DETERMINANTS OF CORPORATE SOCIAL AND ENVIRONMENTAL REPORTING IN INDONESIA: AN ANALYSIS FROM ECONOMIC, SOCIAL, AND POLITICAL PERSPECTIVES

CHRISTINA TRI SETYORINI

DOCTOR OF PHILOSOPHY
UNIVERSITI UTARA MALAYSIA
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By

CHRISTINA TRI SETYORINI

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ABSTRACT

The objectives of this study are to examine the extent of corporate social and environmental reporting among Indonesian companies and to ascertain its determinants from multiple perspectives: economic, social, and political. The multiple-perspective approach offers alternative interpretations of a similar phenomenon. This study attempts to fill both the theoretical and empirical gaps in corporate social and environmental reporting in Indonesia. It focuses on content-quality and uses a combination of the tools of Clarkson’s environmental index and Sutantoputra’s social index. The sample of this study consisted of 740 observations for five years from 2005 to 2009. Panel data was employed and pooled regression was performed using EViews v.8 to observe the association among the variables of the company characteristics and corporate social and environmental disclosure. Profitability, leverage and size were included as control variables. The results revealed that the level of corporate social and environmental reporting in Indonesia was low. However, the corporate social and environmental disclosure had increased from previous years and was dominated by soft disclosures. The results reported in this study show strong support for the firm’s industry sensitivity, government environmental monitoring, media coverage, strategic posture, government shareholding, foreign activity, leverage and size. Conversely, blockholder ownership, award, and profitability were not supported by this study. Hence, this study has shown that company characteristics can be determined by economic, social, and political perspectives. In this respect, a multiple-perspective approach can help one to take advantage of the complementariness of different theories and gain alternative interpretations of the same phenomenon through a more holistic analysis.

Keywords: corporate social and environmental reporting, company’s characteristics, multiple-perspectives, Clarkson’s environmental index, Sutantoputra’s social index
ABSTRAK


Kata kunci: pelaporan korporat sosial dan alam sekitar korporat, ciri-ciri syarikat, perspektif-pelbagai, indeks alam sekitar Clarkson, indeks sosial Sutantoputra
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CHAPTER ONE
INTRODUCTION

1.1. Background of the Study

The demand for Corporate Social and Environmental Reporting (CSER), also commonly known as Corporate Social Responsibility (CSR) (Deegan, 2007), has significantly increased in the last decades. CSER is a company’s environmental management strategy for providing communication to their stakeholders. CSER plays a pivotal role in the “greening” of corporate accountability (SustainAbility/UNEP, 2002). As such, CSER has already been conceived as a tool to promote corporate policies as well as strategies and management system to minimize the corporate impact that concerns with social and environmental values (SustainAbility/UNEP, 2002). Most companies are aware of CSER, which has become the public relations tool to assure sustainability. In fact, CSERs have now been considered as part of businesses running by companies all over the world (Milvanovic et al., 2009). In the globalization era, CSER becomes a powerful tool to invite investments from foreign investors and government authorities (Scherer & Palazzo, 2008).

Corporate social and environmental disclosures have notably increased since 1970s. Gray et al. (1995a) demonstrated that among the UK companies sampled over the period of 1979–1991, CSER was steadily improved in terms of number of companies choosing to report, and the amount of information that they disclosed. In a survey conducted in 2008, almost 80% of 250 world's biggest companies have reported their corporate responsibility actions (KPMG, 2008). Another research by Maguire (2011) describes that CSER reports have been issued by nearly 4,000 companies originating from 123 countries. This figure increased by more than a ten-fold since July 1990s.
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