THE IMPACT OF SOCIALLY RESPONSIBLE INVESTMENT ON STOCK RETURN AND ITS RELATIONSHIP WITH STOCK PERFORMANCE

By

Eric Tandoko
13110005

A thesis submitted to the Faculty of

BUSINESS ADMINISTRATION AND HUMANITIES

in partial fulfillment of the requirements
for the
BACHELOR'S DEGREE
in

BUSINESS ADMINISTRATION

SWISS GERMAN UNIVERSITY
EduTown BSD City
Tangerang 15339
Indonesia

July 2014

Revision after the Thesis Defense July, 17th 2014

SGU®
SWISS GERMAN UNIVERSITY

STATEMENT BY THE AUTHOR

I hereby declare that this submission is my own work and to the best of my knowledge, it contains no material previously published or written by another person, nor material which to a substantial extent has been accepted for the award of any other degree or diploma at any educational institution, except where due acknowledgement is made in the thesis.

Eric Tandoko

Student Date

Approved by:

SWISS GERMAN UNIVERSITY

Margaretha Lingga, SE, MM.

Thesis Advisor Date

Prof. Eric Jos Nasution MBA, MA, Ph.D

Dean Date

ABSTRACT

The Impact of Socially Responsible Investment on Stock Return & Its Relationship with Stock Performance

By

Eric Tandoko

SWISS GERMAN UNIVERISTY
Bumi Serpong Damai

Magaretha Lingga, SE, MM, Thesis Advisor

This paper examines about the impact from socially responsible investment on stock return. This paper also contains an analysis on relationship of being listed in SRI Stock Index with stock performance compared to average market return. Using purposive sampling in this research the author creates an unbalance panel data to challenge the hypothesis. Based on statistic result, SRI does not have significant impact on stock return. The author find that even SRI do not have any significant impact on return, it does have positive relation with stock return. To prove the statement second equation are made to find whether being listed in SRI stock Index help the company in term of Stock performance. The result showing that it does have positive and significant relation on stock return which means that SRI-listed stock does not likely to underperform in Indonesian Stock Exchange.

Keywords: Investment, ESG, SRI, Stock Return

SWISS GERMAN UNIVERSITY

© Copyright 2014
by Eric Tandoko
All rights reserved

SGU®
SWISS GERMAN UNIVERSITY

ACKNOWLEDGEMENTS

I would like to thank Jesus Christ for all within His grace that help me to finish this thesis. For His abundant blessing from the start of this thesis until now it has been finish.

For my parents, thank you for all your hard work, prayers, love and support that you give me during yearly of my studies. I can't make it this far if it wasn't because of you.

I also would like to express my deepest gratitude to Margaretha Lingga, SE, MM. for all of her guidance, comment, critic and knowledge that she share to help me complete this thesis. I also would like to thanks Ir. Yosman Bustaman, M.Buss who gives me advice during the research of this thesis

For all friends in International Business Administration 2010, especially for those who is in finance class. Thank you for all the time we spent together, for all the hard times and joy that we all had seen through together.

Thank you for Nindyo Utomo, Claudia Theresia, and Andhika who help me to learn and get more understanding about statistic.

Last but not least, I would like to thanks Febriyanti who has been always there to support, to remind, and always keep me on track so I can finish my thesis on time. Not forget to mention also Martin Handoko who's I consider like my own brother, who always help and accompany me through the good time and the worst. Thank you.

SWISS GERMAN UNIVERSITY

TABLE OF CONTENT

STATEMENT BY THE AUTHOR **2**
ABSTRACT **3**
ACKNOWLEDGEMENTS **5**
TABLE OF CONTENT **6**
LIST OF TABLES **9**
LIST OF FIGURES **10**
CHAPTER 1 – INTRODUCTION **11**
1.1 Background 11
1.2 Research Problem 13
1.3 Research Purpose 14
1.4 Significance of Study 14
1.5 Research Question 14
1.6 Research Hypothesis 15
1.7 Scope and Limitation 15
CHAPTER 2 – LITERATURE REVIEW **16**
2.1 Socially Responsible Investment 16
2.1.1 Definition of Socially Responsible Investment 16
2.1.2 Socially Responsible Investment Screening 16
2.1.3 Issues Related Socially Responsible Investment 17
2.2 Corporate Social Responsibilities 17
2.2.1 Definition of Corporate Social Responsibilities 17
2.2.2 CSR Indicator 18
2.3 Corporate Governance 19
2.3.1 Definition Of Corporate Governance 19
2.3.2 Corporate Governance Indicator 19
2.4 Stock Return 20
2.5 Risk 21
2.6 Company Specific 23
2.7 Previous Studies 24
CHAPTER 3 – METHODOLOGY **27**
3.1 Research Process 27
3.2 Type & Source of Data 28
3.3 Theoretical Framework 29
3.4 Research Model 29

