

Conference Proceeding

The 1st International Conference and Call for Papers on
Insuring Sustainable Business Strategy (ISBS)

**Managing Risk for Anticipating the Era of Volatility,
Uncertainty, Complexity, and Ambiguity (VUCA)**

Semarang, Indonesia, 15th November 2018

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PROCEEDING

THE FIRST INSURING SUSTAINABLE BUSINESS STRATEGY (ISBS) 2018

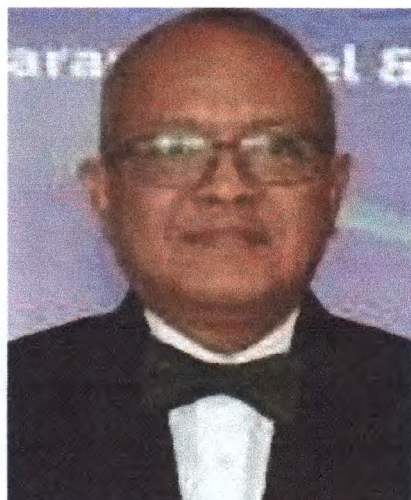
Managing Risk for Anticipating The Era of Volatility, Uncertainty, Complexity and Ambiguity (VUCA)

Semarang, Indonesia

15 - 16 Nopember 2018

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Speech from the Dean Faculty of Economics and Business, Dian Nuswantoro University

Prof. Vincent Didiek Wiet Aryanto, Ph.D
Dean Faculty of Economics and Business
Dian Nuswantoro University, Semarang
Indonesia

Foreword

On behalf of the committee of ISBS 2018 (Insuring Sustainable Business Strategy) international conference at Dian Nuswantoro University in Semarang Indonesia, we would like to express our sincere gratitude to all distinguish Rector of Dian Nuswantoro University, AAMAI president, keynote speakers, all participants and presenters, committee for the contribution to succeed the conference. The first international conference of ISBS 2018 is followed by 350 participants from academicians and professionals from Indonesia, Thailand and Taiwan. This conference is in relation with eight reputable international journals from Scopus Q1 to Q3, four national accredited journals and five SINTA (Indonesian Science and Technology Index) journals. We have been notified that some conference articles have been pre-admitted on the journals.

The sustainability issue has a broad landscape and solutions are required in a variety of areas and mechanism to attain and manage it. The domains scope from environmental sustainability over organizational and business sustainability toward social sustainability. Pertaining the tools of sustainability, the scope from traditional engineering and management methodologies toward mechanism such as knowledge, learning, and creativity. The articles in this proceeding book addresses the entire sustainability problems space in a lesser and greater extent. However, though the dynamic properties come from management, technology, learning, individuals, organizations, community and society, everything is at simultaneously getting effect and cause. We put emphasis on business with the purpose to address primarily the companies and their businesses. Therefore, we entitle this international conference as “insuring sustainable business and strategy”.

Finally, we would like to deeply thank to all parties involved in this international conference such as sponsors, media, etc.

Semarang, November 8, 2018.

Prof. Vincent Didiek Wiet Aryanto, Ph.D
Dean Faculty of Economics and Business Dian Nuswantoro University Semarang Indonesia

CONFERENCE PROGRAM

Venue: International Conference and Call for Paper at. Gumaya Tower Hotel, Semarang, Indonesia

