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The effect of association, ability, and credibility of companies implementing CSR on the analysts' investment recommendations

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A B S T R A C T

The awareness of the importance of social responsibility among companies has recently improved significantly. The goal is to increase the profit, which, in turn, to maintain the sustainability of the company. Corporate Social Responsibility (CSR) is not new in the world of business. The perception which states that analysts would provide a good assessment to companies for supporting CSR activities has prompted several companies to adopt CSR for their daily activities. This study uses the sample of brokers or stock analysts taken by using questionnaires. The stock analysts are divided into two groups. The first group is the stock analysts who know about the company's CSR but do not follow the development. The second group is the stock analysts who know and follow the development. The data in this study were analyzed using multiple linear regressions. The result shows that for the first group, it is only credibility variable which significantly affects the analysts' investment recommendations, while for the second group; it is only association variable which significantly affects the analysts' investment recommendations.

A B S T R A K

Kesadaran akan pentingnya tanggung jawab sosial antara perusahaan dewasa ini telah meningkat secara signifikan. Tujuannya adalah untuk meningkatkan keuntungan, yang pada gilirannya, untuk menjaga kelangsungan hidup perusahaan. Corporate Social Responsibility (CSR) bukan hal baru di dunia bisnis. Persepsi yang menyatakan bahwa analis akan memberikan penilaian yang baik untuk perusahaan untuk mendukung kegiatan CSR telah mendorong beberapa perusahaan untuk mengadopsi CSR untuk kegiatan sehari-hari mereka. Penelitian ini menggunakan sampel dari broker atau analis saham yang diambil dengan menggunakan kuesioner. Para analis saham dibagi menjadi dua kelompok. Kelompok pertama adalah analis saham yang tahu tentang CSR perusahaan, tetapi tidak mengikuti perkembangan. Kelompok kedua adalah analis saham yang mengetahui dan mengikuti perkembangan. Data dalam penelitian ini dianalisis dengan menggunakan regresi linear. Hasil penelitian menunjukkan bahwa untuk kelompok pertama, hanya variabel kredibilitas yang signifikan mempengaruhi rekomendasi investasi analis, sedangkan untuk kelompok kedua, hanya variabel asosiasi yang secara signifikan mempengaruhi rekomendasi investasi analis.

1. INTRODUCTION

A company is part of the community, located in an environment and its presence certainly affects the surrounding environment. The company's activities are often detrimental to the interests of other parties. Therefore, a company is required not only to generate high profitability for its own interest, but also be responsible for the actions made on the surrounding environment. More importantly, the company's decision to implement Corporate Social Responsibility (CSR) is essential to achieve the company's progress.

Nurdizal, Asep and Emir (2011: 16) stated that Corporate Social Responsibility is a concept or action taken by a company, in accordance with the ability as a form of its responsibility towards the

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social or surrounding environment. CSR programs, which include poverty reduction, environmental preservation, and sustainable economic development, are parts of the company's ongoing development efforts. The programs are useful for the company in improving financial performance and access to capital, enhancing corporate image and sales/ services, maintaining the quality of work, improving the decisions on critical issues, managing the risk more efficiently, and reducing long-term costs.

The implementation of CSR by a company affects the perception of the analysts because it is perceived that by implementing CSR, the company's performance would get better so that the company is worth recommended to investors. Ioannou and Serafeim (2011) found that, at first, the implementation of CSR strategies in a company does not have any effect on the analysts' investment recommendations, but it changes from time to time. Corporate Social Responsibility (CSR) is now perceived by the analists as a value creating so that they recommend the investors to buy the company's shares. The investment recommendation issued by the analists to investors, in this study, is based on three variables, namely; association, ability and credibility of the company, in which the three variables relate to the company's CSR.

Association is the company's commitment to social obligations on the company's existence (Sen, C.B. Bhattacharya and Daniel 2006). Ability, according to Sen, C.B. Bhattacharya and Daniel (2006), is the company's ability to produce a quality product or service. Credibility, according to Jensen (2008), is a multidimensional self-image of the company which is based on two factors; skill and confidence. When a company implements CSR, it would have an effect on the positive behavior of the customers. Positive behavior of the consumers is a good return or feedback for the company, which can be in a form of consumer loyalty to a product or service, the level of people's desire to work in the company, and the stock analysts' assessment of the company that can be recommended to investors or potential investors and others. The analists and the company know that it would take a long time (from 3 to 5 years or dozen years) for the company to obtain the return or feedback. It is because the CCR emphasizes on how a business becomes sustainable business organization. That is how the company's ability to generate profits in the long run.

