ABSTRACT

Istiqomah, Nurul. 2015, THESIS. Title, “The Effect of Environmental Disclosure on Earning Response Coefficient (ERC) (Case studies on Basic Chemical Industry Sector and Mining Companies Listed on Indonesia Stock Exchange in 2012-2013)”

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Key Words : Environmental Disclosure, Earning Response Coefficient (ERC)

This study aims to analyze the influence of the environmental disclosure in the company annual report on the value of Earnings Response Coefficient (ERC). The hypothesis of this research predicts that environmental disclosure has an influence on the value of ERC.

The population in this study consists of 40 companies from the mining sector and the basic chemical sector listed on the Indonesia Stock Exchange in 2012-2013. The data were analyzed using descriptive statistical analysis and simple linear regression method.

The study found that companies’ extent of environmental disclosure has positive effect on ERC. It means that the greater the disclosure of environmental responsibility of the company, the greater the ERC of the company will be. This indicates that, aside from information about profit, investors may also consider information of company’s environmental responsibility prior to making decision related to investment. This result is in line with the hypothesis of the research.