



**PRACTICE CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE :
STUDY COMPARATIVE ON OIL PALM PLANTATION COMPANY GO
PUBLIC IN INDONESIA AND MALAYSIA**

**This report is submitted in accordance with the requirement of the
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DECLARATION

I hereby, declared this report entitled “Practice Corporate Social Responsibility Disclosure: study comparative on palm oil plantation go public in Indonesia and Malaysia” is the result of my own research except as cited in references.

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APPROVAL

This report is submitted to the Faculty of Technology Management and Technopreneurship of UTeM as a partial fulfillment of the requirements for the degree of Bachelor of BTMM with honours.

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ABSTRAK

Kajian ini bertujuan untuk menganalisis perbezaan dalam amalan pendedahan CSR di syarikat perladangan kelapa sawit di Indonesia dan Malaysia, dan menganalisa pengaruh jumlah aset, keuntungan, leveraj, kadar bebas daripada pesuruhjaya, bahagian jawatankuasa audit bebas dalam pendedahan CSR di ladang kelapa sawit syarikat Indonesia dan Malaysia.

Kajian ini dijalankan ke atas laporan kewangan yang diterbitkan di Indonesia dan Malaysia. Kaedah pengumpulan data diambil dari penyata kewangan tahunan di Bursa Saham Indonesia sebanyak 17 syarikat dan Bursa Malaysia sebanyak 22 syarikat. Teknik analisis data menggunakan statistik deskriptif dan ujian hipotesis yang merangkumi; regresi berganda, ujian T, ujian F, dan Koefisien Penentuan dan regresi logistik; pengujian asumsi klasik termasuk ujian multicollinearity, ujian heteroscedasticity, ujian autokorelasi dan ujian normal.

Keputusan menunjukkan bahawa; 1) tidak ada perbezaan dalam amalan pendedahan CSR di syarikat perladangan kelapa sawit di Indonesia dan Malaysia; 2) tidak ada pengaruh terhadap jumlah aset, keuntungan, leveraj, dan bahagian jawatankuasa audit bebas di syarikat perladangan kelapa sawit di Indonesia dan Malaysia; 3) terdapat pengaruh lembaga komisaris yang bebas mengenai amalan pendedahan CSR di syarikat perladangan kelapa sawit Indonesia dan Malaysia

Kata kunci: Pendedahan CSR, Jumlah Aset, keuntungan, leverage, kadar komisen bebas, nisbah komit audit bebas.

ABSTRACT

This study aims to analyze the differences in CSR disclosure practices in palm oil plantation companies in Indonesia and Malaysia, and analyze influences of total assets, profitability, leverage, independent proportion of commissioners, the proportion of independent audit committee in CSR disclosure in palm oil plantation companies Indonesia and Malaysia.

This study is conduct on financial reports published in Indonesia and Malaysia. Methods of data collection are taken from the annual financial statements in Indonesia Stock Exchange of 17 companies and Bursa Malaysia 22 companies. Data analysis techniques using descriptive statistics and hypothesis testing that includes; multiple regression, T-test, F-test, and Coefficient of Determination and logistic regression; classical assumption assays include multicollinearity test, heteroscedasticity test, autocorrelation test and normality test.

The results showed that; 1) there is no difference in the practice of CSR disclosure in palm oil plantation companies in Indonesia and Malaysia; 2) there is no influence of total asset, profitability, leverage, and proportion of independent audit committee in palm oil plantation companies in Indonesia and Malaysia; 3) there is influence of independent board of commissioner on CSR disclosure practices in palm oil plantation companies Indonesia and Malaysia

Keywords: CSR Disclosure, Total Assets, profitability, leverage, independent proportion of commissioners, the proportion of independent audit committee.

DEDICATION

For everything I do, I would be honor to dedicate this Year Final Project to my family. My parents and my two younger siblings are the reason I want to do my best, They support every step I make, the decisions I take and give me the advice I need if I do not know what to do when I make a mistake.

Special thanks to my best friends, thanks to all the kindness and support you have given me during the journey of my life, I am not sure if my life will be like this if I do not meet and have you by my side.

