

# The Influence of International Experiences on Firm Value with Corporate Social Responsibility As A Mediation Variable

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**Abstract.** This research aims to provide an explanation of CSR in Indonesia by proving that CSR mediates the influence of international experiences on firm value. This study is explanatory research with non-service sector companies listed on IDX in 2010-2012 as the population. The sampling was conducted using saturated sampling method, moreover, the method of analysis used was SEM (based on variance). The result of the study suggests that CSR disclosure mediates the influence of international experiences on firm value. In addition, the result of this study implies that companies should implement and report CSR accordingly, especially companies that run export trade, as it would have a positive impact on firm value. For the government, through the stock market regulator, it is very important to provide guidance in making CSR report in detail by referring to GRI that has been universally accepted, in order to be used for economic decision-making for stakeholders.

**Keywords:** international experience, CSR disclosure, firm value.

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## BACKGROUND OF THE STUDY

Corporate Social Responsibility (CSR) has grown into a developing issue in the business community over the recent decade. The history of the emergence of CSR issues began in the early 1950s, marked by the work of Bowen (1953) which states the importance of alignment between corporate objectives and the values of the society (Yilmaz, 2016). In 1960s, Keith Davis asserted that CSR is beyond solely economic responsibility (Carroll, 1991). The 1970s was a period of development of the thoughts about the management of stakeholders because at that time corporations started to emerge. The development of the CSR concept in the 1990s era until now is the introduction of the concept of sustainable development that encourages the emergence of sustainability report by using the triple bottom line method developed by Elkington (1998).

CSR implementation in several companies in Indonesia based on survey has become a necessity. SWA magazine survey conducted in 45 companies (2006) shows that corporate involvements in CSR provide benefits such as maintaining and improving corporate image (37.38 percent), maintaining a good relationship with the society (16.82 percent), and supporting corporate operations (10.28 percent) (informasicsr.blogspot.com). However, in reality, there are still many violations related to the corporate operations that cause such environmental degradations in both waters, air and land environments. Corporate awareness to do social and environmental responsibilities in Indonesia still needs to be re-examined, especially to find out the motivation of the companies to involve in social and environmental responsibilities. This happens as the government until 2012 had not obliged the companies to perform CSR disclosure even though its implementation is a mandatory. CSR disclosure is a process of communicating the company's efforts in selecting inputs, processing and producing environmentally friendly products from the company's economic activities. The CSR disclosure may be reported in the company's annual report or in a different report called the Sustainability Report.

Most companies in Indonesia report CSR in the company's annual report rather than the Sustainability Report. According to Ali Darwin (head of the National Center for Sustainability Reporting), there are only about 40 companies that made the Sustainability Report in the early 2013. (www.new.ncsr.co.id). The Sustainability Report is a detailed form of CSR report that involves the economic, environmental and social elements that refer to the Global Reporting Initiative, while CSR reported on the company's annual report mostly focuses on only one or two elements that are considered most important for the company. This is supported by the Theory of Legitimacy where the companies follow the norms that exist in society only because of the belief that avoiding it will damage and disrupt the survival of the company, not because of the awareness to obtain long-term competitive advantage

that distinguishes the company with other companies. The use of these two media to report CSR can be responded differently by the stock market regulators so that its influences on the firm value would vary.

The globalization era that happens nowadays opens a larger foreign trade and increases the awareness of the world community, as well as in Indonesia, will have an impact on the increasing number of supervisory parties associated with the company's operating activities and its effects on the environment, both from the trading partners, from the international environmental agencies and from the government and non-government organizations working in the environmental field. In other words, trading partners are an important factor for companies to conduct and disclose CSR (Branco and Rodriques, 2008). Companies that have high export trade will implement and report CSR more broadly and in more detail than other companies that have lower export trade and this will give a positive effect on the company's financial performance. Although, there are questions emerged, whether the demand to fulfill and report the CSR has been done accordingly by the company, considering the high level of environmental damage caused by the company's operating process and the absence of rules that require companies to report the CSR.

### **Statement of the problem**

Does CSR disclosure mediate the influence of the company's international experiences on the firm value?

## **LITERATURE REVIEW**

### **Stakeholder Theory**

CSR has grown widely; nevertheless, there remains a long-running debate about the company's response to CSR. There are different views of the company's role in society and disagreements as to whether the maximization of property wealth should be the only purpose of the corporation.

