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# Implementation of Corporate Social Responsibility to Increase the Value of Companies Listed on the SRI Kehati Index Indonesia

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## Abstract

Corporate social responsibility (CSR) is the latest issue that must be observed by business people in carrying out their business processes from raw materials to the end consumers who have implemented CSR properly. And, the company must promote superior products that its produces are environmentally friendly and do not damage the environment. Investors will see the technical and fundamental analyses of the company whether they have implemented regulations and government policies in producing their products, and then buy shares from the company because they have confidence that companies that implement CSR will increase the company's value and have a good brand image so that the market responds positively. As well as the roles of government and society as regulators of laws, and the public who observe the implementation of CSR must be responsive and must inform if there are violations committed by business practitioners against CSR. Based on the analysis by the author, it turns out that CSR has no effect on company's value as measured by the price-to-book value (PBV). CSR implemented based on the GRI G4 is still below 50% of the 79 items that must be disclosed in the financial statements, which means that the company has not fully implemented CSR based on GRI G4 in its business processes, which obtained an average of 41.45%; but there are those who have applied it close to 100%, namely, PT Timah (Pesero) Tbk with an average CSR of 89.62%. But the PBV is low at 1.55. In contrast, PT Unilever Indonesia CSR is at an average of 41.43% but the PBV is 46.09, meaning that in this study CSR has no effect on firm value. CSR is implemented by companies not because of the awareness of the company or its responsibilities but only because of regulations issued by the government in order to complete and manage permits obtained easily.

**Keywords:** CSR, company value, Sri Kehati Index, PBV, GRI

## 1. Introduction

Every company in the business process will interact with the social environment. As a result of this interaction requires reciprocity between the company and the social environment that has implications for the emergence of social impacts on the company's operations on the environment around the company. As long as

the company uses existing human and community resources, the company has the responsibility to return it as profit to the community [1].

A good company not only seeks economic benefits but also has a concern for environmental sustainability and public welfare. So, now it is known as a company whose products are environmentally friendly, which is not polluting the natural environment by the products it produced. Then a concept called corporate social responsibility (CSR).

In addition, consumers are now thinking rationally about buying products and services that are environmentally friendly because they have felt a very terrible impact due to environmental damage, namely, ecosystems and irregular seasonal cycles. Because the disturbed ecosystem, which is one of these cycles, has been damaged, there are undesirable environmental impacts such as floods, landslides, river and groundwater and air pollution. Damaged natural resources require a lot of costs that must be sacrificed to return it to its original state.

With the change in consumer behavior mentioned above, manufacturing companies are oriented to consumer needs, that is, they expect products produced by producers to have a low environmental impact. So the manufacturer must inform that the products produced are environmentally friendly and do not have a global effect on the environment both around the factory and on the environment outside the factory, with the use of these products by consumers.

To overcome the above matter, it is not only handled by manufacturers and consumers but the government has also participated in issuing regulations and very strict rules so that the natural damage does not become severe.

The relationship between the four entities related to CSR is shown in **Figure 1**.

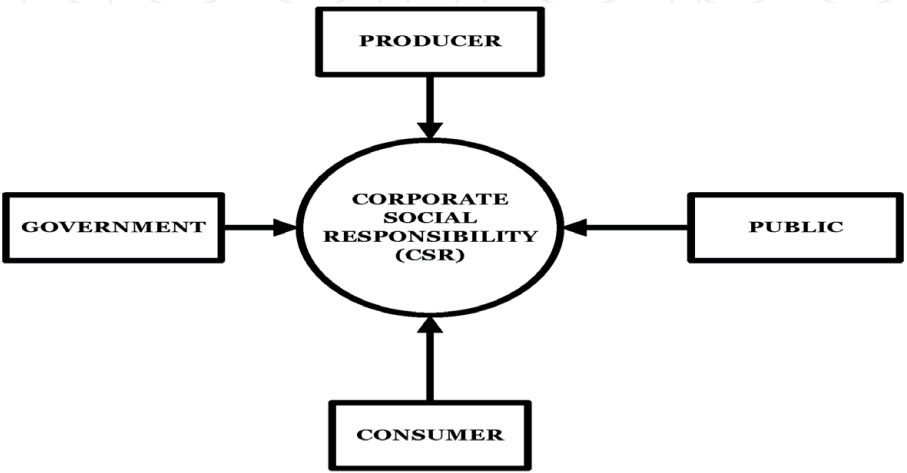
The four entities have an interest in CSR, therefore each has a mutually supportive role so that CSR can work well and the natural environment is maintained.

Government makes rules and legal products that must be obeyed by producers, for example, in the form of environmental impact assessments and regulations related to environmentally friendly production processes.

Producers make environmentally friendly products that do not pollute the land, water, and air and they obey the rules issued by the government.

The public observes the impact of deviations that occur because producers who do not obey laws and regulations and become partners of these producers in improving living standards and having a healthy environment.

Consumers will buy products produced by producers if they have little influence on environmental pollution and become partners with producers. The impact for



**Figure 1.**  
*Entities related to CSR.*

the company is the level of sales increases and profits increases so that the company's value increases from the investor's perspective.

Based on the description above, the researcher wants to find out whether the implementation of corporate social responsibility will increase the value of companies listed on the Sustainable and Responsible Investment (SRI) Kehati Index Indonesia.

