

# The Impact of Corporate Social Responsibility Disclosure on the Share Price of Mining Companies

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## ABSTRACT

The aim of this research is to examine the impact of Corporate Social Responsibility Disclosure, Independent Commissioners, and Independent Audit Committees on stock prices. The study focuses on mining companies that were listed on the Indonesia Stock Exchange between 2020 and 2022. A purposive sampling method was employed to select the sample. For data analysis, multiple linear regression analysis, t-tests, and descriptive analysis were utilized. According to the findings of the research, 1. The disclosure of Corporate Social Responsibility related to CSR-Economics demonstrates a positive but non-significant effect on stock prices. 2. The CSR-Environment aspect within Corporate Social Responsibility disclosures shows a significant positive impact on stock prices. 3. The CSR-Social component in the disclosure of Corporate Social Responsibility also has a significant positive influence on stock prices. 4. The presence of Independent Commissioners has a positive but non-significant effect on stock prices. 5. The Independent Audit Committee significantly positively influences stock prices.

## KEYWORDS

Stock Price, CSR-Economy, CSR-Environment, CSR-Social Independent Commissioner, and Independent Audit Committee

## 1. INTRODUCTION

CSR serves as a standard for a company's commitment to social responsibility within its surrounding community, encompassing CSR-Economy, CSR-Environment, and CSR-Social. This is particularly relevant for mining firms, whose primary operations involve the direct extraction of natural resources such as coal, oil and gas, metals and minerals, and rocks. Since these natural resources cannot be preserved in the short term, it is essential to implement gradual improvements that allow the company to sustain its operations while also attracting investors and increasing its stock value.

Corporate Social Responsibility (CSR) pertains to the reporting of activities concerning corporate social responsibility. The measure of social responsibility disclosure is evaluated using the Corporate Social Responsibility Disclosure Index (CSRDI), which is based on the Global Reporting Initiative (GRI) criteria. This indicator includes three main areas of disclosure: economic, environmental, and social, which serve as the foundation for sustainability reporting. This framework is beneficial for creating various types of documents that necessitate disclosure. The guidelines were formulated through a collaborative process involving global stakeholders, including representatives from businesses, labor, civil society, and financial markets, as well as auditors and specialists from diverse disciplines, alongside extensive discussions with regulators and governmental bodies in several nations. These guidelines have been developed in accordance with internationally recognized reporting documents, which are referenced throughout these guidelines (Sustainability Reporting Guidelines, Version 4.0:5).

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A body that has opinions on accounting matters, financial statements and their justifications, internal control systems, and independent auditors is known as an independent audit committee (FCGI, 2002). The Forum for Corporate Governance in Indonesia (FCGI) states that the Audit Committee is responsible for the following three areas:

1. Financial statements

The audit committee is in charge of making sure that the management's reports accurately depict the state of the company's finances, long-term strategic plans, and obligations.

2. Corporate governance

The audit committee is in charge of conducting effective insight into conflicts of interest and fraud perpetrated by firm workers, as well as making sure that the business has been operated in compliance with existing laws, rules, and ethics.

### 3. Company supervision

In addition to overseeing the supervisory process conducted by internal auditors, the audit committee is in charge of the company's supervisors, including issues that may include risks and internal control systems.

The aim of this research is to gather empirical data on how CSR-Economy, CSR-Environment, CSR-Social, Independent Commissioners, and independent audit committees significantly influence stock prices in a positive way.

## 2. METHODOLOGY

### 2.1 Population

Companies in the mining sector that are listed on the Indonesia Stock Exchange for the 2020–2022 timeframe make up the study's population. The company that publishes the annual report (annual report) of CSR information, the Independent Commissioner, the Independent Audit Committee, and the company's annual report for the period 2020–2022—as well as the fact that the company's annual report contains data pertaining to the research variables—are the sample criteria for the purposive sampling method.

