

# **CHAPTER I**

## **INTRODUCTION**

This chapter is an introductory part of the research. It begins with a background where the research topic and the object of study are explained, followed by the problem description and the research objectives. It also includes research questions, research limitation, research contribution and the research outline.

### **1.1 Background**

Through fast development of economics, extreme climatology changes and globalization, companies are forced to follow the development of multinational companies trend (Sukarmi, 2008.) Trend that is indicated is that companies are urged to responsibly carrying out corporate social responsibility through out their business process and procedures.

Corporate social responsibility in the last decades have come out to be great concern and point of focus for many companies in Indonesia, it is proven through most companies listed in the BEJ have disclosed their corporate social responsibility report along with their annual report. There are numbers of external factors triggering companies in Indonesia to follow and perform corporate social responsibility; democracy, free trade, and globalization. In other considerations, debate regarding pollution, illegal logging and climatology also appear as other factors forcing companies to be corporate social responsible. Additionally,

corporate social responsible has also been a legal requirement for companies in Indonesia ( Undang Undang no 40, Year 2007, Pasal 74 UU PT) cited in Sukarmi (2008). However, there are still many companies who do not put concern in such issues.

Other variables included in the corporate social responsible are shareholders, analysts, labor unions, employees, activists, and new media. This community has demanded companies to make better change to society. It is believed through improving company's report transparency and performing corporate social responsibility in proper procedures will result in economic performance improvement. And therefore it is significant for companies to perform corporate social responsibility.

The definition of social corporate responsibility can be derived from three words that are corporate, social and responsibility. Thus corporate social responsibility is a sort of operation that focuses on the wellbeing of external parties and society both in term of environmentally sustainable and to improve society's condition. During daily business activities, corporate social responsibility is performed through identifying and selecting most qualified stakeholders and incorporating strategies according to the business mission and vision, yet to properly outline decision making process through the management hierarchy.

Regarding to economic crisis that occurred in the year of 1997, most investors have lost their confidence in investing in Indonesia's companies. Good

corporate social responsibility is believed to be a solution to bring investors' confidence back. It is so because through performing good corporate responsibility, companies are viewed and perceived by investors as an entity that would facilitate their needs and being honest in performing their business. Thus in this research, researcher would like to conclude whether there is connection between the implementation of corporate social responsible earnings per share and net profit growth of PT. Bukit Asam

## **1.2 Problem Formulation**

Based on research background that has been discussed above, the problem formulation formulated is:

1. Is the implementation of Corporate Social has influence on earnings per share and net profit growth at PT. Bukit Asam ?

## **1.3 Research objectives.**

Based on problem formulation discussed, therefore the research objective is to find out the effect of Corporate Social Responsibility to earnings per share and net profit growth at PT. Bukit Asam.

#### **1.4 Research Contributions**

There are numbers of benefits contribution provided by this research:

1. for the author:

This research facilitates author to develop knowledge regarding the implementation of corporate social responsibility, yet useful in strengthen understanding in research, especially in research for this PT. Bukit Asam

2. for companies:

This research is hoped to be useful for companies in finding out the effect of implementation of good social responsibility to earnings per share and net profit growth. Thus it provides advice and suggestions to company for next corporate social responsibility action necessary to be carried out

3. for education:

Research done is hoped to be useful for educational purposes and academic that will be used as an input and reference for future research.

#### **1.5 Research Methodology**

In conducting this research, researcher has formulated methodology in order to access, gather and analyze data and information necessary.

## 1. Data resources

There are two kinds of data, which are necessary for the succession of this research, they are:

### 1. Primary Data

Primary data is the main data, which originally is received from the main source. Primary data will be the primary research object in this thesis. In this research, primary data can be in the form of financial statement, information of business activities, employee and customer data, and company's regulations. Research will be able to access this data through PT. Bukit Asam's website, [www.bukitasam.co.id](http://www.bukitasam.co.id) which has made all company's data available for public.

### 2. Secondary Data

Secondary data will be considered as additional data, but will also be highly required to support researcher knowledge in completing this research. Secondary data will be gained and gathered by conducting literature research; books and previous research that are relevant with the topic of corporate social responsibility and profitability.

## 2. Data Collection Method

In order to collect data, researcher has decided to adopt methods as follow:

### 1. Literature research

In literature research, researcher studies from books and previous research done. This form of research is very useful in order to provide additional background, perspectives, and fresh knowledge and yet it also helps researcher to apply prior research experience to the current case.

## 1.6 Writing Scheme

In order to provide ease of reading this research paper, researcher provides a brief guidelines and summary of each chapter. Researcher has arranged the research topic to be discussed in detail through categorizing it into five categories.

The chapters involved include:

### 1. Chapter I : Introduction

This chapter provides detail description of the research background; research problems, purpose of research, advantages of research, research methodology and writing schemes. Research background explains the underlying reason why this research is conducted. Research problems state questions will be answered by the research, once the writing process is completed. Purpose of research clarifies reasons for researching for this topic. Advantage of research is a part of chapter one that explains how does this research paper positively contribute to external

parties. Research methodology explains how does the research going to be done, what kind of measurement, etc. Writing schemes clearly provides brief content guidelines of the overall research paper.

## 2. Chapter II : Theoretical Base

This chapter provides clear guidelines of proper implementation of corporate social responsibility and its effect to PT. Bukit Asam's earnings per share, and net profit growth. This chapter includes definitions, concepts, methods and formulas that are applied in this paper to measure the correlation of implementation of social corporate responsibility to the earnings per share and net profit growth. In general, this chapter mostly is content with theories that will be applied in this research.

## 3. Chapter III: Company Profile and Research Methodology

This chapter will explain PT. Batubara Bukit Asam's business function and activities in general. It is done with the purpose of providing sufficient information to reader before proceeding to the next chapter. It includes PT. Bukit Asam's vision, mission, history, business activities, business strategy, and business development, corporate social responsibility programs, and funds allocation for the programs initiated by the company.

#### 4. Chapter IV: Analysis

Chapter four is the core of the research paper. Problems statement in chapter one will be answered through this chapter, “The Effect of Corporate Social Responsibility towards Earnings per Share and Net Profit Growth at PT. Bukit Asam year 2007 - 2011”. This chapter will use data earns from primary source and apply it with the theories necessary to be used. Through applying data received from primary source with proper theories, it will provide conclusion whether the correlation of the implementation of corporate social responsible does exist.

#### 5. Chapter V: Conclusion, Limitation and Suggestion

Chapter 5 will be the conclusion of the research paper. Through concluding the final ideas in the research, researcher will also provide a recommendation for PT. Batubara Bukit Asam to help them improve on the implementation of corporate social responsibility, thus being able to raise their earnings per share and net profit growth.