## 2. Understanding corporate social responsibility (CSR)

The concept of CSR was first put forward by Howard R. Bowen (1953) based on philanthropic activities. This concept has long been abandoned because now the company views CSR as one of the company's strategies to improve the company's image which will also affect the company's finances.

Achmad [2] explained that CSR was born from the public's insistence on corporate behavior, which is usually always focused on maximizing profits, the welfare of shareholders, and ignoring social responsibilities such as environmental destruction, exploitation of natural resources, and so on. In essence, the existence of the company stands opposite to the reality of social life. Current CSR concepts and practices are no longer seen as a cost center but also as a corporate strategy that can spur and stabilize long-term business growth.

It is therefore important to disclose CSR in financial statements as a form of social responsibility reports to the public.

The definition of CSR was raised by the World Business Council in Sustainable Development "Corporate Social Responsibility, the continuing commitment by business to be ethical and on attribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large."

According to Edi Suharto [3], CSR emphasizes more on efforts to balance corporate and environmental and social goals, where CSR is defined as: "a way by which companies strive to strike a balance between economic, environmental and social objectives of the community, while continuing to respond the expectations of shareholders and stakeholders."

International Standards Organization (ISO) 26000 [4] Guidance on Social Responsibility formulates CSR definitions and guidelines, which have become international standard guidelines, as follows:

*"Corporate Social Responsibility is the responsibility of the organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that contributes to sustainable development, including health and welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior; and is integrated throughout the organization and practiced its relationship."*

CSR disclosure standards developed in Indonesia are referring to the Global Reporting Initiative (GRI) standard because they are more focused on disclosure standards on various performances: economic, social, and corporate environments with the aim of improving the quality and utilization of sustainability reports.

GRI is an organization-based network that has pioneered world development, uses the most sustainable reporting frameworks, and is committed to continuous improvement and implementation throughout the world ([www.globalreporting.org](http://www.globalreporting.org)) [5]. The focus of GRI disclosures consists of three disclosures, namely:

2.1 Economy

The economic dimension concerning organizational sustainability has an impact on economic conditions and stakeholders and the economic system at the local, national, and global levels, and the indicators illustrate:

- a. Capital flows among various stakeholders
- b. The main economic impact of the whole community organization

Financial performance is fundamental to understanding the organization and its sustainability. However, this information is usually already reported in the financial statements.

2.2 Environment

The environmental dimension concerns the sustainability of an organization’s impact on life, within natural systems, including ecosystems, soil, air, and water. Environmental performance indicators are related to inputs (materials, energy, and water) and outputs (emissions/gas, river waste, and dry waste/garbage). In addition, their performance includes performance related to biodiversity, environmental compliance, and other relevant information such as environmental waste and the impact of products and services.

2.3 Social

The social dimension concerns the sustainability of an organization that has had an impact on the social system that operates. The social performance indicator GRI (Global Reporting Initiative) is an organization-based network that has spearheaded the development of the world, identifying key aspects of performance which include labor/labor practices, human rights, community/social, and product responsibility.

CSR activities in GRI are stated in the Corporate Social Responsibility Index (CSRI). CSRI will be assessed by comparing the number of disclosures made by the company with the number of disclosures required in the GRI, which includes 79 items of disclosure in the form of: economic, environment, labor practices, human rights, society, and product responsibility.

CSRI Index (CSRI) calculation is formulated as follows:

$$CSRI_t = \frac{\text{Amount disclosed}}{79} \times 100\% \tag{1}$$

3. Legal foundation for corporate social responsibility (CSR) in Indonesia

The implementation or practice of CSR can be seen from several angles, one of which is the civil law raised by Elly Erawaty [6], which states there are some crucial things that need to be observed and must be based on strong laws, so it needs to be considered regarding the following matters:



1. Law Number 40 of 2007 concerning Limited Liability Companies and related to the social and environmental responsibility Article 74 paragraph (4), namely: (a) limitations or scope of the company that is required to implement CSR, (b) synchronization and harmonization of laws and regulations that regulate the substance of CSR, (c) legal sanctions for companies that do not implement CSR, and (d) the relationship between CSR with Partnership Programs and special environmental development for state-owned companies.
2. The meaning of CSR is the company's commitment to participate in sustainable economic development in order to improve the quality of life and the environment that is beneficial, both for the company itself, the local community, and society in general.
3. The company is responsible for guaranteeing that its operational activities are able to produce goods and/or services economically, efficiently, and competitively for customer satisfaction in addition to profit.
4. In principle, CSR aims to make companies able to contribute to the progress or improvement of the welfare of the local community.

Based on the description above, CSR is able to create a brand image for companies in the midst of a competitive market so as to create customer loyalty and build and maintain the business reputation.

CSR can help companies to get a license to operate from the government because the company is considered to have met certain standards and has social care.

Indonesian government regulations on CSR:

Regulations for sustainability reporting in Indonesia were adopted from the PWC publicizing paper [7] which states:

1. Regulation No. KEP-431/BL/2012 on annual reporting for public listed companies to disclose CSR including policies, types of programs, and expenditure on: environmental performance, labor practices, social and community empowerment, and product responsibility.
2. Government regulation No. 47/2012 stating that companies' annual reports will contain social and environmental responsibilities.