There are two different points of view, the traditional view that demands a manager to be able to increase shareholder wealth (Whetten et al., 2002). From a traditional perspective known as shareholder theory, the company's goal is to provide return on investment for shareholders and thus the company is seen as an instrument to create economic value for those who have a capital risk in the company (Greenwood, 2001).

Stakeholder Theory emerged as an alternative to criticize the theory of shareholder. Bryson (2004: 3) defines stakeholders as "any person, group or organization that can place a claim on the organization's attention, resources, or output, or is affected by that output." Thorne et al. (1993) believe that stakeholders are a party to whom the company should be responsible. Stakeholder Theory challenges the view that shareholders have privileges over other stakeholders (RE and Reed, 1983).

### **Legitimacy Theory**

Legitimacy is "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995:4). Theory of Legitimacy is the center of social contracts both implicitly and explicitly, companies have contract with the society, and the social contract is expressed through the expectations of the society that will change over time (Islam and Deegan, 2008). It is the company's moral obligation to meet the expectations of the society and if the company meets the expectations, the company's existence will be treated as legitimate, and otherwise the company's legitimacy will be at risk.

### **Signaling Theory**

This theory was introduced by Akerlof (1970). This theory explains how the signal of success or failure of the agent must be submitted to the principal. One of the important information to be disclosed by the company is the information about CSR. Such CSR information may be reported in the company's annual report or be reported separately in the form of a sustainability report. The company discloses CSR information expecting that it can improve the company's reputation and gain legitimacy from stakeholders so that it is expected to increase the firm value.

### **Corporate Social Responsibility (CSR)**

Basically CSR is a way for a company to protect all stakeholders in the organization to have a positive impact on the survival of the company. The World Business Council of Sustainable Development in Kristoffersen et al. (2005: 2) defines CSR as "the continuing commitment by a business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large."

Sims (2003) argues that there is an expectation from the society on the businessman to be a good corporate citizen by fulfilling the responsibility, donating wisely to improve the quality of life of the society. Sims's opinion is almost identical with Carrol's opinion (1981), which defines CSR as a social business responsibility that includes the economic, legal, ethical, and social (philanthropic) expectations of the society on a company at any given time.

## CSR Disclosure in Indonesia

CSR disclosure is a process of communicating the company's operations in producing products that are valued from economic, environmental, labor, human rights and social aspects (Global Reporting Initiative). The importance of CSR disclosure is supported by Indonesia government by issuing the Law Number 25 Year of 2007 on Investment, particularly Article 15 and Law Number 40/2007 on Limited Liability Company. Given these two Laws, it is a mandatory for the company to carry out CSR. It is also supported by the Indonesian Institute of Accountants through Statement of Financial Accounting Standards Number 1 Paragraph 9 which states that: "Companies may also present additional reports such as environmental reports and value added statements, especially for the industries where the environmental factors play an important role." This is the starting point for companies to disclose the CSR.

## Global Reporting Initiative G3

The Global Reporting Initiative G3 (GRI G3) is a generally accepted framework to report the economic, environmental, and social performances of an organization. In addition, GRI G3 is a company guide to support sustainable development. This study used GRI that consists of 79 items from 6 indicators. These indicators are economic performance, environmental performance, labor practices, human rights, community and product responsibility.

## International Experience

International experience in this research is related to the companies' experience of trading in foreign market (Bansal, 2005). Trading in foreign market requires companies to consider several differences such as customer needs that are strongly influenced by the culture and the customs of each country, differences in laws, rules and regulations governing the trade of a country in which the company's products will be marketed, and the company will be exposed to international surveillance community. These conditions require the companies to be more proactive with the issues related to social and environmental responsibility. A research conducted by Islam and Deegan (2008) concludes that international buyers are a great concern for the companies in determining and reporting CSR programs.

## Firm Value

Firm value is an economic measure reflecting the market value of the business as a whole. Silveira and Barros in Biswas (2013) define firm value as an appreciation from an investor to a company.