**Workshop on International Publication at. Building H Floor 1st,
Universitas Dian Nuswantoro Semarang, Indonesia**

Day 1, 15 November 2018	
Time	Session
07.30 -08.30	Registration and Morning Coffee Break (E-Gamelan Performance)
08.30 - 09.00	Welcoming Performance of Traditional dance, National Anthem of Indonesia
09.00 – 09.20	Welcome Greetings and Opening Remark: <ul style="list-style-type: none"> • Dr. Nila Tristiarini, CSRA. (Chairman of Organizing Committee) • Dr. Hendrisman Rahim, MA, FSAI, AAIJ, AMRP, CPIE, QIP (Chairman of The Indonesian Insurance Institute -AAMAI) • Prof. Dr. Ir. Edi Noersasongko (Rector of Universitas Dian Nuswantoro)
09.20 - 09.40	Keynote Speech: Ahmad Nasrullah, S.E., MPacc (Director Of Insurance and Social Insurance Administration Organization of Health (BPJS Kesehatan) Supervisory II – Financial Services Authority (OJK)) Token of Appreciation for Keynote Speaker
09.40 – 10.00	Gita Dian Nuswa Choir Performance
10.00 - 12.00	Conference: Session 1 (Moderator: Setyo Prasiyanto Cahyono, SS., M.Pd) <ol style="list-style-type: none"> 1. Prof. Yahn-Shir Chen, Ph.D (National Yunllin University of Science & Technology Taiwan) 2. Dr. Hendrisman Rahim, MA, FSAI, AAIJ, AMRP, CPIE, QIP (Chairman of The Indonesian Insurance Institute -AAMAI) 3. I Wayan Wijana (Deputy Director of Insurance Supervision I – Financial Services Authority (OJK)) Session 2 (Moderator: Juli Ratnawati, S.E., M.Si) <ol style="list-style-type: none"> 1. Evan Lau, Ph.D (University Malaysia Serawak, Malaysia) 2. Prof. Hasan Fauzi, Ph.D, CA., CSRA. (Universitas Sebelas Maret Surakarta, Indonesia) 3. Dr. Nilmanee Sriboon (Thammasat University, Thailand)
12.00 – 12.15	Token of Appreciation for Speakers
12.15 - 13.30	Photo Session & Lunch Break
13.30 – 15.30 15.30 – 16.00 16.00 – 18.00	Academia: (Meeting Room on the 6th floor) Parallel Session 1 Afternoon Coffee Break Parallel Session 2

13.30 - 17.00	Insurance Industry: (Ballroom) Parallel Session 1. Joel Richard Hogart (Reliance Capital Management) 2. Stephen Francis Bowey (Leapfrog Investment) 3. Dr. Robby Loho, APAI, CIIB, AAIK, QIP, ICBU, ICPU, CPIE, AMRP, FMII, ANZIIF (SNR.ASSOC), CIP (Vice Chairman of The Indonesian Insurance Institute-AAMAI) 4. Kevin Tan (The Malaysian Insurance Institute - AMII) Moderator: Drs. Arizal E.R, AAINZ, QPI, AAIK, QIP
17.00 – 18.00	Afternoon Coffee Break & Distributing Certificate
19.00 – 22.00	Gala Dinner

Gala Dinner, 15 November 2018	
19.00 - 19.30	Registration
19.00 - 19.30	Band Performance
19.30 - 19.40	Welcome greeting: Prof. Vincent Didiek Wiet Aryanto, Ph.D, MBA (Dean of Faculty of Economic and Business, Universitas Dian Nuswantoro)
19.40 – 20.00	Speech: Dr. Robby Loho, APAI, CIIB, AAIK, QIP, ICBU, ICPU, CPIE, AMRP, FMII, ANZIIF (SNR.ASSOC), CIP (Vice Chairman of The Indonesian Insurance Institute – AAMAI)
20.00 – 20.15	E-Gamelan & Traditional Dance
20.15 - 20.30	Best Paper Award Announcement (3 best papers)
20.30 - 22.00	Performance/ Entertainment
22.00	Closing

Workshop on International Publication & City Tour

Building H, 1st Floor

Day 2, 16 November 2018	
Time	Session
08.00 -08.30	Registration and Morning Coffee Break
08.30 - 11.30	Workshop: How to Get Published in a Reputable Journal: Top Tips From Editors in Chief (Evan Lau, Ph.D, University Malaysia Serawak, Malaysia)
11.30 - 13.30	Lunch Break
13.30 - 15.00	City Tour : Semarang's batik (Javanese handwritten cloth) heritage (Kampung Batik Semarang)
15.00 - 16.00	Sam Po Kong Temple
16.00 - 17.00	Semarang food Shopping Centre (Bandeng Juwana) at Pamularsi Street
17.00 - 17.30	Lawang Sewu