Starting in 2013, companies that have gone public must make a sustainability report referring to "G4" published by GRI, namely:

G4 places the concept of materiality at the heart of sustainability. The framework sets out the principles and indicators that organizations can use to measure and report on their economic, environmental, and social performance, focusing on the concept of "materiality."

Understanding GRI's guidelines will help you to create communications that convey your organization's sustainability efforts effectively and to an international standard as well as to allow comparability across companies. GRI provides a 2-year transition period where the GRI reports are issued after December 31, 2015 and must follow G4 guidelines.

Until now, there are only four legal regulations that require companies to carry out CSR as well as one international guide on sustainability in Indonesia, namely:

1. For state-owned enterprises (BUMN)
2. BUMN Ministry Regulation No. 05/MBU/2007 must implement: (a) the Partnership Program and (b) environmental development.
  - a. The Partnership Program is a program to improve the ability of small businesses to become resilient and independent through the use of funds from the BUMN profit share.
  - b. The Community Development Program is a program to empower the social conditions of the community by SOEs through the utilization of funds from the profit share of SOEs, including assistance for victims of natural disasters; assistance in education and/or training, improving health, developing infrastructure, and/or public facilities and religious facilities; and support for nature conservation.
3. For Limited Liability Companies (PT) that manage Natural Resources (NR): Regulated in Law No. 40 of 2007, Article 47: (1) A company which carries out business activities in the field and/or related to natural resources is required to carry out social and environmental responsibility (CSR); (2) social and environmental responsibility as referred to in paragraph (1) is an obligation to companies, which is budgeted and calculated as the cost of the company, whose implementation is carried out with due regard to propriety and fairness; (3) companies that do not carry out the obligations referred to in paragraph (1) are subject to sanctions in accordance with statutory provisions; and (4) further provisions regarding social and environmental responsibility are regulated by the government regulations.
4. Foreign investment is regulated in Law Number 25 Year 2007 concerning Investment; in Article 15 (b), it is stated that: “every investment is obliged to carry out corporate social responsibility.” Sanctions against business entities or individuals who violate regulations are regulated in Article 34, namely, in the form of administrative sanctions and other sanctions, including: (a) written warning, (b) restrictions on business activities, (c) freezing of business activities and/or investment facilities, and (d) revocation of business activities and/or investment facilities.
5. For oil and gas management companies, related to Law No. 22 of 2001, concerning Oil and Gas, Article 13 paragraph 3 (p) states that: “the cooperation contract as referred to in paragraph (1) must contain at least few basic provisions, namely: (p) development of the surrounding community and guarantee of the rights of indigenous peoples.”
6. ISO 26000 [4] is an international standard in the field of corporate social responsibility based on the understanding that CSR is very important for business sustainability. ISO focuses on: organizational governance, Human Rights (HR), employment, the environment, fair operating, consumer issues, and community development. ISO publishes practice guidelines and broadens public understanding of CSR.

International Standard Organization (ISO) 26000 Guidance on Social Responsibility definition is as follows:

*“Corporate social responsibility is a responsibility of the organization for the impact of its decisions and activities on society and the environment, through*

*transparent and ethical behavior that contributes to sustainable development, including health and welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with internal norms of behavior; and is integrated through the organization and practiced in its relationship.”*

4. Company’s value

Brigham and Erdhardt [8] provide an understanding of the company’s value as follows: “Corporate value which is the present value of expected free cash flow, discounted at weighted average cost of capital,” and Gitman [9] provides an understanding of the company’s value more to the actual value per share of common stock as follows: “The actual amount per share of common stock that would be received if all the firm’s assets were sold for the market value.”

Suad and Enny [10] explained that “the value of the company is the price that is willing to be paid by the buyer if the company is sold. For companies going public is reflected in the company’s stock price.”

Company’s value is the perception of investors to increase the prosperity of owners and shareholders as reflected in the share price (Brigham and Houston) [8]. But according to Weston and Copelan [11], the value of a company is measured through the price-to-book value.

Price-to-book value (PBV) is the comparison between the price of a share and the net book value per share expressed in the number of times between the price of a share and the value of a share according to accounting; the formula used is:

$$\text{Price to book value} = \frac{\text{Stock price}}{\text{Book value stock}} \tag{2}$$

$$\text{Book value stock} = \frac{\text{Assets} - \text{liabilities}}{\text{Outstanding stock}} \tag{3}$$

In this study, researchers used price-to-book value in measuring company’s value.

5. The influence of corporate social responsibility on company’s value

Corporate social responsibility is disclosed in an annual report called sustainability reporting. The aim is to increase the value of the company. The value of the company will grow sustainably if the company pays attention to the economic, social, and environmental dimensions contained in CSR. Research conducted by Clacher and Hagendorff [12] states that companies with poor environmental performance will reduce the value of shareholder wealth.

Brine and Hacke [13] said corporate social responsibility contributes to financial performance. This is because, in making decisions, we must consider various social and environmental issues. If the company wants to maximize long-term financial results that can increase the value of the company. Also, as stated by Friedmen in Lako [14], the company believes it will generate maximum profits by including CSR as its business strategy.