## Price to Book Ratio (P/B ratio)

Price to Book Ratio is a valuation ratio used as a basis for decision making by investors by comparing the stock price with the shareholder's equity. The shareholder equity is the value if a company is sold by the shareholder, assuming that the entire debt has been settled. The shareholder's equity is shown in the statement of financial position as the result of the assets owned by the company reduced by the obligations and preferred stock (if any). The market value and shareholder's equity will be the same if P/B ratio = 1, if the ratio is greater than 1, it means the company has a plus value, and otherwise if the ratio is less than 1, this ratio is the estimated value of the company, if it is liquidated. The formula used is as follows:

$$\text{Price to Book Ratio} = \frac{\text{Stock price per share}}{\text{Shareholders' Equity per share}}$$

Fama and French's research (1993) concluded that P/B ratio could explain or predict the risk better than 'beta.' The next research was conducted by Agrawal (1996) showing that P/B ratio is a valid ratio to use because it is a mirror of the dividends that will be received by investors in the future. The results do not support the influence of leverage (debt to equity ratio) and inflation in P/B ratio. Sharma et al. (2013) conducted a study to examine the information content of market to book value ratio related to company

performance (efficiency and growth) and risk. The result concluded that the market to book value ratio (P/B ratio) could explain the performance of the company in terms of efficiency and asset growth.

## Hypotheses Development

To trade in foreign market, companies should consider various issues that one of them is the difference of norms and local rules that inevitably require companies to be more proactive with issues related to social and environmental responsibility. International experiences will enable the company to analyze the needs of importers regarding the importance of maintaining the environment as an inseparable part of the company's operations. Branco and Rodrigues (2008) examined the relationship between international experience and the extent of CSR disclosure in Portuguese listed companies. His research found no significant relationship between international experience and CSR disclosure both the one reported through the company's annual report and the one reported on the company's website.

Islam and Deegan (2008) investigated the motivation of CSR disclosure to companies engaged in the textile industry in Bangladesh. His research found that importers became the biggest concern for companies in CSR disclosure. Based on the research conducted by Ali and Rizwan (2013), international customers are the companies' stakeholders that have a significant influence on CSR and its disclosure in developing countries, as supported by the studies conducted in Pakistan (Hussain-Khaliq, 2004; Ahmad, 2006 and Lund and Thomsen 2009), and in India (Sangle, 2010; Paadi et al., 2019; Garcia-Santos et al., 2019;).

International experience defined as the operations of companies that engage in export trade has a relationship with the performance of the company, i.e. the firm value. This is in accordance with a study conducted by Yang (2009) which found that companies with export experiences have a positive impact on the performance of the company, as exporting companies try to keep abreast of technology and information development in the export destination countries. The role of professional experience in influencing individual performance is explained by Nisbett and Ross in Dittmar and Duchin (2012). They stated that a manager with financial difficulties experiences in the previous company compared with those that had no financial difficulties will differ in financial decision making. This can be a reference that many of the company's experiences will positively affect the financial decisions taken and will affect the financial performances.

In Indonesia, there are numerous companies producing goods aimed not only to meet domestic needs but also export needs. Therefore, it has been questioned that export trading companies will do more CSR disclosure for the reason that high export statistical data will help the companies to meet the needs related to environmental factors. Furthermore it indicates that their performance is better compared with companies that have lower export statistical data. Although CSR reporting before the establishment of regulation from Financial Services Authority (FSA) Number kep-431/bl/2012 is voluntary but the data show that exporting companies tend to have reported a broader CSR than the non-exporting companies.

Hypothesis: CSR disclosure mediates the influence of the company's international experience on firm value

## RESEARCH METHOD

### Research Design

The research used explanatory as the approach and partial least square (PLS) as the method of data analysis, which is one of structural equation methods (SEM) based on variant. The reason for using PLS is that the data of stock market in Indonesia are abnormal, therefore PLS is considered most appropriate to analyze the data. To assist the process of data analysis, the researcher used the statistical software WARP-PLS 3.0.

### Population and Sample

The target population in this study is public companies listed on Indonesia Stock Exchange (IDX) with the following criteria: Non-service companies listed on IDX in 2010-2012, and the companies made CSR report either in the form of annual report or sustainability report. The sample was taken using census method by which the target population is used as the research sample.

