CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE
AND COST OF EQUITY CAPITAL IN INDUSTRIAL
PRODUCT INDUSTRY

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Abstract
Corporate Social Responsibility (CSR) disclosure is now becoming an increasingly popular
topic of discussion. Through a strategic approach to CSR, companies are able to boost its
competitiveness while gaining other benefits from risk management, reducing cost, and better
access to capital, innovation and development. The main objective of the study is to
investigate the CSR disclosure by companies listed under industrial product industry toward
cost of equity capital. The CSR disclosure score is measured by the extent of CSR disclosure
in the annual report. A total of 59 samples of annual reports of listed companies for the
periods 2012 to 2014 were obtained and examined. After accounting for control variables
such as company size, liquidity, and board independence, the regression results showed CSR
disclosure, and other control variables such as liquidity, and board independence had
negative relationship with cost of equity capital. However, only company size has positive
relationship with the cost of equity capital. The results revealed that the CSR disclosure in
the annual reports reduces the cost of equity capital by reducing the information asymmetry
and thereby reducing the companies’ risk. For future research, this paper recommends the
study be expanded by using other CSR index and measurement of cost of equity.

Keywords: Corporate Social Responsibility, Cost of Equity, Cost of Capital

Introduction

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