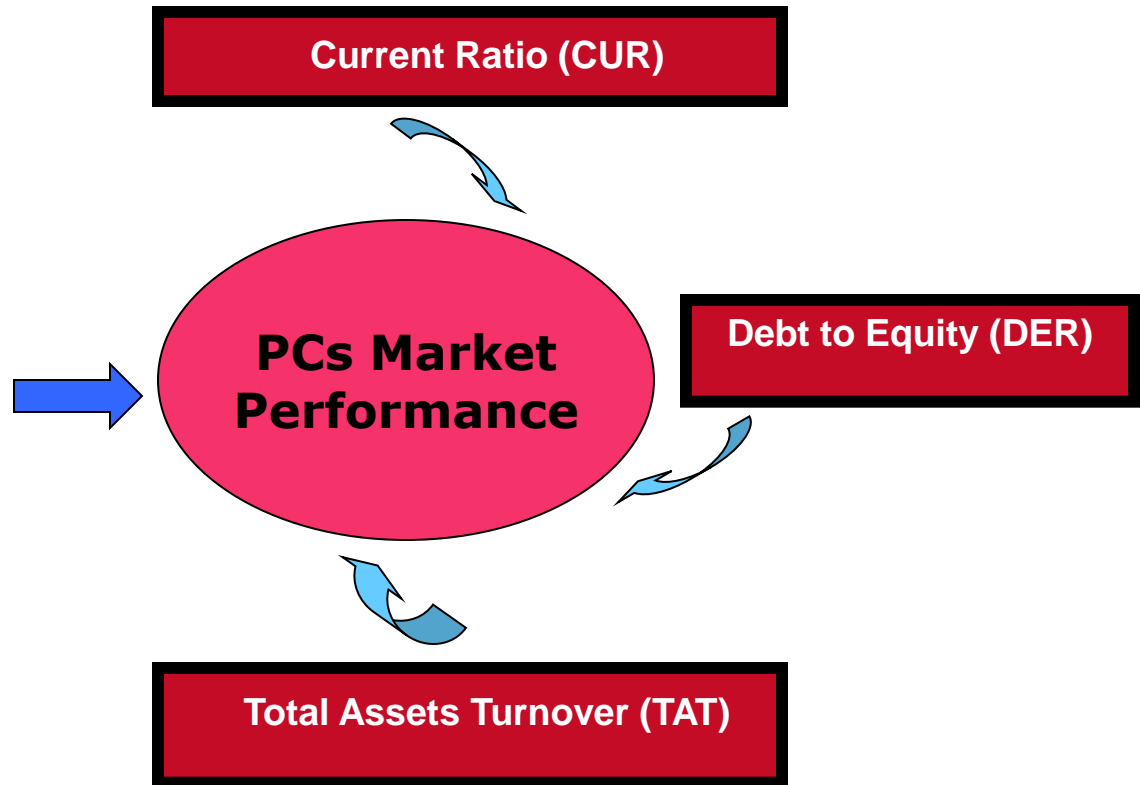
Variable definition and measurement

Dependent variable →

$$SR = (CSPt - CSPt\text{-}1)/CSPt\text{-}1$$

where :

SR = Stock Return
CSPt = Closing Stock Price year t
CSPt-1 = Closing Stock Price year t-1
(Fiori et al, 2007)