**Table 1. Population Target**

No	Description	Number of Companies		
		2010	2011	2012
1	Public companies listed on IDX	432	450	463
2	Public service companies listed on IDX	(259)	(271)	(281)
3	Public non-service companies listed on IDX	173	179	182
4	Public non-service companies listed on IDX that the reports were not found	(25)	(14)	(7)
5	Public non-service companies listed on IDX that the reports were available	148	165	175
6	Public non-service companies listed on IDX that did not make CSR reports	(11)	(13)	(7)
7	Public non-service companies listed on IDX that made CSR reports	137	152	168
8	Public non-service companies listed on IDX that made CSR reports, yet the supporting data of the research were not found	50	55	63
9	Population target	87	97	105

### Variable Identification and Operational Definition

This research used several variables along with its operational definition as follows:

#### International Experience

International experience in this research is related to the company's experience of operating in foreign markets (Bansal, 2005). This variable measurement uses the percentage of export sales compared with total sales, as used by Branco and Rodrigues (2008) while conducting a research in Portugal. Export quantities are used in the measurement of these variables as great value exports require companies to be more careful because of the high risk attached so that the companies will consider many things related to export destination countries, including social and environmental responsibilities. The formula used to measure the variables of international experience is as follows:

International experience = Export statistical data

#### CSR Disclosure

Content Analysis is used to measure CSR disclosure and the indicators used refer to the Global Reporting Initiative (GRI G3) as follows: economic indicator consists of 9 aspects of assessment, environmental indicator consists of 30 aspects of assessment, labor practices and decent work indicator consists of 14 aspects of assessment, human rights performance indicator consists of 9 aspects of assessment, community performance indicator consists of 8 aspects of assessment and product responsibility indicator consists of 9 aspects of the assessment.

In the measurement using dichotomy, the value of each item of CSR is equal to 1 if disclosed and 0 otherwise. The items will be summed up to get the score of the company. The formula used to calculate the CSR Index is as follows:

Corporate Social Responsibility Index =

Information:

1.  $d_i$  = number of items disclosed by company j

2. N = maximum number of items that should be disclosed by the company

$$\sum_{i=1}^{m_j} \frac{d_i}{N}$$



## The Firm Value

Measurement of the firm value in this study uses Price to Book ratio that compares the stock price per share with the shareholder's equity per share and this ratio is the estimated firm value, if the company is liquidated (Sharma et al., 2013).

The formula used is as follows:

Price to Book Ratio = Stock price per share / Shareholder's equity per share

Information:

Stock price per share is the year-end stock price

Shareholder's equity per share is the book value divided by the number of the circulating shares.

## Data Types and Data Sources

This research is a quantitative and the data source in this study is secondary data obtained from the internet on the websites of Indonesia Stock Exchange (annual report) and National Center for Sustainability Reporting (sustainability report).

## Model of Analysis

This study aims to analyze the motivation behind the implementation and the reporting of CSR by companies in Indonesia seen from the characteristics of international experience and its influence on firm value with CSR as a mediation variable.

The empirical equations are as follow:

International experience (X1) – CSR (X2) – Firm Value (Y)

1.  $Y = \alpha_0 + \beta_1 X_1 + \varepsilon$
2.  $X_2 = \alpha_0 + \beta_1 X_1 + \varepsilon$
3.  $Y = \alpha_0 + \beta_2 X_2 + \varepsilon$
4.  $Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$

Steps in data analysis:

1. The assumption test underlying the data analysis is to conduct a recursive test.
2. Evaluation of models and interpretation by evaluating structural or inner models are conducted by looking at R-Square and then using p-value test to find out the influence between variables. In examining the hypothesis, the researcher used triangle PLS SEM model, while in making a conclusion about mediation, the researcher followed the steps proposed by Hair et al. (2010).

## Hypothesis Testing

Hypothesis testing to find out whether an independent variable directly or indirectly influences the dependent variable through the mediation variable is conducted by estimating indirect effects simultaneously with the triangle PLS SEM Model.

The steps are explained as follows:

1. Baron and Kenny (1986) require that there must be a significant influence of exogenous variables on endogenous variables (the main effect).
2. The requirements of mediation effects that must be fulfilled are: the path coefficient of the exogenous variable (independent) on the dependent variable is significant; and the path coefficient from the independent variable to the mediation variable is significant and from the mediation variable to the dependent variable is significant as well.
3. The processes of drawing conclusion about mediation are as follow: (Hair et al., 2010: 746)
  - a. If the path coefficient from the independent variable to the dependent variable remains significant and unchanged then the mediation hypothesis is not supported.
  - b. If the path coefficient from the independent variable to the dependent variable decreases, but it remains significant then the mediation form is partial mediation.
  - c. If the path coefficient from the independent variable to the dependent variable decreases and becomes insignificant then the mediation form is full mediation.