6. Sri Kehati Index

On June 8, 2009, the KEHATI Foundation in collaboration with PT Indonesia Stock Exchange launched the Sustainable and Responsible Investment (SRI) - KEHATI (Indonesian Biodiversity Foundation) launched an index that refers to the procedures of the Sustainable and Responsible Investment (SRI) under the name SRI KEHATI Index.

The base year used as the index starting year, with a base of 100, was launched in December 30, 2006, and was published by the IDX as the SRI KEHATI Index, which stood at 116,946 [15]. It is hoped that with the launch of the SRI KEHATI index, the public will be aware of the existence of an index that illustrates companies that are economically profitable while paying attention to environmental sustainability.

The purpose of the establishment of this index is to provide information to the public at large about the characteristics of selected companies in the SRI KEHATI Index, which is considered to have various forms of consideration in its efforts relating to environmental concerns, corporate governance, community involvement, human resources, human rights, and business conduct with business ethics that is accepted at the international level.

The KEHATI Foundation establishes 25 selected companies that are considered to be able to meet the criteria in the SRI KEHATI Index so that they can become guidelines for investors. The existence of selected companies will be evaluated every two periods in a year, namely, in April and October, and after being chosen, the names of 25 company constituents will be published by the IDX, which can be seen at [www.idx.co.id](http://www.idx.co.id) [16].

The mechanism for selecting companies to enter the SRI KEHATI Index is carried out through two stages, namely, the first stage, which is the initial screening of negative selection and the financial aspect, and then the second stage, which is the fundamental aspect. The first stage of this initial screening is to ensure that the companies that are assessed as fulfilling the assessment requirements satisfy the selection stage, as shown in **Figure 2**.

The assessment is done through a review of secondary data, by filling out questionnaires by companies that have gone through the selection stages above, and from other relevant data. From the results of the review, 25 (twenty five) companies with the highest value were included in the SRI KEHATI Index. It is one of the indices that are indicators of stock price movements on the Indonesia Stock Exchange (BEI), and it can be a benchmark for investors or investment managers in determining which public companies have good performance in carrying out their business

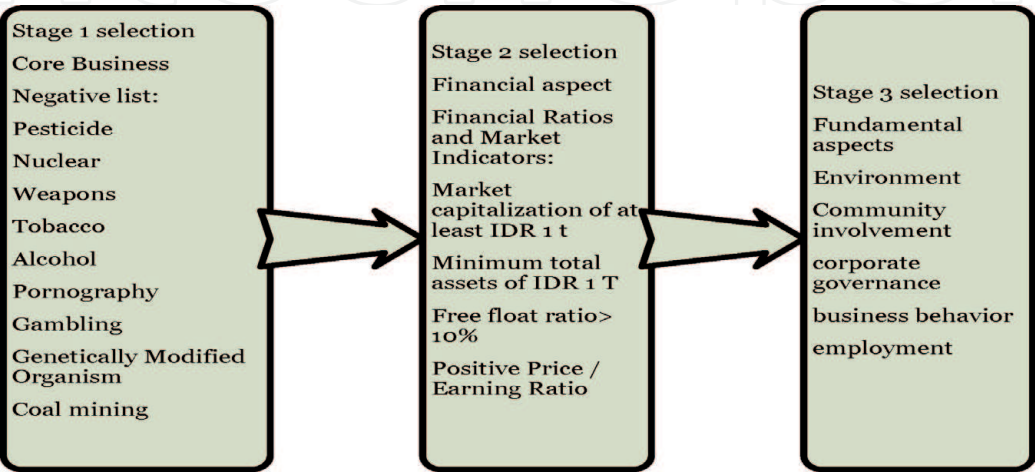
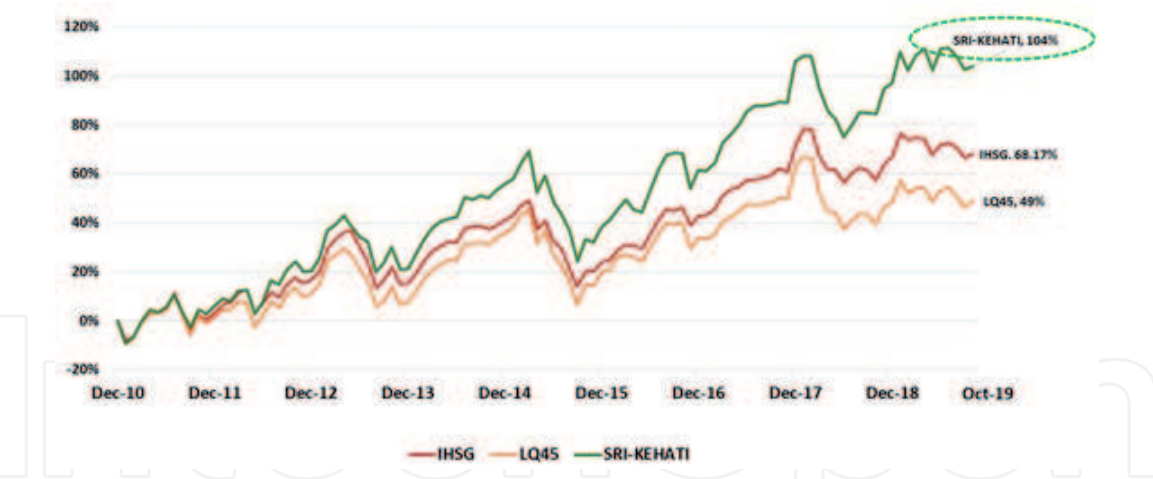


Figure 2.  
Selection stage to enter SRI KEHATI Index.