Independent variable- CSDI →

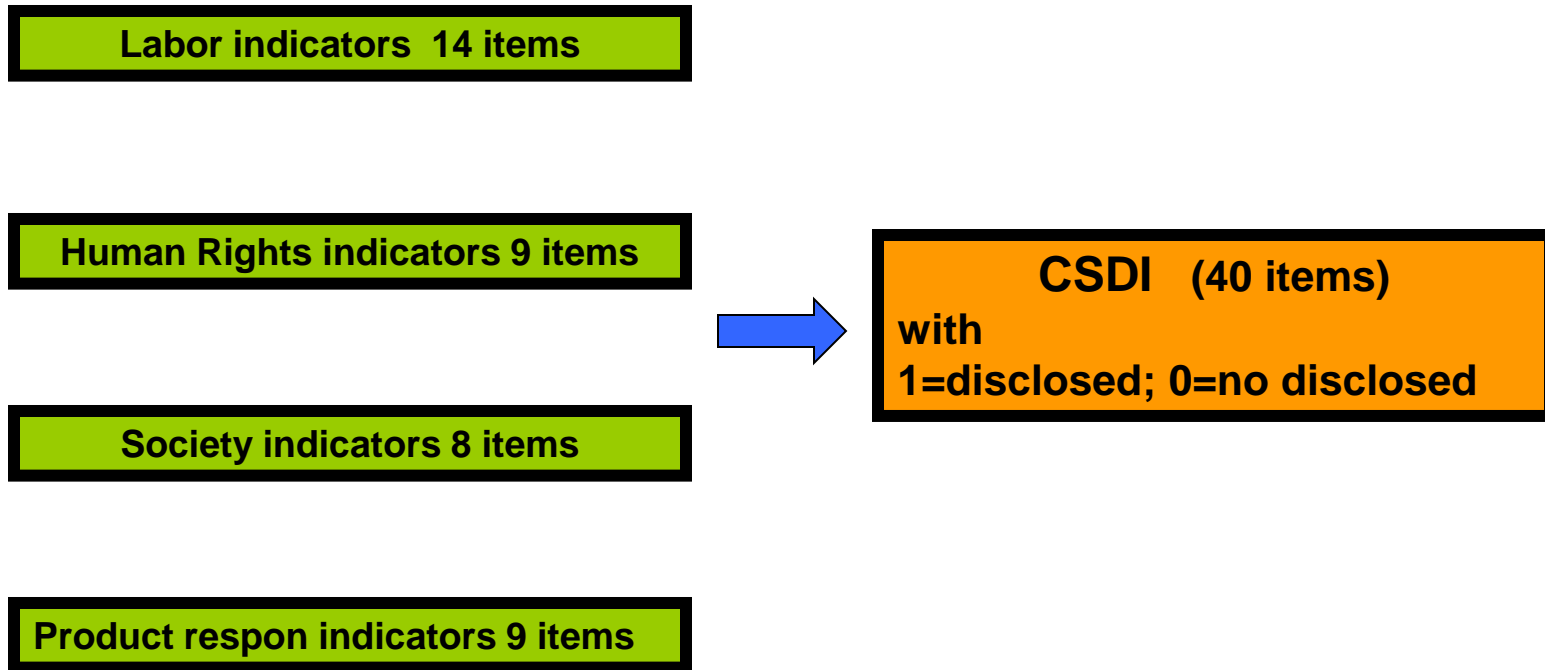$$CSDI = \sum Xij \,/\, nj$$

where :

SADPI = CSR Disclosure Practice Index
nj = The sum of *items* by PCs j, nj = 23
Xij = 1= if *item* **disclosed**; 0= if *item* **no disclosed**
(Haniffa et al, 2005).

Independent variable- CUR, DER and TAT →

CURt-1 = Current Ratio year t-1
DERt-1 = Debt to Equity year t-1
TATt-1 = Total Assets Turnover year t-1
(Siregar and Yanivi, 2010)

Independent variable related to CSR Disclosure Practice

Labor indicators 14 items

Human Rights indicators 9 items

Society indicators 8 items

Product respon indicators 9 items

CSDI (40 items)
with
1=disclosed; 0=no disclosed

Source :GRI (2006)

Model development for this Research

Impact SADI and Financial Accounting Characteristics on PCs Performance
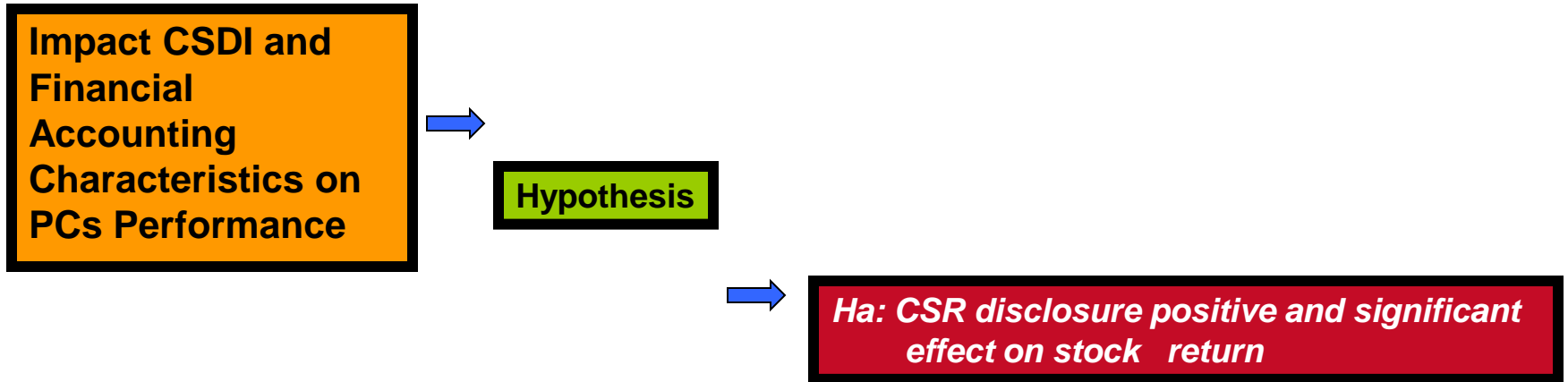
Linear Regression Analysis (SPSS)

$$SR = b0 + b1CSDI + b2CUR + b3DER + b4TAT + e$$

where :

b0..4	= the coefficients **e** = the error variable
SR	= Stock Return
SADI	= CSR Disclosure Index
CUR	= Current Ratio (Current Assets/Current Liabilities)
DER	= Debt Ratio (Total debt/Total Assets)
TAT	= Total Assets Turnover (Sales/Total Assets)