Session: Corporate Social Responsibility & Green Managemet

Date: 15 November2018

Time: 14.30 –15.20

Room: Sapphire

Chair: Usman, MT (Universitas Dian Nuswantoro)

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CSR: Expenses or Benefits for Corporation

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Abstract

Most companies consider corporate social responsibility (CSR) as a burden that reduces earnings and some other companies consider CSR as an investment that contributes positively to the company in the long run. This study aims to fill the research gap between Corporate Social Responsibility and corporate value. This research was conducted on companies listing in Indonesia Stock Exchange. The data used is panel data in 2012-2014 with purposive sampling method. Data collection used by documentaries and literature. Data were analyzed by path analysis technique. The results show that the higher index of CSR activity disclosure in the company's annual report gives a positive effect on the reputation of the company that will eventually increase the value of the company. The finding of this research is that CSR gives benefit to company value and reputation as CSR mediator to create corporate value.

Keywords: *Corporate Social Responsibility, Reputation, Corporate Value*

CSR: Expenses or Benefits for Corporation

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Abstract

Most companies consider corporate social responsibility (CSR) as a burden that reduces earnings and some other companies consider CSR as an investment that contributes positively to the company in the long run. This study aims to fill the research gap between Corporate Social Responsibility and corporate value. This research was conducted on companies listing in Indonesia Stock Exchange. The data used is panel data in 2012-2014 with purposive sampling method. Data collection used by documentaries and literature. Data were analyzed by path analysis technique. The results show that the higher index of CSR activity disclosure in the company's annual report gives a positive effect on the reputation of the company that will eventually increase the value of the company. The finding of this research is that CSR gives benefit to company value and reputation as CSR mediator to create corporate value.

Keywords: *Corporate Social Responsibility, Reputation, Corporate Value*

I. INTRODUCTION

Reality shows who firms have recently been able to adapt to a changing world not only by developing economically but also socially and ethically. A firm's aim remains based on a development strategy that not only favours its share holders but also responds to all stakeholders involved either directly or indirectly in the production process.

A firm is an open system and to carry out its main aim must be able to combine two large categories of interest: profitability and its stakeholders' interest. Given that a system of exchange and mutual influence is created between stakeholders and the firm, management must be able to analyse objectives, resources and the strategy of common groups of stakeholders that need to be considered as well as its own ability to mobilise other stakeholders (Poddi and Vergalli, 2009).

CSR is a form of the company's commitment to build a better quality of life together with the relevant stakeholders, especially is the community around where the company is located. CSR is increasingly important role in encouraging more and breadth of corporate social responsibility for the creation of balanced development in economic, social and environmental. It

also comes from the fact that in addition to being economic institutions, the company is also a social institution, thus the company is expected to go ahead and developed in harmony with the community around the company.

The commitment was confirmed by the government as a regulator that is reflected in the Regulation on the company's obligation to carry out CSR described in the Limited Liability Company Act No. 40 Article 74 of 2007. Criminal sanctions regarding violations of CSR contained in Law No. 23 of 1997 on Environmental Management Article 41 paragraph (1). Besides, there is the Law No. 25 of 2007 on Investment and Government Regulation No. 47 of 2012 on Corporate Social Responsibility and Environment Company Limited. In reality, not all companies carry out their CSR obligations. The company regards CSR as a waste, because the absorbed company's budget for activities that are not profitable. If implemented, the practice of CSR is happening now is indicated on the practice of public relations alone so impressed image-centric and prioritize programs that can be seen by the public (as a communication strategy) than look into the company that basically has the same position in the stakeholder CSR.

The phenomenon of CSR is supported by the inconclusive findings of research on the influence of CSR on corporate value. Some empirical studies that give negative results (Waddock & Graves, 1997; Preston & Bannon, 1997); neutral results (McWilliams & Sieger, 2001; Ullman, 1985); and positive results (Luce et al. 2001). This research have objective to fullfill the gap with reputation as mediating between CSR and firm value of public companies in Indonesia.