3.5 TIMEFRAME OF STUDY 30
3.6 SAMPLING DESIGN 30
3.7 DATA ANALYSIS 32
3.7.1 CHOW TEST 33
3.7.2 MULTICOLLINEARITY 33
3.7.3 AUTOCORRELATION TEST 33
3.7.4 MULTIPLE REGRESSION 34
CHAPTER 4 – RESULT & DISCUSSION 35
4.1 OVERVIEW 35
4.2 SAMPLE CHARACTERISTIC 35
4.2.1 RETURN 35
4.2.2 SRI 36
4.2.3 PBV, DPO & TOTAL ASSET 41
4.2.4 STANDARD DEVIATION & BETA 44
4.3 STATISTICAL ANALYSIS 46
4.3.1 DESCRIPTIVE ANALYSIS 46
4.3.2 SRI & STOCK RETURN RELATION ANALYSIS 48
4.3.2.1 CHOW-TEST 48
4.3.2.2 AUTOCORRELATION TEST 48
4.3.2.3 MULTICOLLINEARITY TEST 49
4.3.2.4 REGRESSION ANALYSIS 49
4.3.3 SRI LISTED & STOCK PERFORMANCE 50
4.3.3.1 CHOW-TEST 50
4.3.3.2 AUTOCORRELATION TEST 51
4.3.3.3 MULTICOLLINEARITY TEST 51
4.3.3.4 REGRESSION ANALYSIS 51
4.3.4 DISCUSSION 52
CHAPTER 5 – CONCLUSION & RECOMMENDATION 53
5.1 CONCLUSION 53
5.2 RECOMMENDATION 53
5.2.1 RECOMMENDATION FOR COMPANY & BUSINESS 53
5.2.2 RECOMMENDATION FOR INVESTOR 54
5.2.3 RECOMMENDATION FOR FUTURE STUDY 54
GLOSSARY 55
REFERENCE 56
APPENDICES 59
APPENDIX A: INITIAL SAMPLING 59

SWISS GERMAN UNIVERSITY

APPENDIX B: ESG SCORING SAMPLES 62
B.1 SAMPLE OF CSR SCORING ASII 2012 62
B.2 SAMPLE OF GCG SCORING ASII 2012 64
APPENDIX C: PANEL DATA 66

CURICULLUM VITAE 78

SGU®
SWISS GERMAN UNIVERSITY

LIST OF TABLES

Table 2.1 Previous Studies 26

Table 3.1 Research Samples 31

Table 3.2 SRI-Kehati Listed 32

Table 4.1 Stock Return 36

Table 4.4 GCG Checklist 41

Table 4.5 Price-Book-Value 42

Table 4.6 Dividend-Payout Ratio 43

Table 4.7 Total Asset 44

Table 4.8 Standard Dev 45

Table 4.9 Beta 46

Table 4.10 Descriptive Analysis 46

Table 4.11 Result of Chow-Test for SRI impact on Stock Return 48

Table 4.12 Result of Autocorrelation Test 48

Table 4.13 Result of Multicollinearity Test 49

Table 4.14 Regression Analysis Result 49

Table 4.15 SRI Listed Chow-Test Result 50

Table 4.16 SRI Listed Durbin Watson Test 51

Table 4.17 SRI-Listed Regression Analysis Result 51

SWISS GERMAN UNIVERSITY

LIST OF FIGURES

Figure 1.1 SRI in United States in 2012: $3.74 trillion 11

Figure 1.2 SRI studies Output 12

Figure 3.1 Research Process 27

Figure 3.2 Research Model 29

Figure 3.3 Regions of Durbin Watson Test 34

SGU ®
SWISS GERMAN UNIVERSITY