**Figure 3.**  
Growth of the SRI KEHATI Index. Source: <https://www.srikehati.or.id>.

in terms of financial, social, and environmental management in a sustainable manner [15].

The SRI KEHATI index is the first green investment index in ASEAN and the second in Asia based on Exchange and Sustainable Investment data ([www.world-exchange.or](http://www.world-exchange.or)) [17]. This index is included in the category of Socially Responsible Investing (SRI) or ethical investing, which is an investment strategy that considers both financial and social benefits that bring change. The growth of the SRI Kehati Index can be seen in **Figure 3**.

Several types of indexes included in the SRI index category include.

So, the SRI-Kehati Index is an index that measures the stock performance of 25 companies that have good performance in encouraging sustainable businesses as well as having an awareness of the environment, social, and good corporate governance or the so-called Sustainable and Responsible Investment (SRI). In addition, there are other indices such as the LQ45 index and the Composite Stock Price Index (IHSG) and JCI (Jakarta Composite Index). This indicates that there is a positive response from investors who are willing to pay a premium price from the shares of listed companies with the category, Sustainable and Responsible. There are six indicators used as a basis for assessment, including: (1) environmental awareness, (2) community development, (3) good governance, (4) business behavior, (5) labor practices, and (6) human rights. As of April 2017, there were 25 listed companies as shown in **Table 1**.

No.	Index name	Number of members (constituents)
1	Dow Jones Sustainability World Index	340 constituents
2	Ethical Europe Equity Index	30 constituents
3	FTSE4 Good Global Index	883 constituents
4	MSCI World SRI Index	401 constituents
5	SRI KEHATI Index	25 constituents
6	Shanghai Stock Exchange (SSE) Social Responsibility Index	100 constituents
7	S & P ESG India Index	50 constituents

Source: <https://www.kehati.or.id>, accessed date: September 14, 2017 [15].

**Table 1.**  
Indexes in SRI.

7. Discussion

In this study, we examined whether corporate social responsibility affects the value of companies listed on the SRI KEHATI Index from 2012 to 2016 (**Table 2**).

The study began by reviewing secondary data for companies listed on the SRI Kehati Index since its inception in 2009 up to 2016; there were 39 companies selected, namely, companies that were consistently in the index, and 18 companies remained in the SRI Kehati Index. So, the number of observations is 18 companies with the period from 2012 to 2016, as shown in **Table 3**.

The corporate social responsibility (CSR) variable is a variable that shows information related to corporate responsibility activities presented in the annual financial statements. Processed according to the standard Global Reporting Initiative (GRI), descriptive statistics are presented as follows:

Based on **Table 4**, the average CSR variable of the companies listed on the SRI KEHATI Index for the period from 2012 to 2016 was 41.45, with a standard deviation of 12.64 or 41.45%, which is still considered small because it is still below 50% of the indicators contained in CSRI GRI. The highest value of 93.67 in the company PT Timah (Persero) Tbk is almost close to 100%, meaning that 17 companies registered in the SRI KEHATI Index have not fully implemented the CSRI that is applied based on GRI G4. The lowest value of 26.58 was for PT PP London Sumatra Indonesia Tbk in 2012. The average value of CSR from 2012 to 2016 fluctuated and this indicates the unstable CSR value generated by issuers

1	AALI	PT Astra Argo Lestari Tbk	14	KLBF	PT Kalbe Farma Indonesia Tbk
2	ADHI	PT Adhi Karya (Persero) Tbk	15	LSIP	PT PP London Sumatera Indonesia Tbk
3	ASII	PT Astra International Tbk	16	PGAS	PT Perusahaan Gas Negara (Persero) Tbk
4	BBCA	PT Bank Central Asia Tbk	17	PJAA	PT Pembangunan Jaya Ancol Tbk
5	BBNI	PT Bank Negara Indonesia (Persero) Tbk	18	SMGR	PT Semen Indonesia (Persero) Tbk
6	BBRI	PT Bank Rakyat Indonesia (Persero) Tbk	19	TINS	PT Timah (Persero) Tbk
7	BDMN	PT Bank Danamon Indonesia	20	TLKM	PT Telekomunikasi Indonesia (Persero) Tbk
8	BMRI	PT Bank Mandiri (Persero) Tbk	21	UNTR	PT United Tractor Tbk
9	BSDE	PT Bumi Serpong Damai Tbk	22	UNVR	PT Unilever Indonesia Tbk
10	GIAA	PT Garuda Indonesia (Persero) Tbk	23	WSKT	PT Waskita karya (Persero) Tbk
11	INDF	PT Indofood Sukses Makmur Tbk	24	WIKA	PT Wijaya Karya (Persero) Tbk
12	JPFA	PT Japfa Comfeed Indonesia Tbk	25	WTON	PT Wijaya Karya Beton Tbk
13	JSMR	PT Jasa Marga (Persero) Tbk			

Source: <https://www.kehati.or.id>, accessed date: September 14, 2017 [15].