II. LITERATURE REVIEW

Empirical research on the link between CSR and financial performance has given a lot of varied and heterogeneous results.

Relation	Empirical study
Negative	<ul style="list-style-type: none"> • (Waddock & Graves, 1997): assumed that companies with responsible behaviour may have a competitive disadvantage, since they have unnecessary costs. • The costs fall directly on the bottom line and would necessarily reduce shareholder profits and wealth (Preston & Bannon, 1997) • Both short-term analysis based on measuring abnormal returns (Wright & Ferris, 1997) market measures (Vance, 1975) and long-term studies (Vance, 1975) have a negative relationship between performance and CSR.
Neutral	<ul style="list-style-type: none"> • (Waddock & Graves, 1997) : their explanation of a neutral relation suggest that many variables in the relation between social and financial performance make the connection coincidental. • (McWilliams & Sieger, 2001): one explanation of this could be that firms supplying CSR products to their own customers have a different demand curve compared to those with no CSR.

	<ul style="list-style-type: none"> • (Ullman, 1985) underlines that no clear tendency can be recorded between connections on social information, social performance and economic results. The main reasons for this is the theory's inadequacy, inappropriate keyword definitions and lack of empirical material. • Other studies highlight the impossibility of defining the sign of the existing relation between CSR and performance, both in the short term – on the basis of Abnormal return measure and market actions - and in the long term (Aupperle, Carroll, and Hatfield, 1985).
Positive	(Luce et al. 2001): studied the relation between CSR enterprise appeal to employees and a firm's public profile. They claim that a firm's reputation has a positive influence on the relation between CSR and appeal.

(Waddock & Graves, 1997): outline three explanations for a positive relation between CSR and financial performance:

- a) Valuating what would happen if an enterprise did not act in a responsible manner. If it tried to reduce its implicit costs acting in irresponsibly, the result may be an increase of explicit costs from forcing a inefficient condition. The final result would be a competitive disadvantage. An example would be the case of atmospheric pollution that leads to a lawsuit.
- b) Responsible social practices are the same as "good management". They strengthen relations with stakeholders and at the same time improve overall performance.
- c) The third explanation follows the "theory of scarce resources" and identifies the adoption of responsible social behaviour as a consequence and not a cause of performance improvement. The idea is that during a positive trend there will probably be fewer limited resources. Some of these resources could be liberated in secondary activity such as CSR.

(Preston & Bannon, 1997): made use of a similar hypothesis called "available funds", as a firm's behaviour depends on accessible resources. The authors present an alternative theory to "good management" called "the hypothesis of social impact": i.e., better financial performance follows a stronger company reputation. By considering stakeholders' implicit needs, a company increases its reputation which improves financial performance. On the other hand, failing to answer stakeholders' needs creates market uncertainty, raises the risk reward paid to investors and increases costs and possible losses. A less obvious explanation for a positive relation could be that CSR enterprises are more attractive to workers. In the information age, good employees are an extremely desirable resource and it is crucial to more appeal for them.

(Lys, Naughton & Wang, 2015) examined whether the expenditure of corporate social responsibility is a form of corporate philanthropy, investment, or signaling information about the financial prospects of the company's future. The findings of the research that companies do CSR expenditures in the current period when they anticipate stronger financial performance in the future. Research shows that causality positive associations between CSR expenditure and

performance of the company in the future is different from what is claimed in most of the literature, and that the disclosure of corporate accountability is another channel where companies disclose personal information about the financial prospects for the future to outsiders.