## Analysis of Findings

The data in this research were secondary data obtained from IDX and NCSR websites. The sampling was conducted using saturated sampling method, moreover, which means that all target population is used as the research sample.

The sample companies used in the research are 73% engaged in manufacturing, 19% engaged in mining and the rest 8% engaged in agriculture. The following is a table showing the description of the research data:

**Table 2. Data Discription**

	N	Min	Max	Median	Mean	Skewness	Kurtosis
International Experience	289	.000	1.000	.080	.2509	1.141	-.028
CSR Disclosure	289	.010	1.000	0.140	.2015	2.735	6.943
Firm Value	289	-13.350	66.320	0.650	3.1682	5.165	30.075

### International Experience

Based on the data in Table 5.2, it shows that the lowest point is 0 and the highest is 1 with the mean of 0.25 and the median of 0.08. The variable data of international experience has a skewness value of 1.141 which means that the skewness value of the international experience variable is positive and the data distribution is to the left and far from the median. The kurtosis value of international experience variable is equal to -0.028 showing that there are items that spread so that the curve shape is more convex. Based on the value of skewness and kurtosis it can be said that the data distribution of international experience variable is still in the normal category because the value of both still in the range -2 and +2.

The data are normally distributed. There are about 20% of the sample companies that export more than 50% of the total sales value of the company and, vice versa, there are about 25% of the sample companies that do not have any export activities (71 companies from 289 sample companies). The remaining 55% of the sample companies export more than 0% up to 50% of total sales.

### CSR Disclosure

The data in Table 5.1 shows that the lowest point is 0.01 and the highest is 1 with the mean of 0.20 and the median of 0.14. The variable of CSR has skewness value of 2,735 and kurtosis equal to 6,943. It means, the variable data have positive skewness value so that the data tend to lean to the left and have positive kurtosis value. Therefore, the curve data can be said more concave. Based on the normal distribution terms according to Kuncoro (2004), the CSR variable can be said to have no normal data distribution because the skewness and kurtosis values are greater than the normal distribution limit of -2 and +2.

The abnormal distribution of CSR data is caused by the absence of regulation and guidance to report or disclose the CSR for public companies in stock market so that the companies disclose the CSR voluntarily and most companies do CSR disclosure in minimalist annual report. It can be seen from the low mean and median of about 20%. Such low disclosure of CSR, followed by uneven distribution of all assessment indicators used under GRI 3 (2006), is shown in the table below:

**Table 3. CSR Recapitulation Using Content Analysis**

Performance Indicator	Number of Companies (n)	Disclosure Items	n Disclosure Items x	Disclosure Realization	% Disclosure Realization
Economics	289	9	2601	806	30.98
Environment	289	30	8670	1367	15.77
Labor Practice	289	14	4046	1290	31.88
Human Rights	289	9	2601	284	10.92
Community	289	8	2312	362	15.66
Product Responsibility	289	9	2601	407	15.65

Source: Data Processed

From 6 value indicators of GRI 3 (2006), there are 79 items of assessment with item details for each indicator as shown in the second column of the table 4. The realization of disclosure in percentages for each indicator obtained by comparing the realization of disclosure with the number of disclosure items, based on GRI, can be seen in the column 4. From each disclosure indicator, it shows that most of the companies do not disclose items on each indicator maximally and only few of them discloses all items on each indicator, i.e. only companies that have made a sustainability report and have been audited by the NCSR by obtaining the perfect index, 1.

The most assessment indicators disclosed that got a lot of attention from the company are listed as follow: the labor practices and decent work of 31.88%, the next is the disclosure of economic performance of 30.98%, followed by environmental performance of 15.77%, public performance of 15.66%, product responsibility of 15.65% and the last is the human rights performance of 10.92%. Based on these disclosure figures, it can be seen that CSR disclosure conducted by public companies in Indonesia is still very low. This furthermore indicates that the response or attention of the company to its stakeholders is still quite low as well.

## Firm Value

Firm value variable is measured by using Price to Book Value ratio, which compares the market value of the firm's equity with the shareholder's equity. The data used were obtained from the stock price data of company year end of 2011-2013 which exist on IDX website and the shareholder's equity data were derived from the annual report period of 2011-2013. Based on the data in table 5.1, it shows that the lowest point is -13.35 and the highest is 66.32 with mean equal to 3.1682 and median equal to 0.65. Firm value data are not satisfying as the distance between the minimum and the maximum data is so high and the difference of average value with the median is very high.