**Table 2.**  
*Companies included in the SRI KEHATI Index per 2017.*

No.	Code	Name issuer	Sector	Subsector
1	AALI	Astra Agro Lestari, Tbk	Agriculture	Agriculture
2	ADHI	Adhi Karya (Persero) Tbk	Property, real estate, and building construction	Building construction
3	ASII	Astra International, Tbk	Various industries	Automotive industries and their components
4	BBCA	Bank Central Asia, TBK	Finance	Bank
5	BBNI	Bank Negara Indonesia, Tbk	Finance	Bank
6	BBRI	Bank Rakyat Indonesia, Tbk	Finance	Bank
7	BDMN	Bank Danamon Indonesia, Tbk	Finance	Bank
8	BMRI	Bank Mandiri (Persero), Tbk	Finance	Bank
9	INDF	Indofood Sukses Makmur, Tbk	Consumers industry	Foods and beverage
10	JSMR	Jasa Marga (Pesero), Tbk	Infrastructure, utilities, and transportation	Toll roads, port, and airports
11	KLBF	Kalbe Farma, Tbk	Consumption goods	Pharmaceutical
12	LSIP	PP London Sumatera Indonesia, Tbk	Agriculture	Agriculture
13	PGAS	Perusahaan Gas Negara (Pesero), Tbk	Infrastructure, utilities, and transportation	Energy
14	SMGR	Semen Gresik (Persero), Tbk	The basic industry and chemical	Cement
15	TLKM	Telekomunikasi Indonesia, Tbk	Consumer goods industry	Telecommunication
16	TINS	Timah (Pesero), Tbk	Mining	Metal and mineral mining
17	UNTR	United Tractors, Tbk	Trade, service, and investment	Production and consumer goods
18	UNVR	Unilever Indonesia, Tbk	Industry of Cosmetics	Consumption goods and household goods

Source: SRI KEHATI, 2012–2016 (processed).

**Table 3.**  
SRI KEHATI Index issuers’ data which continue to be in the Index continuously from 2012 to 2016.

registered in the SRI KEHATI Index from year to year; this can be seen in the graph in **Figure 4**.

The value of the company in this study was calculated using price-to-book value (PBV) which measures the value given by the financial market to the management and organization of the company as an entity that continues to grow, and the data shown in **Figure 5** were obtained.

Based on **Table 5**, the average value of the price-to-book value of companies listed on the SRI KEHATI Index from 2012 to 2016 was 2.64 with a standard deviation of 1.61; and an analysis based on the year that obtained the highest PBV was 58.48 for PT Unilever Indonesia Tbk in 2016, while the lowest PBV was found for PT Timah (Pesero) Tbk in 2015. The average PBV value of companies listed on the SRI



No.	Code	2012	2013	2014	2015	2016	Average	Maximum	Minimum	Std. dev
1	AALI	27.85	37.97	37.97	37.97	37.97	35.95	37.97	27.85	4.53
2	ADHI	32.91	34.18	34.18	32.91	34.18	33.67	34.18	32.91	0.70
3	ASII	43.04	43.04	43.04	44.30	45.57	43.80	45.57	43.04	1.13
4	BBCA	31.65	40.51	43.04	40.51	41.77	39.50	43.04	31.65	4.51
5	BBNI	29.11	31.65	30.37	34.18	36.71	32.40	36.71	29.11	3.05
6	BBRI	32.91	34.18	36.71	37.97	36.71	35.70	37.97	32.91	2.08
7	BDMN	30.38	37.97	37.97	37.97	37.97	36.45	37.97	30.38	3.39
8	BMRI	32.91	35.44	39.24	39.24	39.24	37.21	39.24	32.91	2.91
9	INDF	31.65	39.24	39.24	37.97	37.97	37.21	39.24	31.65	3.17
10	JSMR	43.04	45.57	45.57	44.30	37.97	43.29	45.57	37.97	3.15
11	KLBF	35.44	35.44	35.44	35.44	36.71	35.69	36.71	35.44	0.57
12	LSIP	26.58	34.18	31.65	31.65	36.71	32.15	36.71	26.58	3.76
13	PGAS	53.16	46.84	46.84	50.63	50.63	49.62	53.16	46.84	2.74
14	SMGR	46.84	45.57	46.84	46.84	37.97	44.81	46.84	37.97	3.86
15	TINS	92.41	93.67	93.67	83.54	84.81	89.62	93.67	83.54	5.02
16	TLKM	40.51	36.71	36.71	35.44	29.11	35.70	40.51	29.11	4.14
17	UNTR	44.30	40.51	40.51	41.77	41.77	41.77	44.30	40.51	1.55
18	UNVR	39.24	39.24	39.24	45.57	44.30	41.52	45.57	39.24	3.15
	Average	39.66	41.77	42.12	42.12	41.56	41.45	93.67	26.58	12.94
	Max	92.41	93.67	93.67	83.54	84.81				
	Min	26.58	31.65	30.37	31.65	29.11				
	Std. dev	15.05	13.67	13.70	11.53	11.76				

Source: annual report of company (processed).

**Table 4.**  
Statistic description of corporate social responsibility listed on SRI KEHATI Index, year 2012–2016.

KEHATI Index from 2012 to 2016 fluctuated but did not soar so far that it can be said that PBV is stable, ranging from 4.61 to 5.57, which is indicated in the graph in **Figure 5**.