Ioannou and Serafeim (2011) argued that there are several reasons why CSR activities affect the analysts' investment recommendations. First, when CSR activities are able to affect the company's financial performance for the long term, through value creating for stakeholders, including customers, employees, and competitors, they would be reflected in the company's financial performance which would directly affect the analysts' recommendations. Second, there are many fund investments for social enterprises. Third, there are substantial funds to invest in social enterprises with the hope to increase the stock price. It also affects the analysts' recommendations.

The aim of this study is to examine the effect of association, ability, and crecibility of the companies that implement CSR on the analysts' investment recommendations. The sample in this study is the brokers or stock analysts who work for securities companies in Surabaya. The stock analysts are chosen as the sample in this study because the recommendations issued by the stock analysts would be taken into consideration by investors to invest in a company.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

Stakeholder Theory

Since the early 1970s, the concept of social responsibility has been known in general as the stakeholder theory. It is a collection policies and practices relating to the stakeholders, values, compliance with legal requirements, respect for the community and the environment, as well as the commitment of world of business to contribute to sustainable development. Stakeholder theory states that company is the entity that operates not only for its own interest, but should also be able to provide benefits to its stakeholders (shareholders, creditors, customers, suppliers, government, public, analysts and other parties) (Imam and Anis 2007: 409).

Freeman (1984) in Nurdizal, Asep and Emir (2011: 90) defined a stakeholder as a group or individual who can affect or be affected by a particular achievement. Based on the ISO 26000 Social Responsibility, stakeholder is defined as an individual or a group who has an interest in the action or decision of the company. The viewpoints above show that the introduction to stakeholders is to answer not only the question of who the stakeholders are, or merely against an issue, but also the nature of the stakeholder relationships with the issue, attitude, outlook, and the stakeholder influence. The stakeholders' involvement is crucial for the company's business processes.

The company's survival depends on the support of the stakeholders, and therefore, the support itself should be sought. It can be said that one of the crucial company's activities is to seek such support. The greater the power of stakeholders, the greater effort of the company to adapt (Nurdizal, Asep and Emir 2011: 90). Deegan in Imam and Anis (2007: 410) revealed that the power could be the ability to restrict the use of limited economic resources (capital and labor), access to influential media, the ability to manage the company, or the ability to influence the consumption of goods and services produced by the company. In addition, Ioannou and George (2011) argued that stakeholder theory emphasizes that the effectiveness of the management in the stakeholders relationships can have a better effect on the financial performance.

Nurdizal, Asep and Emir (2011: 90) classified stakeholders based on the power, important position, and the influence of the stakeholders on an issue. Stakeholders can be categorized into several groups; main stakehoolders and key stakeholders. The main or priority stakeholders have direct interest link with the presence of the company. The main stakeholders consist of two groups: the society and the public manager, they are organizations/public bodies that responsible for making and implementing a decision. Key stakeholders are stakeholders that have authority in decision-making and can be invited to take initiative. The key stakeholders' refered are figures or organizations that are able to mobilize the initiative of community development, and they could be from the government.

Analysts' Investment Recommendation

Analysts' investment recommendation, in this study, is measured using variable of company evaluation. The variable of company evaluation refers to the research conducted by Marin, Salvador and Alicia (2008). Marin, Salvador and Alicia (2008) stated that company evaluation is the level of positivity or negativity of the company's overall assessment by consumers. Bhattacharya et al. in Marin, Salvador and Alicia (2008) revealed that the company evaluation made by the consumer is based on the corporate center, the company's differences from others, and the distinctive characteristics of the company, where the components are bringing the good name of the company.

Corporate Social Responsibility (CSR)

It can be said implicitly that CSR is one of the activities of the company determined to provide benefits to internal and external parties on its presence in the environment of the community, such as minimizing the negative impact of its existence. World Business Council for Sustainable Development revealed that CSR is not just discretionary, but a commitment which is necessary for a good company as the improved quality of life. Philosophically, if the companies are trying to be useful to mankind, it would certainly continue to exist in the long run. Nurdizal, Asep Efendi, Emir (2011: 17) cited a source of ISO 26000, CSR is:

> "Responsibility of an organization or the impacts of its decision and activities on society and the environment, through transparant. and ethical behaviour that contributes to sustainable development, health, and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organization and practiced' in relationships"

CSR activities are not frequently associated with the three key elements of sustainable development, namely financial aspects, social aspects, and environmental aspects of the so-called triple bottom line. The synergy of these elements is the key to the concept of sustainable development.