The variable of firm value has skewness value of 5.165 which means that it has a positive skewness value so that data tend to lean to the left with some of the data are smaller than the median. The kurtosis of the firm value is 30.075 showing that it has a positive kurtosis value and relatively more concave data. Based on the normal distribution terms according to Kuncoro (2004), the CSR variable can be said to have no normal data distribution because the skewness and the kurtosis values are greater than the normal distribution limit of -2 and +2.

The variable of the firm value varies greatly as seen at the differences between the minimum and the maximum data, and between average and median data. Some of the company's equity data have deficit equity that consequently causes the firm to have negative value.

## Analysis and Test Results

### Recursive Assumption Test

A model is said to have fulfilled the recursive assumption when the relationship between variables within the model is independent. The test was conducted with a variance inflation factor (VIF), with a determination that if the VIF value is < 5 then the model has fulfilled the recursive assumption test (Sholihin and Ratmono, 2013).

**Table 4.** *Recursive Assumption Test*

Variable	VIF	Conclusion
International experience	1.097	No relationship
CSR Disclosure	1.521	No relationship
Firm Value	1.121	No relationship

Source: statistical test results

In table 5, the VIF value of all research variables is < 5 and, thus, it can be said that the model has fulfilled the recursive assumption test.

### Test results

The significance test was done by comparing p-value with alpha ( $\alpha$ ) used in this study; they were 1%, 5% and 10%. Before testing the hypothesis, the test to determine the influence of one variable on another variable is conducted in the research model used.

**Table 5:** *Path Coefficient Test*

	Coefficient Value	p-value	Conclusion
International Experience - CSR	0.180	< 0.001	Significant (1%)
CSR - Firm Value	0.239	0.015	Significant (5%)
International Experience - Firm Value	0.170	0.021	Significant (5%)

Data source: statistical test results

**Table 6.** *Direct and Indirect Effects of International Experience, CSR and Firm Value*

Direct effect	Direct/indirect effect of mediation	Conclusion
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Variable	p-value	Variable	p-value	
IE – FV	0.082	IE – FV	0.021	Significant
		IE – CSR	<0.001	

Data source: Statistical test results

International Experience (EI) directly influences Firm Value (FV) through CSR. In other words CSR variable can be a mediation variable on the influence of CSR on Firm Value (FV). This is indicated by p-value of IE to FV without entering the mediating variable of 0.082 (significant at 10%). Baron and Kenny (1986) require that there must be a significant influence from the exogenous variable on the endogenous variable (main effect) which means the CSR variable as the mediation variable is supported.

## DISCUSSION

Based on the statistical data analysis, the result showed that CSR can be a mediation variable on the influence of international experience on firm value as the main effect in the test. It is indicated by p value of IE to FV without entering the mediation variable of 0.082 (significant at  $\alpha$  0.10). After the test was done by inserting CSR mediation variable, it was found that p-value from IE to FV is 0.021, which means that CSR does not fully mediate the influence of IE on FV.

This is in accordance with what was written by Baron and Kenny (1986) that the initial prerequisite to be followed in mediation testing is that there must be a significant influence from the exogenous variable to the endogenous variable (main effect). Furthermore, it would be followed by a significant result within the research variables used.

International experience affects the firm value, which means that investors in the stock market consider international experiences indicated by the percentage of export sales with total sales as a factor in determining the decision whether to buy shares of the companies in Indonesia. This is in accordance with Yang's study (2009) which found that firms with export experience have a positive relationship with firm performance. The intense relationship in a trade between the company and its importers will motivate the company to work better in managing the company, especially the needs for information and technology that will contribute to the improvement of company performance.

In this study, the researcher found a significant influence of the international experience on CSR disclosure, which means that importers are a big concern for companies in Indonesia to disclose the CSR. The result of this research is similar with the result of the previous study conducted by Islam and Deegan (2008) who investigated the motivation of CSR disclosure in companies engaged in textile industry in Bangladesh. Moreover, it is also supported by the result of Ali and Rizwan's research (2013) and they further found that the study conducted is similar to those done in other developing countries, including research conducted in Pakistan (Hussain-Khaliq, 2004; Ahmad, 2006; Lund and Thomsen 2009; Lund et al., 2009) and India (Sangle, 2010).