H1: Disclosure of CSR have a positive impact on the value of the company

The company's reputation is the overall evaluation of a company's stakeholders over time (Gotsi & Wilson, 2001). The company's reputation is a representation of the perception of past actions and the company's future prospects which describes the overall company appeal to all the key elements when compared to other leading rivals (Fombrun, 1996). The main factors that affect the company's reputation is the financial performance despite the reputation may be strongly influenced by the ethical behavior of members of the company. At the time of earnings and the stock price of a company has outperformed other companies in the industry and the broader market, these companies tend to have a reputation for both businesses and consumers than if the company's financial performance has lagged the market. On the other hand, poor performance led to financial problems and loss of employees and key customers (Vergin & Qoronfleh, 1998). Research (Toms, 2002) provides a theoretical extension of resource-based view of the firm to post a quality signal through the channel of accounting disclosure. The research findings indicate that the implementation, monitoring and disclosure of environmental policies and disclosures in the annual report contributes significantly to the creation of environmental reputation. Based on the study of theoretical and empirical hypothesis above it can be submitted as follows:

H2: Disclosure of CSR positively affects the Company's reputation.

Growth body of research about the reputation of the company that either has a strategic value for the company that owns it (Roberts & Dowling, 2002). According to the resource-based view of the company, the company is a nexus of resources and capabilities that are not freely traded on the market. So far the company specific resources and capabilities to produce economic benefits that cannot be duplicated perfectly through the actions of competitors, could be a potential source of sustainable competitive advantage (Augustine & Mary, 1994). In a resource-based framework, a company with a very valuable asset and rare to have a competitive advantage and can expect to earn superior returns. Those assets are also difficult to imitate can achieve sustained superior financial performance (Grant, 1991). In line with this reasoning, intangible assets such as good reputation is very important because of their potential for value creation, but also because of their intangible character makes replication by companies that compete much harder. Based on the explanation above, it can be built hypothesis as follows:

H3: *The company's reputation has a positive effect on the value of the Company.*

III. METHODOLOGY

The research method used a quantitative approach. Data using secondary data is accessed from the annual financial statements of companies listed on the Indonesia Stock Exchange. The research population includes all companies listed in Indonesia Stock Exchange in both manufacturing and non-manufacturing from 2012 to 2014 with the number each year are 414, 425 and 436 companies.

The sampling method in this study using a sample of non-probability sampling with purposive sampling technique. The sampling method of this assessment is a method of sampling where the researcher has the criteria or specific objectives of the sample to be studied (Cooper and Schindler, 2006). Criteria samples used in this study as follows: (1) the company published its annual report consistently from 2012 to 2014; (2) the company applying and reveal the activities of Corporate Social Responsibility (CSR) in the annual report; (3) The company has information about related to measurement variables, such as: corporate value using the proxy is Tobin's Q and the company's reputation using proxy is the difference of the stock market price at t and $t-1$.

Based on the criteria above, the sample selection process is then performed sample by purposive sampling technique as follows:

- a. Check the number of companies listed on the Stock Exchange from 2012 to 2014 mainly companies presenting the annual report. Companies surveyed include all companies in both manufacturing and non-manufacturing. The number of companies that disclose Corporate Social Responsibility in the annual report in the media the Indonesia Stock Exchange for each of 2012 a total of 119 companies; In 2013 as many as 142 companies; and in 2014 as many as 158 companies;
- b. The number of companies that disclose CSR activities from data obtained in point a. Result of data each year 2012-2014 were 86, 86 and 86 of the company;
- c. From the 86 companies each year checked whether the data is consistently there for 3 years from 2012 through 2014. The results of the examination of data there are 76 companies that consistently over the three years as many as 228 respondents.

Variables used in this study include: (1) CSR as an independent variable with proxies Index CSR disclosure; (2) Company value as dependent variable with Tobin's proxy q ; (3) Company's reputation as a mediating variable; and (4) Size is used as a control variable. The analysis technique used path regression analysis. Reputation testing as a mediating variable using the Sobel test (Ghozali, 2009) with the following formula:

$$S_{p2p3} = \sqrt{p3^2 Sp2^2 + p2^2 Sp3^2 + Sp2^2 Sp3^2} \dots\dots\dots (1)$$

Where *Sp2p3* is standard error indirect effect coefficient; *p2* is regression coefficient of analysis result in column unstandardized coefisients for influence *X* to *Y₁*; *p3* is regression coefficient of analysis result in column unstandardized coefisients for influence *Y₁* to *Y₂*; *Sp2* is standard error analysis results in unstandardized coefisients column for *X* effect on *Y₁*; *Sp3* is standard error analysis results in unstandardized coefisients column for the effect of *Y₁* to *Y₂*.