Association

Association or CSR association, according to Sen, C.B. Bhattacharya and Daniel (2006), is the company's commitment to social obligations on the existenceof the company. Positive company association is just like a contribution to obtain more positive reciprocal behavior of people on the company. Brown and Dacin in Marin, Salvador and Alicia (2009) revealed that the association of the company describes the status and activities of the company that deals with social obligations.

Ability

The ability of the company, according to Sen, C.B. Bhattacharya and Daniel (2006), is the company's ability to produce a quality product or service. Bergami and Bagozzi in Ghupta, and Julie (2006) revealed that when a group of individuals or communities can identify the ability of the company, the community will be bound by the company in two ways, emotionally and cognitively. Emotional means the consumers' behavior on the company and cognitive means the consumers' conformance with the ability of the company.

Credibility

Credibility is one of the measurements of the level of confidence in the study. Alcaniz, Ruben and Rafael (2010) defined that the credibility of the company can be attributed to the social issues which can be used as a key to reduce the tension between consumers and companies through CSR programs. Credibility, according to Jensen (2008), is a multidimensional self-image of the company which is based on two factors; skill and confidence. Hovland et al. in Alcaniz, Ruben and Rafael (2010) defined that skill is the level of competence and the companies' ability to create and deliver the products they introduce. While confidence means a reliable company. Credibility, according to Newell and Goldsmith's in Alcaniz, Ruben and Rafael (2010), is the degree to which the consumers feel that the company has the necessary skills and experience to be associated with social issues.

CSR Accounting

Conceptually, Andreas (2011: 11) defined CSR accounting as "a process of measuring, recording, reporting, and disclosing information related to social and environmental impact of the company's economic actions against certain groups in society, or those who become the stakeholders of the company". Andreas (2011: 11) stated that there are two main dimensions of CSR accounting. First, it is reporting and discloseing the costs and the benefits of the company's economic activities which have a direct impact on the bottom-line profitability (profit). Second, reporting the costs and the benefits of the compnany's economic activities which have a direct impact on the individuals, the communities, and the environment.

The Effect of Association on the Analyst's Investment Recommendation

Stakeholder theory states that companies an entity that operates not only for its own interest, but should also be able provide benefits to its stakeholders (shareholders, creditors, customers, suppliers, government, public, analysts and other parties). Association, in this study, is the company's commitment to social obligations to stakeholders (Sen, C.B. Bhattacharya and Daniel 2006). The variable of association refers to the research conducted by Marin, Salvador and Alicia. (2009). Company association, based on stakeholder theory, is defined as the company's commitment to strive to meet the social obligations to stakeholders. That is because the goal of the company's operation is not only for the interests of capital owners but also for the interests of other parties.

Companies that have a good association will have an influence on consumer behavior, company progress, customer loyalty and company survival. That is because consumers prefer companies that are aware of the imprtance of social responsibility towards the environment. Better association results in better return, so it can benefit the investors. The analyst's assessment that shows that the company has a good association with the stakeholders would then recommend as the company whose shares are worth owned by investors.

On the basis of the study, the first hypothesis can be formulated as follows:

H1: Association has significant effect on analyst's investment recommendation.

The Effect of Ability on the Analyst's Investment Recommendation

Ability, in this study, is the company's ability to produce quality products or services (Sen, C.B. Bhattacharya and Daniel 2006). Ability variable refers to the research conducted by Hill, Karen, and Becker (2005). The company's ability, based on the stakeholder theory, is defined as a company's ability to produce and provide quality products or services to stakeholders. That is because the company is aware of the obligation to provide benefits to stakeholders on its existence.

The ability of the company that applies CSR to produce quality products or services has an influence on consumer behavior which is more faithful to the products or services of the company. That is because the company is able to meet customer needs thereby making the consumers loyal. Better ability results in better return, so that it can benefit the investors. The analyst's assessment that shows that the company has a good ability with the stakeholders would then recommend as the company whose shares are worth owned by investors.