The result of this research is also supported by the information from Ministry of Trade regarding ten export destination countries which have the largest non oil and gas export achievement in 2012 and contribute 68.6 percent of total non oil and gas exports, most of which are developed countries. The top ten export destinations countries are (1) China (USD20.9 billion), (2) Japan (USD17.2 billion), (3) United States (USD14,6 billion), (4) India (USD12,4 billion), (5) Singapore (USD10,6 billion), (6) Malaysia (USD8.5 billion), (7) South Korea (USD6.7 billion), (8) Thailand (USD5.5 billion), (9) Netherlands (USD4.6 billion) and (10) Taiwan (USD4.1 billion). From the data, it can be seen that the destination of non oil and gas exports in Indonesia is the developed countries as they are more aware of environmental issues compared with developing countries.

Companies that engage in social responsibility activities have a commercial advantage because it will lift the company's reputation, improve the future cash flows and maximize the shareholders wealth as indicated by the increase of the firm value. The average of CSR disclosure in Indonesia is still low at a mean of 20.14% (see table 3) of what should be disclosed (based on GRI), and the economic indicator disclosed is only by 30%, but these small percentages have been positively responded by investors, shown by the increase of firm value. This indicates an increase in awareness of Indonesian people, especially investors in the stock market in making stock purchase decisions by paying attention to CSR factors. Based on the Signaling Theory, social and environmental activities provide information to investors about future return prospects. The appropriate CSR disclosure that met the expectation of stakeholders is a signal of good news given by the management to the public that the company has good prospects in the future and ensure the sustainability development (Epstein and Roy, 2010). Institutional investors are those who pay detailed attention to additional information such as CSR and have capabilities to analyze the company annual report, and usually invest in stocks more than individual investors. This is supported by Jennings (2011), who states that institutional ownership can increase the

firm value because it has the ability to supervise the company. This is in accordance with the result of a research conducted by the United States-based Business for Social Responsibility (BSR) which states that a lot of benefits can be obtained by companies that have implemented CSR such as improvement of financial performance, brand image and company reputation and a decrease in operational costs. The influence of CSR disclosure on firm value is also supported by the result of a research conducted by Roberts in Pava and Krausz (1996) and a research conducted by Bowman and Haire in Ullman (1985).

This research is supported by the Theory of Legitimacy, which states that CSR activities are conducted in order to meet the expectations of stakeholders about how company operations should be done. Therefore, CSR activities and the report are a tool of legitimacy that can be used by the company to demonstrate its compliance with those expectations. Companies that have more international experiences tend to acquire more information related to export destination countries, which is due to the implementation of social and environmental responsibility, and this will affect the extent of CSR disclosure done by the companies.

The Signaling Theory and Stakeholder Theory also support the result of this study as evidenced by the significant influence of CSR disclosure on firm value. Investors appreciate the disclosure of CSR and consider it as a positive signal as CSR disclosure is identical with the expenditure of companies that does not cause any disadvantage to the shareholders; conversely it increases the firm value.

## CONCLUSION AND SUGGESTION

### Conclusion

CSR disclosure mediates the influence of international experience that is significant on firm value. In addition, investors in Indonesia consider companies that have implemented and reported social and environmental performances to the public are well-organized companies. Therefore, this affects the decision of investors in buying shares.

International experience influences CSR disclosure in Indonesia since companies that undergo international trade will be overseen by various parties, both from government and private agencies related to social and environmental matters, especially export destination countries.

CSR disclosure in Indonesia has an influence on the firm value, which indicates that investors in IDX appreciate the implementation and disclosure of CSR conducted by the company. In addition, the implementation of CSR is identical with the expenditure of companies that does not cause any disadvantage to the shareholders, conversely it increases the firm value.

### Suggestions

1. The findings of this research provide input for companies in terms of the importance of performing CSR and reporting it to stakeholders. It happens as the implementation of CSR and the report can be a positive signal for stakeholders in taking economic decisions and it further will positively affect the firm value.
2. This research is expected to give a meaningful input to Indonesia government, especially the Financial Services Authority, regarding the importance of making guidance in preparing a detailed CSR report by considering some important indicators that must be disclosed as well as the items that must be presented in each indicator in accordance with the GRI, which has been universally recognized.
3. This research provides input for stock investors about the importance of CSR disclosure reported in the company's annual report or sustainability report on the decision making to purchase shares in Indonesia, as it has been evidenced that CSR disclosure significantly influences the firm value.

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