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LIST OF ABBREVIATION AND SYMBOL

CSRD	:	Corporate Social Responsibility Disclosure
AEC	:	Asean Economic Community
RSPO	:	Roundtable on Sustainable Palm Oil
CSR	:	Corporate Social Responsibility
3P	:	Profit, Planet, People
GRI	:	Global Reporting Initiative
CSD	:	Corporate Social Disclosure
LEV	:	Leverage
ROA	:	Return on Asset
IT	:	Industry Type
ROE	:	Return Of Equity
NPM	:	Net Profit Margin
ROI	:	Return On Investment
EPS	:	Earning Per Share
EC	:	Economic
HR	:	Human Right
LR	:	Labor Practices
PR	:	Product Responsibility
SO	:	Society
R2	:	Coefficient of Determination
VIF	:	Variance Inflation factor
DW	:	Durbin Watson
DU	:	Durbin Upper
DL	:	Durbin Lower
BLUE	:	Best Linier Unbias Estimate
SEE	:	Standard Error of Estimate
SEM	:	Structural Equatio Modeling

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CHAPTER 1

INTRODUCTION

1.1 Background

Investors invest in companies that have a good business ethics, good employee practices, care about environmental impacts, and have a good corporate social responsibility disclosure (CSR) with stakeholders (Kurnianto, 2011). This statement is because companies selected has the above criteria and combine with good communication skills with stakeholders, visionary, and able to recognize warning signals.

Good communication means the company need for the progressive and harmonious interaction, survival, and development of humanity. To allow the company to flourish, the leaders of the company must have clear vision. Along with that, the ability to recognize the companies can be allows the company to detect and sensitive with any problems and threats that occur and take advantage of existing opportunities (Kurnianto, 2011).

Entering the ASEAN Economic Community (AEC) by the end of 2015 is a big challenge for AEC member countries, including Indonesia and Malaysia. The plantation sector, palm oil, has become a famous of investment in both countries, where 85% of the world's palm oil demand is produce in Indonesia and Malaysia. World palm oil production is dominated by Indonesia and Malaysia. Both countries account for about 85-90% of total world palm oil production. At present, Indonesia is the largest producer and exporter of palm oil in the world. In the long term, world demand for palm oil continues to increase in line

With the increasing world population and hence increase consumption of products with raw materials of palm oil (Indonesia-investment.com 2016).

Palm oil plantation activities often certainly influence the surrounding environment. There is positive impact, however not a few is classify as negative become social problem. Those problems can see from environment damage and human right.

In Indonesia, Institute for Policy Research and Advocacy Noted cases involving member of Roundtable on Sustainable Palm Oil (RSPO) in palm oil plantation companies which already signed in the RSPO complaints mechanism. PT Wiramas Permai Central Sulawesi, has seized the land of communities who have certificates, wages of workers under the minimum wage and the absent of maternity leave and maternity leave ignored. PT Bangun Nusa Mandiri (2009) without approved communities West Kalimantan when opening the plantation area, this company displace the ancestral cemetery, fields, and residential community with an area of about 600 hectares. In Bengkulu, PT. Sandabi Indah Lestari, intimidating people who complained about the RSPO mechanism, took over the land of trans migrants and committed criminalization. PT Agri Andalas which until now has not provided the garden for the community according to his promise. In Papua, PT Nabire Baru violated the customary territory of the sindigenous people of Yerisiam Gua for working on their territory without agreement. New PT Nabire has also destroyed the ecology of Nabire causing deforestation, and losing food and income of the people of Yerisiam Cave. The cases of fire occurred on PT. ASMR (2015), PT. KSI (2015), and PT. Rimba Harapan Sakti (2015) (mongabay.co.id 2016).

In the Malaysian state of Sarawak, there has been a debate over whether there is a suitable level of consultation with the community of Long Teran Kanan prior to the development of local land for palm oil plantations. Takeover of indigenous community lands has caused conflicts between plantations and local people in each country. Palm oil plantations are rapidly threatening biodiversity, endangering hundreds of thousands of animal species into extinction, emitting highly destructive

and cannot prevented carbon emissions into the atmosphere, violating human rights and many child of Seven-year-olds work very long in the heat to help their families (2017).

Malaysia as the second largest palm oil producer has pledged to conserve at least 50 percent of its total land area as a forest. In 2010, 58 percent of Malaysia became a forest. Oil palm cultivation has been criticized for: Greenhouse gas emissions, tropical deforestation account for about 10 percent of man-made CO₂ emissions and drivers to dangerous climate change. Reduce biodiversity, including damage to biodiversity. In the states of Sarawak and Kalimantan on the island of Borneo and the Malaysian state of Sabah (2017), Cultivation of crops on indigenous peoples land.