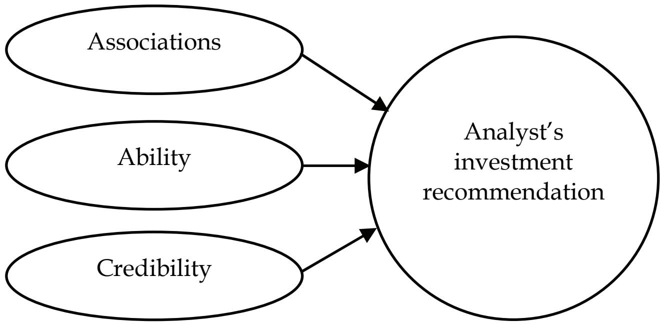
On the basis of the study, the second hypothesis can be formulated as follows:

H2: The ability of the company has significant effect on the analyst's investment recommendation.

The Effect of Credibility on the Analyst's Investment Recommendation

Credibility, in this study, is the company's self image based on the skill or expertise and confidence. Credibility variable refers to the research

Figure 1
Framework of the Study



conducted by Hill, Karen, and Becker (2005). Company's credibility, based on stakeholder theory, is defined as the company's self-image which is based on two factors: the expertise and confidence; the expertise in manufacturing and providing quality products or services and be a trustworthy company by stakeholders. This is because the company is an entity that operates to provide all of the expertise in the manufacture of products or the provision of services so that the entity can provide benefits to other parties.

The credibility owned by a company influences consumer behavior that is increasingly loyal to the products or services of the company. Society uses the company's credibility as a way to assess the company and to reduce their initial doubts about corporate social responsibility. Better credibility results in better return, so that it can benefit the investors. The analyst's assessment that shows that the company has a good crediobility towards the stakeholders would then recommend as the company whose shares are worth owned by investors.

On the basis of the study, the third hypothesis can be formjulated as follows:
H3: The credibility of the company has significant effect on the analyst's investment recommendation

The underlying framework of this research can be seen in Figure 1.

3. RESEARCH METHOD

Clarification of Sample

The population consists of the stock analysts or brokers who work at security firms. The criteria of the sample in this study are (1) stock analysts or brokers who work at securities firms in Surabaya. (2) Knowing and following the development of the company's CSR. The stock analysts who have these criteria are classified as the second group. In addition, researchers also added stock analysts who only know but do not follow the development of the company's CSR, as a consideration in decision making. The stock analysts who have these criteria are classified as the first group of stock analysts. Furthermore, both stock analysts who follow and those who do not follow the development are compared.

Research Data

The data used is primary data. The data or information is obtained through written questions by using the questionnaire and oral interview. This study includes a survey category. The questionnaires are distributed to stock analysts who became the study sample.

Research Variables

The research variables used are dependent variables, which include analyst's investment recommendations which are proxied into company evaluations, and independent variables, that include associations, credibility, and ability.

Operational Definition

1. Analyst's investment recommendation

According to Ioannis and George(2011), analyst's investment recommendation is one of the analyst's report components which is issued at a certain time, for example, daily, monthly, quarterly or yearly. The report made by the analyst includes corporate income estimation, stock price targets, long-term growth forecasts, and the analysist's investment recommendation in the form of "buy", "hold", "underperforms" or "sell". The stock analysts rely on valuation model to produce investment recommendations with the aim to assess the future probability and cash flow of the company. The analyst's investment recommendation, in this study, is measured using company evaluation indicators. Marin, Salvador and Alicia (2008) stated that the company evaluation is the level of

Table 1
Result of t-test Calculation

Description		Variables		
		X1	**X2**	**X3**
First	t count	0.137	0.463	4.680
	Sig.	0.892	0.646	0.000
Decision		H0 is accepted	H0 is accepted	H1 is accepted
Second	t count	2.294	-1.444	1.143
	Sig.	0.030	0.161	0.263
Decision		H1 is accepted	H0 is accepted	H0 is accepted

positivity or negativity of the company overall assessment by consumers.

2. Association

Association variable, in this study, is the company's commitment to a social obligation on the existence of the company (Sen, C.B. Bhattacharya and Daniel 2006). The indicators of association variable are employee benefits, social status, and education.

3. Ability

Ability variable is the company's ability to produce a quality product or service (Sen, C.B. Bhattacharya and Daniel 2006). The indicators of the ability variable are a good product, innovation, product reliability, company management, and financial capabilities.

4. Credibility

Credibility variable is a multidimensional self-image of the company which is based on two factors; expertise and confidence (Jensen 2008). The indicators of the credibility variable are trust, environmental awareness, reputation, and individual's confidence.