### 2.2 Data Analysis Techniques

Multiple linear regression analysis. The regression equation model in this study is as follows:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + e$$

Statistical test or t test. One independent variabel or explanatory variable's contribution to the explanation of the dependent variable is demonstrated by the statistical t-test, also known as the t-test (Wiratna, 2015).

Coefficient of determination (R<sup>2</sup>). The determination coefficient (R<sup>2</sup>) is used to calculate the percentage of influence of independent variables on dependent variables, according to (Sugiyono, 2011).

Simultaneous test (F test). The F-Statistical test was used to prove that there was an influence between independent variables on dependent variables simultaneously (Wiratna, 2015)

### 2.3 Hypothesis Development

The Influence of CSR-Economics in Stock Prices

The Global Reporting Initiative established economic indicators to help evaluate which economic components should be mentioned in an organization's annual report. According to (Ervinah, 2012), CSR-Economics has a major impact on stock prices. The better the economic indicators are revealed in the company's financial statements, the better the financial performance of the business, which in turn attracts investors.

According to the preceding description, the first hypothesis this study will investigate is:

H1 : CSR-Economics has a significant positive effect on the share price of mining companies listed on the Indonesia Stock Exchange for the period 2020-2022.

### The Influence of CSR-Environment on Stock Prices

The Global Reporting Initiative established environmental indicators to assess the direct or indirect effects of an organization's operational performance on the environment. The more environmental information a company discloses, the more the public will trust it because it

demonstrates that it considers the effects of the exploitation it engages in. Additionally, investors will be more inclined to invest because the company has a positive reputation in the community at large. According to (Florensius, 2016), stock prices and CSR environmental indicators are related.

The second hypothesis that will be investigated in this study is based on the previous description:

H2 : CSR-Environment has a significant positive effect on the share price of mining companies listed on the Indonesia Stock Exchange for the period 2020 – 2022.

### **The Influence of CSR-Social on Stock Prices**

The Global Reporting Initiative established social indicators as a way to learn more about the social structures of the organizations in which the business works. The more a corporation discloses its social metrics, the more it contributes to society and its workforce. It will raise the price of the company's shares in order to entice investors to purchase company stock. According to stock price fluctuations are impacted by CSR-Social disclosures; yet, other research indicates that CSR-Social significantly boosts stock prices (Sobirin, 2017).

The third hypothesis that will be investigated in this study is based on the previous description:

H3 : CSR-Social has a significant positive effect on the share price of mining companies listed on the Indonesia Stock Exchange for the period 2020 – 2022.

### **Independent Commission on Stock Price**

It is anticipated that an independent commissioner will be able to oversee the business efficiently and bring value. Stock prices are significantly improved by independent commissioners (Syafaatul, 2014). The stock price of food and beverage companies is significantly impacted by independent commissioners (Siti, 2017).

H4 : Independent Commissioners have a significant positive effect on the share prices of mining companies listed on the Indonesia Stock Exchange for the period 2020 – 2022.

### **The Influence of the Independent Audit Committee on Stock Prices**

It is anticipated that independence from the audit committee will boost the confidence of current or prospective investors. It is envisaged that this disclosure will raise the company's share price. Ramdiani & Yadnyana (2012) stated that the number of audit committees, which typically come from external parties as proxies of Good Corporate Governance (GCG), affects the bank's stock price. The presence of an independent audit committee also has an impact on the reduction in information asymmetry around the date of the client's announcement. The researcher wishes to test the fifth hypothesis that will be examined in this study, which is as follows:

H5 : The Independent Audit Committee has a significant positive effect on the share prices of mining companies listed on the Indonesia Stock Exchange for the period 2020 – 2022.

### 3. RESULTS AND DISCUSSION

#### 3.1 Description of Research Data

Based on the sampling method, 17 sample companies were obtained, so that within a period of 3 years 51 observation data were obtained which were used as samples in this study.