The corporate social responsibility disclosure (CSR) is an accounting concept that takes into the transparency of social disclosure on corporate social responsibility (CSR), including voluntary disclosures regarding the social and environmental impacts life caused by the activities of the company (Restuningdiah, 2010). Meanwhile, Ali et al. (2011) described the benefits of CSR activities as achievement of corporate goals and customer service, loyalty to the organization and overall organizational success.

The company has a social responsibility that should be based not only limited to the financial side only (single bottom line), however should be pay attention at the triple bottom line (3P). Elkington arguing, stated in Lako (2016), a company who wants to survive, then it must pay attention to 3P. In addition to the pursuit of profit (profit), the company must pay attention and be involved in the fulfillment of public welfare (people) and contribute actively to protect the environment (planet). Its aims for stakeholders to get more comprehensive information to assess the performance, risks and business prospects as well as the survival of a corporation. The idea underlying CSR is often considered the essence of business ethics is that the Company has economic and legal obligations to shareholders and stakeholders

whose reach includes customers, employees, communities, owners, investors, suppliers and even competitors.

Research related to CSRD has been done previously by Nurkhin (2009), and Suhardjanto-Afni (2009) on the level of CSRD by using agency theory, and disclosure standards made by global Reporting Initiative (GRI) 2006. Both identify that the extent of Social disclosure in Indonesia shows 21% and 22.3% in 2007. Both of them identified that the extent of social disclosure in Indonesia showing 21% and 22.3% in 2007. These findings indicate that the level of social disclosure by companies in Southeast Asia is low while the percentage of companies that do social disclosure than those who do not do social disclosure is high.

Research on CSRD practices is done by Setyawanti (2010) and Supriyono (2013). In the research Setyawanti (2010) research results show that; 1) there is influence of firm size to social disclosure in Indonesia and Malaysia 2) there are not influence of leverage, profitability, company scope and type of industry to social disclosure in Indonesia and Malaysia 3) from t-test show that no differences in social disclosure in Indonesia and Malaysia. Whereas in research Supriyono (2013), showed the results that there are differences in corporate social disclosure practice in Indonesia, Malaysia and Thailand. Disclosure rate in Indonesia is more than average of 40.14%; 58.52% in Malaysia and 54.12% in Thailand. This is due to differences in corporate governance practices in these countries.

This study replicates the research that has been done by Setyawanti (2010). In the research of Setyawanti (2010) there are some limitations such as research period only 1 year. Short study period causes the influence of CSRD is not visible because basically CSRD aims for long term. According to Setyawanti (2010) Social disclosure is the disclosure of information about corporate activities related to the social environment of the company. CSRD expressed in a report called Sustainability Reporting. Sustainability Reporting is the reporting of economic, environmental and social policies, the influence and performance of the organization and its products in the context of sustainable development. This continuous practice of CSRD enables

the impact not only on company size, profitability, corporate scope and industry type to raise many other variables in the financial statements.

This study uses samples from palm oil plantation companies in Indonesia and Malaysia because the existing research has never been distinguished the type of plantation companies. In addition, after the issuance of limited liability company law 40 articles 74 of 2007 by the government not all types of companies can be used as research samples. According to Law no. 40 articles 74 of 2007 companies engaged in business activities and or related to natural resources shall be obliged to carry out corporate social responsibility (Lako, 2016). This issue prompt a question, "How is the practice of corporate social responsibility disclosure (CSR) conducted by oil palm plantation companies Go Public in Indonesia and Malaysia, is there any difference if compared with each other?"

Based from the background problem, the author intends to start a study entitled "PRACTICE CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE : STUDY COMPARATIVE ON OIL PALM PLANTATION COMPANY GO PUBLIC IN INDONESIA AND MALAYSIA"

1.2 Problem Statement

Problem statement in this research is:

How to analyze practice of Corporate Social Responsibility (CSR) disclosure in Palm Oil Plantation Companies Go Public in Indonesia and Malaysia using GRI 2006 for period 2013-2016.

1.3 Research Questions

Based on background, several problems in this study can be described:

1. How is the implementation of CSR Disclosure in Indonesia and Malaysia?
2. Is there any influence of total assets in implementation CSR Disclosure in Indonesia and Malaysia?
3. Is there any influence of profitability in implementation CSR Disclosure in Indonesia and Malaysia?
4. Is there any influence of leverage in implementation CSR Disclosure in Indonesia and Malaysia?
5. Is there any influence of the proportion of Independent commissioners in implementation CSR Disclosure in Indonesia and Malaysia?
6. Is there any influence of the proportion of Independent audit committee in implementation CSR Disclosure in Indonesia and Malaysia?

