# ABSTRACT

Vincentia Lorenza / 36150417 / 2019 / *The Effect of Corporate Social Responsibility Disclosure on Firm Value and Risk in Controversial versus Non Controversial Companies* / Dr. Nunung Nuryani, M.Si., Ak., CA.

*Earnings information is considered as the most relevant and important information for investors in making investment decisions. But since the global financial crisis in 2008, earnings information has become irrelevant so earnings information cannot be used to estimate equity or predict the company's future operating performance. Therefore, investors look for other information that can be taken in making investment decisions. One of important information that supports earnings information is information of corporate social responsibility (CSR). Attention to business continuity through activities is important for controversial companies who involved in risky main businesses. Therefore, this research is aimed to test the effect of CSR disclosure CSR on firm value and risk. Besides that, this research also test the difference of CSR disclosure effect on firm value and risk in controversial and non-controversial industries.*

*The clean surplus theory states that there is information other than earnings information and book value equity, one of which is CSR information that is important and relevant information in investor decision making. According to legitimacy theory, CSR activities that are legitimized by the community indicate that the company's operations are in accordance with the social values of the communities in which the company operates. With more CSR activities disclosed by the company, will provide a positive signal for investors regarding the image of the company that is getting better in the eyes of stakeholders (stakeholder theory). The positive signal will attract investors to invest which is reflected in increasing firm value and reducing risk.*

*This research is using secondary data observation technique which acquired from annual financial reports for controversial companies in risk industries that are listed on the Indonesia Stock Exchange in 2010-2017 period. By using the judgment sampling method, 48 companies sample are acquired. The data analysis technique used for hypothesis test is multiple linear regression analysis.*

*The results of this reserach shows that within CSR disclosure and other variable control (earnings, book value equity, growth) can explain the value of the company and the risk of both systematic risk and specific risk, but cannot explain the total risk. Individually, CSR disclosure has a significant positive effect on firm value and systematic risk, but has a significant negative effect on specific risks, while on total risk there is no effect. In addition, based on Adjusted R Square results show that CSR disclosure in controversial industries has a lower effect on firm value, but has a higher effect on risk than non-controversial industries.*

*The conclusion of this study indicates that disclosure of CSR in risk industries has a value relevance in making investment decisions that increase stock prices and reduce risk. In addition, this study proves that disclosure of CSR can better explain the risks in controversial industries compared to non-controversial industries.*

*Keywords: Value relevance, Risk, CSR Disclosure, Risk Industries, Controversial.*