Analysis Tools

The testing of the relationship between the independent variables and the dependent variables is done by using a multiple linear regression model. Before doing multiple linear regression tests, the researcher examines the questionnaire that will be used through validity and reliability test. The questionnaire are said valid if it has Pearson Correlation value $\leq$ 0.05. While the questionnaire is said reliable if it has Cronbach Alpha value $\geq$ 0.7. In addition to the test using multiple linear regression model, this study also uses descriptive analysis and normality test as the technique of data analysts. Multiple linear regression analysis is used to test whether there are two or more effects of independent variables on the dependent variable. The equation to test the hypothesis in this study is as follows.

$$Yt : Y1 = \alpha + \beta 1.X1 + \beta 2.X2 + \beta 3X3 + ei. \quad (1)$$

Description:

Y_t: analyst's investment recommendation

α: constant

$\beta 1.\ \beta 2.\ \beta 3$: Independent variable coefficient

$X_{1:}$ association of the company

$X_{2:}$ ability of the company

$X_{3:}$ credibility of the company

e_i: disturber variable.

Validity Test

Validity test is used to measure whether the questionnaire is valid or not. The validity test, in this study, is using the technique of Pearson Correlation. The questionnaire is said valid if the significance value is less than 0.05 between the questions and the total question. The result of validity test shows that the significance of the correlation between each question indicators state and the total score of of the two groups for all variables show valid results or less than 0.05.

Reliability Test

Reliability is a tool used to measure a questionnaire which is an indicator of a variable or construct. The result of reability test of the two groups indicates the magnitude of Cronbach's alpha on X1, X2, X3, Y1 variables i.e. association, capability, credibility, and evaluation of the companies of the two groups that have a value greater than 0.7 sig. It can be concluded that the questions are reliable.

4. DATA ANALYSIS AND DISCUSSION

T-test is used to verify whether each independent variable consisting of associations, ability, and credibility partially has significant effect on analyst's investment recommendations. T-test result of the two groups of each variable can be seen in Table 1.

The Effect of Association on the Analyst's Investment Recommendation

The first hypothesis testing, in this study, is to examine whether the association of the companies that implement CSR significantly affects the analyst's investment recommendations.

The result of t-test between the association and the analyst's investment recommendation of the first group indicates that the value of t test = 0.137 less than 2,037 t table (df = 32, α = 0.025). From the table, it is obtained a significance value of 0.892, which means that the significance value is >0:05. This shows that the association of the companies that implement CSR cannot partially affect the analyst's investment recommendation of the first group, or it can be interpreted that H1 is rejected and H0 is accepted. Thus, it can be concluded that the association does not significantly affect the analyst's investment recommendations of the first group.

The result of t-test between the association and the analyst's investment recommendation of the second group indicates that the value of t test = 2.294 greater than 2.056 t table (df = 26, α = 0.025). From the table, it is obtained a significance value of 0.030, which means that the significance value is <0.05. This shows that the association of the companies that implement CSR can partially affect the analyst's investment recommendation of the second group, or it can be interpreted H_1 is accepted and H_0 is rejected. Thus, it can be concluded that the association significantly affects analyst's investment recommendations of the second group.

The Effect of Ability on the Analyst's Investment Recommendation

The second hypothesis testing, in this study, is to test whether the ability of the companies that implement CSR significantly affects the analysts' investment recommendations.

The result of t-test between the ability and the analyst's investment recommendation of the first group indicates that that the value of t test = 0.463 less than 2,037 t table (df = 32, α = 0.025). From the table, it is obtained the significance value of 0.646, which means that the significance value is > 0.05. This shows that the ability of the companies that implment CSR cannot partially affect the analyst's investment recommendation of the first group, or it can be interpreted that H1 is rejected and H0 is accepted. Thus, it can be concluded that the ability does not significantly affect the analyst's investment recommendation of the first group.

The result of t-test between the ability and the analyst's investment recommendation of the second group indicates that the value of t test = -1.444 smaller than t table 2.056 (df = 26, α = 0.025. From the table, it is obtained the significance value of 0.161, which means that the significance value is > 0.05. This shows that the ability of the companies that implement CSR cannot partially affect the analyst's investment recommendation of the first group, or it can be interpreted that H1 is rejected and H0 is accepted. Thus, it can be concluded that the ability does not significantly affect the analyst's investment ability recommendations of the second group.

The Effect of Credibility on the Analyst's Investment Recommendation

The third hypothesis testing, in this study, is to examine whether the credibility of the companies that implement CSR significantly affects the analysts' investment recommendations.