Based on the description above, it can be seen how the relationship between CSR and PBV can be analyzed, as follows:

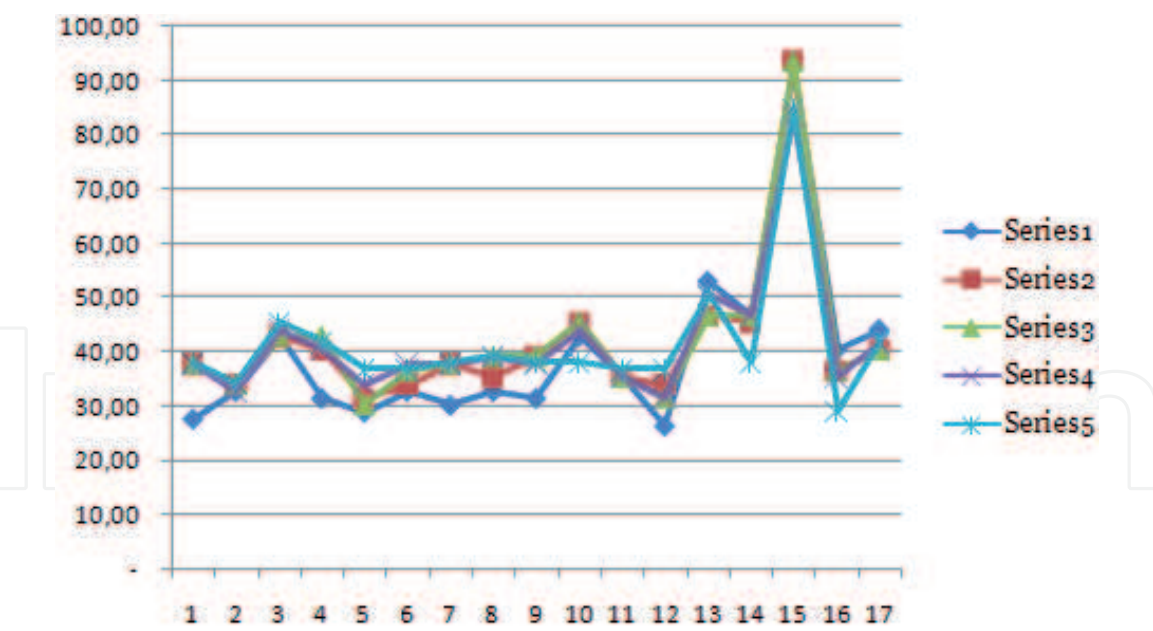
PT Timah (Pesero) Tbk implements CSR almost near perfect which is an average of 89.62%, but its PBV value does not show a good development of an average of 1.55. This means that investors still think that investing in the mining sector has a high risk. But, on the contrary, PT Unilever Indonesia Tbk has a low CSR that is 41.77%, but its PBV value is 49.09, meaning investors prefer stocks with low risk because PT Unilever Indonesia products are already known by the public. Whereas, for other companies, it can be said to be balanced between the value of CSR and PBV.

Hypothesis examiner:

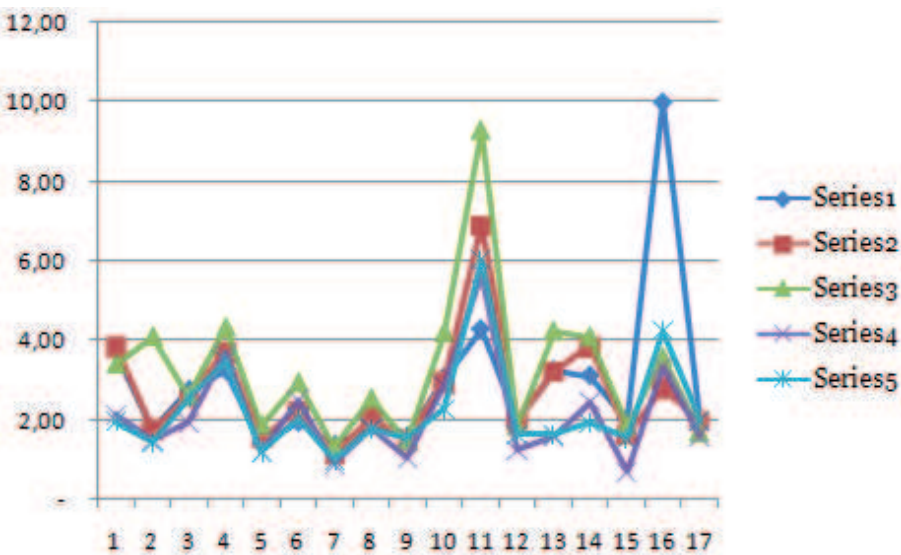
Based on the draft hypothesis stated above whether corporate social responsibility affects the value of companies listed on the SRI KEHATI Index from 2012 to 2016 by using the SPSS obtained as follows (**Tables 6–8**):

Simple linear regression analysis:





**Figure 4.**  
*Graph of issuers' CSR that was registered at SRI KEHATI Index in 2012–2016.*



**Figure 5.**  
*PBV chart of companies listed on the SRI Kehati Index.*

From the research model, the regression equation is obtained as follows:

$$Y = 41,512 - 0.014X + e \tag{4}$$

or

$$\text{Company's value} = 41,512 - 0.014 \text{ CSR} + e \tag{5}$$

Based on the above output, a significance value of 0.918 is known to be greater than 0.005, so it can be concluded that H0 is accepted and Ha is rejected, which means CSR (X) has no effect on PBV (Y).