Table 1. Research Sample 2020-2022

| Description  | Count |
|--|-------|
| 1. Mining companies listed on the IDX for the period of 2020-2022.   | 47    |
| 2. Not disclosing corporate social responsibility information in the company's annual report routinely in 2020-2022. | (13)  |
| 3. The company does not have financial information as a research variable.   | (17)  |
| Total Samples  | 17    |

#### 3.2 Hypothesis Testing

Multiple regression analysis:

$$Y = 502.697 + 9473.815X_1 + 40539.699X_2 + 46909.202X_3 + 10704.187X_4 + 16009.495X_5 + \varepsilon$$

The results if the t-test can be seen from the following table:

Table 2. T-test result

| Variabel | Thitung | Ttabel | Sig   | Result      |
|----------|---------|--------|-------|-------------|
| X1       | 1,337   | 2,019  | 0,188 | H1 Rejected |
| X2       | 3,534   | 2,019  | 0,001 | H2 Accepted |
| X3       | 4,377   | 2,019  | 0,000 | H3 Accepted |
| X4       | 1,690   | 2,019  | 0,098 | H4 Rejected |
| X5       | 2.317   | 2,019  | 0,025 | H5 Accepted |

The results of the analysis of the t test presented in the table can be seen that H1 is rejected, this explaining that stock prices are still affected by elements related to disclosure from the industry, which is in the form of disclosure of industrial financial policies and industrial operational activities. As for H4, it was rejected, this is due to the role of independent commissioners in the industry sector mining is considered less effective because according to investors, with the formation of a commissioner independent is only used for the fulfillment of rules so that it is useful for fulfilling procedures set by the Financial Services Authority.

#### Coefficient of Determination (R<sup>2</sup>)

The results of the determination coefficient (R<sup>2</sup>) test can be seen in the following table:

Table 3. Determination coefficient test result

| R     | R Square | Std Error |
|-------|----------|-----------|
| 0,639 | 0,408    | 4531.192  |

Based on the table above, it can be seen that the R2 value is 0.408. This means that the independent variable can have an influence on the dependent variable by 40.8% and the rest is influenced by other variables of 59.2% which is not included in this research model.

Simultaneous Test (F Test)

The table is  $F(5; 45) = 2.42$  with degrees of freedom  $df_1 = 5$  and  $df_2 = 45$  and a significance level of 5%. When viewed from the perspective of the sig calculation, which is  $0.000 < 0.05$ ,  $H_0$  is accepted. This indicates that the stock price is influenced by CSR-Economy, CSR-Environment, CSR-Social, Independent Commissioners, and the Independent Audit Committee all at the same time. In the calculation, the value of F is obtained  $> F_{table} 6.212 > 2.42$ .

Table 4. Result of F Test

| Model        | Sum of Squares | Df | Mean Square | F     | Sig.              |
|--------------|----------------|----|-------------|-------|-------------------|
| 1 Regression | 6.377E8        | 5  | 1.275E8     | 6.212 | .000 <sup>a</sup> |
| Residual     | 9.239E8        | 45 | 2.053E7     |       |                   |
| Total        | 1.562E9        | 50 |             |       |                   |

a. Predictors: (Constant), Komite Audit Independen, CSR-Sosial, Komisararis Independen, CSR-Ekonomi, CSR-Lingkungan

b. Dependent Variable: Harga Saham

#### 4. CONCLUSION

1. H1 which stated that CSR-Economy had a non-significant positive effect on the stock price, was rejected. This is because there are still few investors who consider the disclosure of CSR-Economics not to be the basis for taking economic decisions.
2. H2 which states that CSR – Environment has a significant positive effect on the stock price, is accepted. This is because investors pay attention to CSR-environmental disclosure as the basis for making investment decisions.
3. H3 stating that CSR-Social has a significant positive effect on the stock price, is accepted. This is because investors consider CSR-Social disclosure as the basis for making investment decisions.
4. H4 which states that the Independent Commissioner has an insignificant positive effect on the share price, is rejected. This investors do not pay attention to the existence of independent commissioners in determining or making decisions to invest.
5. H5 stating that the Independent Audit Committee has a significant positive effect on the share price, is accepted. This is because investors in making investment decisions pay attention to the proportion of independent audit committees.

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