1.4 Research Objectives

The Objects in this research are:

1. To analyze the differences of implementation of CSR Disclosure in Indonesia and Malaysia.
2. To analyze the influence of total assets in CSR Disclosure in Indonesia and Malaysia.
3. To analyze the influence of profitability in CSR Disclosure in Indonesia and Malaysia.
4. To analyze the influence of leverage in CSR Disclosure in Indonesia and Malaysia.

5. To analyze the influence of the proportion of Independent commissioners in CSR Disclosure in Indonesia and Malaysia.
6. To analyze the influence of the proportion of Independent audit committee in CSR Disclosure in Indonesia and Malaysia.

1.5 Scope and Limitations

The limitations in this research are:

1. The object of research that will used is palm oil plantation companies go Public In Indonesia and Malaysia.
2. The period used in this study were four periods: from 2013 to 2016.

1.6 Significance of the Study

This research expected as a consideration for the company in applying this research variables to help improve stakeholder trust and consideration of issuers to test, improve and improve management performance; to give a good consideration in investing; and to be a reference for further research in the financial sector about Corporate Social Responsibility (CSR) disclosure.

CHAPTER 2

LITERATURE REVIEW

This chapter provides summarize prior research and other findings related to the topic this study.

2.1 Stakeholder Theory

Theory of stakeholders according to Freeman and Reed in Ulum (2009) is a organization or individuals who identified can affect and influenced by the activities of the company. Ulum (2009) states that managers expected to undertake activities deemed important for their stakeholders and report on such activities, meaning that companies need to apply their responsibilities to their stakeholders and implement good corporate governance.

Companies will opt for disclosure of their environmental, social, and intellectual performance information, beyond and above mandatory requests to meet actual or recognized expectations for stakeholders. The main aim is to help corporate managers to understand stakeholder environment, manage more between corporate relationships, help corporate managers improve the value of impacts of activities, and minimize harm to stakeholders.

2.2 Theoretical Basis of Corporate Social Responsibility Disclosure

According to Grey et al in Yuliana et al (2008), there is several theories behind Company implement corporate social responsibility disclosure (CSR):

Decision Usefulness Studies, Economic Theory Studies, dan Social and Politic Studies.

2.1.1 Decision Usefulness Studies

Decision Usefulness Studies enter the users of accounting report and investors into the basic criteria of user useful for economic decision making. Some researchers conducted the study and found evidence that social information need by users. The study asks analysts, bankers, and others involved to rank accounting information. The accounting information not only information that has known, however contains other information that is new in the accounting disclosure.

2.2.2 Economic Theory Studies

This study based on economic agency theory. The theory distinguishes between the owner and the manager of the company which implies that manager of the company must provide accountability reports for all resources. The owner of the company has progressed further, extends to other stakeholders elements, including the public, the government and the natural environment. This resulted in the company required to make a complete reporting to meet the information needs for these stakeholders.

2.2.3 Social and Political Studies

The economic sector cannot separated from the political, social and institutional life in which the economy lies. The sociopolitical study includes two main theories:

a) Stakeholders Theory

Which assumes that the existence of the company is determined by the stakeholders. The main focus in this theory is how the company monitors and responds to the needs of its stakeholders and stakeholders. Stakeholders are individuals, groups of people, communities or a part that has relationships and interests of the company. Individuals, groups, and communities can be stakeholders if they have the characteristics of having power, legitimacy, and interests of the company (Ghazali and Chariri, 2007). Retno (2012), states that corporate social disclosure is a viable means for companies to negotiate relationships with their stakeholders.

b) Legitimacy Theory

Which assumes that companies must be able to adjust to the value system that is implemented by the community. The business of the company is manifested through social disclosure. This is done with the aim that the activities and the existence of the company are legitimized in the eyes of the people. According to O'Donovan and Hadi (2011) states that the legitimacy of the organization can be seen as a given to the company or sought from the community.

Legitimacy is a potential strategy for companies to stay afloat (Going Concern) and get recognition from the public then the company must be oriented to the interests of society and does not violate the system and social norms that exist in the community.

2.3 Corporate Social Responsibility Disclosure Concept

As the companies have a good business ethics, they must give corporate social responsibility (CSR) disclosure with stakeholders such as creditors, directors,