After doing the calculation (*Sp2p3*), then we can calculate the statistical t value of the effect

coefficient of mediation with the following formula: $t = \frac{p2p3}{S_{p2p3}} \dots\dots\dots (2)$

IV. RESULT AND DISCUSSION

The object of observation consists of various types of companies, among others in Table 4.1 below:

Table 4.1. Percentage category of companies

Category of Companies	Percentage
1. Agriculture - Plantation	2,6
2. Mining – Coal Mining	4,0
3. Mining – Crude Petroleum & Natural Gas PR	1,3
4. Mining – Metal & Mineral Mining	4,0
5. Mining – Land /Stone Quarrying	2,6
6. Basic and Industry Chemical	10,5
7. Miscellaneuos Industry	8,0
8. Consumer Goods Industry	5,4
9. Property, Real Estate and Building Construction	9,2
10. Infrastructure, Utilities and Transportation	8,0
11. Finance	18,4
12. Trade, Service & Investment	26,0
Total percentage	100,0

Companies that go public in Indonesia conducting CSR activities are not limited to companies that exploit natural resources but in some types of industrial products, services and trade. This shows that CSR has been applied to a wide range of industry categories.

Table 4.2. Hypothesis test results

Model	Variables	Beta	Sig	
I	IPCSR→Reputation	0,166	0,012**	H2 Proven
II	IPCSR→Q	0,154	0,011**	H1 Proven
	Reputation→Q	0,407	0,000***	H3 Proven

** significantly at α 5%
 *** significantly at α 1%

Hypothesis testing results provide evidence that the disclosure of CSR in the company report a positive effect on firm value (Tobin's Q). CSR disclosure in the annual report is a good signal for companies that provide information that the company has a good advantage thus removing some of the profits for corporate social responsibility (H2 proven). It supports research (Lys et al. 2015).

The findings of this study indicate that the implementation, monitoring and disclosure of environmental policies and disclosures in the annual report to contribute significantly and positively to the creation of reputation (H1 proven). Reputation is measured by their share price rise from the previous year. The results support the research (Toms, 2002). Reputation impact on increasing the company's value (H3 proven). Size as control variable has significant influence to company value. This shows that there is a significant difference CSR disclosure index between companies with large and small assets. Companies with large assets have a higher index of CSR disclosures compared to small companies.

Table 4.3. Direct effect and indirect effect

Effect	Variables Relation	Probability
Direct effect	IPCSR→Q	0,154
Indirect effect	IPCSR→Reputation→Q	0,067

Sobel test calculation results show that t statistic coefficient of mediation is 2.534 larger than t table 1.96 it can be concluded that reputation mediates the influence of CSR disclosure index to firm value. This is an indication that the disclosure of CSR in the annual report is a good signal that has an impact on stock prices. The higher the CSR disclosure index will improve the company's reputation. The value of the firm according to the investor's view is a company that performs well. High CSR disclosure indexes are usually accompanied by sustainability reports.

V. CONCLUSION

Disclosure of the implementation, monitoring and disclosure of environmental policy (CSR) in their annual reports on public companies in Indonesia significantly contributes positively to the creation of the company's reputation. CSR disclosures in the financial statements a positive impact on increasing the company's value.

The finding of this research is reputation as a mediator of influence of CSR disclosure index to company value. CSR is a benefit for the company not as a burden.

The limitation of this study is to measure the magnitude of CSR with CSR disclosure index does not use the actual amount of CSR funds. Further research can measure the CSR of its magnitude and test whether CSR is an investment that generates long-term returns.

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