No.	Code	2012	2013	2014	2015	2016	Average	Maximum	Minimum	Std. dev
1	AALI	3.72	3.85	3.41	2.13	1.95	3.01	3.85	1.95	0.90
2	ADHI	1.75	1.76	4.10	1.48	1.43	2.10	4.10	1.43	1.13
3	ASII	2.76	2.59	2.60	1.92	2.54	2.48	2.76	1.92	0.32
4	BBCA	3.25	3.70	4.33	3.66	3.49	3.69	4.33	3.25	0.40
5	BBNI	1.41	1.54	1.86	1.19	1.19	1.44	1.86	1.19	0.28
6	BBRI	1.94	2.25	2.94	2.49	2.04	2.33	2.94	1.94	0.40
7	BDMN	1.37	1.15	1.31	0.90	0.98	1.14	1.37	0.90	0.20
8	BMR3	1.83	2.06	2.54	1.81	1.77	2.00	2.54	1.77	0.32
9	INDF	1.59	1.51	1.45	1.05	1.55	1.43	1.59	1.05	0.22
10	JSMR	3.06	2.96	4.20	2.87	2.26	3.07	4.20	2.26	0.70
11	KLBF	4.29	6.89	9.30	5.66	6.01	6.43	9.30	4.29	1.86
12	LSIP	1.99	1.99	1.84	1.23	1.61	1.73	1.99	1.23	0.32
13	PGAS	3.25	3.24	4.24	1.60	1.62	2.79	4.24	1.60	1.15
14	SMCR	3.12	3.85	4.09	2.46	1.91	3.09	4.09	1.91	0.92
15	TINS	2.01	1.65	1.85	0.70	1.52	1.55	2.01	0.70	0.51
16	TLKM	10.01	2.80	3.57	3.35	4.23	4.79	10.01	2.80	2.96
17	UNTR	1.92	1.99	1.68	1.61	1.97	1.83	1.99	1.61	0.18
18	UNVR	33.65	46.63	45.03	58.48	46.67	46.09	58.48	33.65	8.80
Average		4.61	5.13	5.57	5.26	4.71	2.64	10.01	0.70	1.61
Maximum		33.65	46.63	45.03	58.48	46.67				
Minimum		1.37	1.15	1.31	0.70	0.98				
Std. dev		7.51	10.44	10.02	13.34	10.54				

Source: annual report of company (processed).

Table 5.  
Statistic description of price-to-book value listed on Sri Kehati Index, year 2012–2016.

Model	R	R square	Adjusted R square	Std. error of the estimate
1	0.011 <sup>a</sup>	0.000	−0.011	13.01552
<sup>a</sup> Predictors: (constant), PBV. CSR influences PBV by 0.00%.				

Table 6.  
Model summary.

Model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	1.807	1	1.807	0.011	0.918 <sup>b</sup>
	Residual	14,907.531	88	169.404		
	Total	14,909.338	89			

<sup>a</sup>Dependent variable: CSR.

<sup>b</sup>Predictors: (constant) PBV.

CSR has no influences on PBV, and it can be shown the significance value 0.918.

Table 7.  
ANOVA.<sup>a</sup>

Model		Unstandardized coefficients		Standardized coefficients	t	Sig.
		B	Std. error	Beta		
1	Constant	41.512	1.534		27.064	0.000
	PBV	−0.014	0.137	−0.011	−0.103	0.918

<sup>a</sup>Dependent variable: CSR.

**Table 8.**  
Coefficients.<sup>a</sup>

Then it is obtained that the value of the company measured by price-to-book value is not influenced by corporate social responsibility and shows a negative sign, meaning the greater the CSR, the lower the company's value will be.

This is contrary to what has been found in the background of the research that CSR will affect the value of the company, which is not proven in Indonesia. Because investors still think profit taking is not based on the impact of the products produced affecting the environment.

8. Conclusion

Based on the discussion, it can be concluded as follows:

1. Corporate social responsibility is not yet a focus for companies to raise the value of the company; it is just to meet the obligations set and determined by the government.
2. The government must be firm and implement the law clearly and clear legal sanctions so that companies comply with the CSR that has been determined by the government.
3. Government officials must conduct strict supervision of companies that have severe environmental damage impacts.
4. The government must always socialize about CSR programs that have been made to be complied with and implemented by companies.
5. Conduct certification for government officials who have expertise in assessing environmental impacts and provide certificates to companies that have implemented sustainable natural environment sustainability.
6. The application of CSR has not been fully adapted by the company because the descriptive analysis has only reached below 50%, therefore there must be strict supervision of actions for companies that have not implemented CSR.

9. Suggestion

1. Government officials must strictly supervise companies in implementing CSR based on clear operating standards.
2. Companies that violate CSR must be announced in the mass media so that the public knows that the company pollutes the environment.

3. The community must be involved in implementing CSR so that a good relationship exists between the company and the community.
4. Investors in investing in shares must also pay attention to whether the company has implemented CSR properly before making the decision to buy the company's shares so that the company realizes that consumers want environmentally friendly products.

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