Hypothesis development

Impact CSDI and Financial Accounting Characteristics on PCs Performance

→

Hypothesis

→

Ha: CSR disclosure positive and significant effect on stock return

Data Collections Method

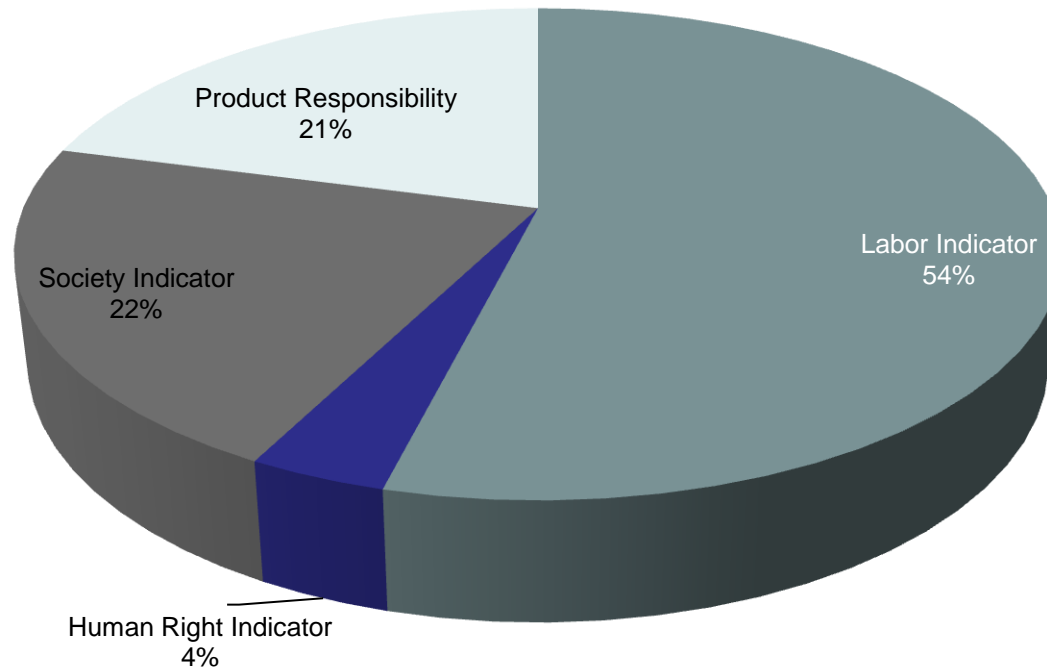**Secondary data collection**

Data Collection Method

- **Indonesian Stock Exchange (IDX) website**
- **Capital Directory website**
- **BAPPEPAM website**

Primary data collection

Target population

Sampling frame

Sampling Unit

Stratified Sampling- a probability sampling procedure in which sub-samples- are drawn from sample within different strata that are more or less equal on some characteristics.
Stratified sampling is modification of simple random and systematic sampling designed to procedure more representative and thus more accurate samples

Purposive Judgment Sampling Method (Siregar and, Yanivi 2010)

CSR Disclosure Practice by PCs

Figure 4.1
GRI Social disclosure proportion

Product Responsibility
21%

Labor Indicator
54%

Society Indicator
22%

Human Right Indicator
4%

Data Analysis and Finding :
Impact CSDI and Financial Accounting Characteristics on PCs Performance

Descriptive statistics Models

	Mean	Std. Deviation	N
SR	.5237	1.22553	108
CSDi	.5703	.03031	108
CR	4.6308	14.13112	108
DER	1.2950	2.16306	108
TAT	.2235	.18260	108

Source : SPSS

Data Analysis and Finding :
Impact CSDI and Financial Accounting Characteristics on PCs Performance

Result Regression Model

Variable	Coefficients	t-Statistics	Prob
(Constant)	-3.331123	-1.483081	0.141106
CSDI	0.150738	1.572494	0.118902
CR	0.074421	0.776131	0.439445
DER	-0.041426	-0.433497	0.665559
TAT	0.252627	2.617962	0.010172
Adjusted R-squared	0.927231		
F-statistics	2.166123		
Prob (F-stattistic)	0.078122		

CSDI = *Corporate Social Disclosure index;* **CR** = *Current Ratio;* **DER** = *Debt of Equity ;* **TAT**= *Total Assets Turnover*

Source : SPSS

Results :
Impact CSDI on PCs Performance

Ha : rejected
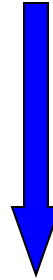
CSDI is positively but no *significant* related to SR

Same result with Balabanis et al.(1998)

Conclusion :
Impact CSDI on PCs Performance

Hypothesis :
Model Effect CSR Disclosure Practice on PCs Performance

$$SR_t = -3,331 + 0,150\ CSDI_t + 0.074\ CR_t + -0.041\ DER_t + 0,252\ TAT_t$$

Suggest to Next Research

- to extend into several periods

- to influence the level of disclosure of CSR

- to used 1-5 scale (linkert scale) **CSR disclosure**

- to describe the most recent conditions

Thank you....

Any Suggestion?