The result of t-test between the credibility and the analyst's investment recommendation of the first group indicates that the value of t test = 4.680 greater than 2.037 t table (df = 32, α = 0.025). From the table, it is obtained the significance value of 0.000, which means that the significance value is <0.05. This shows that the credibility of the companies that implement CSR can partially affect the analyst's investment recommendation, or it can be interpreted that H_1 is accepted and H_0 is rejected. Thus, it can be concluded that the credibility significantly affects the analyst's investment recommendations of the first group.

The result of t-test between the credibility and the analyst's investment recommendations of the second group indicates that the value of t test = 1.143 less than 2.056 t table (df = 26, α = 0.025). From the table, it is obtained the significance value of 0.263, which means the significance value is > 0.05. This shows that the credibility of the companies that implement CSR cannot partially affect the analyst's investment recommendation of the second group, or it can be interpreted that H1 is rejected and H0 is accepted. Thus, it can be concluded that the credibility does not significantly affect the analyst's investment recommendations of the second group.

Based on the testing that has been done on the first group, or the stock analysts who know the CSR implemented by the company but do not follow its development. The result shows that not all independent variables significantly affect the de-

Table 2
Descriptive Statistics Table of the Conclusion of the First Group

Description	Number of Respondents	Average Perception of Independent Variable		
		Association	Ability	Credibility
Perception of stock recommendation above the average	17	3.24	3.20	3.37
Perception of stock recommendation below the average	19	3.05	2.88	2.82
Difference %		6.23%	11.1%	19.5%

The average perception of analyst's investment recommendation (Y): 2.80.

Table 3
Descriptive Statistics Table of the Conclusion of the Second Group

Description	Number of Respondents	Average Perception of Independent Variable		
		Association	Ability	Credibility
Perception of stock recommendation above the average	14	3.55	3.24	3.34
Perception of stock recommendation below the average	16	2.90	3.03	3.17
Difference %		22.4%	6.9%	5.3%

The average perception of analyst's investment recommendation (Y): 3.04.

pendent variable. The discussion of the research results of each variable based on the analysts of the first group can be explained as follows:

Table 2 shows that there are 17 respondents who have stock recommendation perception above the average. It means that the 17 respondents have average value of the response of Y variable above 2.80. The number of respondents who are in the category of stock recommendation perception below the average is 19 respondents. The discussion of the effect of the independent variable on the dependent variable of the first group is as follows:

The Effect of Association on the Analyst's Investment Recommendation

The result of multiple regression analysis test, through t-test value, indicates that the association of the company does not show significant effect on the analyst's investment recommendations as measured by the company evaluation. Stock analysts or brokers have the valuation that most of the company evaluations are based on Income Statement. Thus, when a company, which implements CSR, performs social responsibilities towards the stakeholders, such as providing scholarships to children from poor families, it will not raise the income that will be gained by the company. The commitment to fulfill social obligations is believed that it will even reduce the corporate profits. Stock analysts or brokers and investors argue that social commitment will only squander profit and it would have an impact on the dividend that will be distributed to investors.

This finding does not support the research conducted by Marin, Salvador and Alicia (2009) which states that the association affects the analyst's investment recommendations. this finding also does not support the stakeholder theory. There are 17 respondents who have the value above the average of the analyst's investment recommendations. Based on the perceptions of 17 respondents, the effect of the association on the analyst's investment recommendations has an average value of 3.24 units. There are 19 respondents who have recommendation value below the average, which shows that the average stock association is 3.05 units, lower than respondents who have perception above average. The difference in the association between the two respondents is 6.23% and the difference is not statistically large enough.

The Effect of Ability on the Analyst's Investment Recommendation

The result of multiple regression analysis tests through t-test value indicates that the ability of the company does not show significant effect on the analyst's investment recommendations as measured by the company evaluation. The stock analysts or brokers have the valuation that the company which is worth recommended to investors is the company which is able to generate high profits, regardless of whether or not the company is able to produce a quality product or service to stakeholders. PT. Sampoerna, tbk is a multinational manufacturing company and as most people know that the CSR programs conducted by PT. Sampoerna, tbk are quite popular in the community. The products manufactured by PT. Sampoerna, tbk are not good, reliable, or quality products. PT. Sampoerna, tbk, however, has ability to produce higher earnings per year.

It can be generalized that the ability of the company to produce a quality product or service is not a reference for stock analysts or brokers in decision-making. This evidence does not support the stakeholder theory. There are 17 respondents who have the value above the average of the analyst's investment recommendations. Based on the perceptions of the 17 respondents, the effect of the ability on the analyst's investment recommendations has the average value of 3.20 units. There are 19 respondents who have recommendation value below the average, which shows that the average stock ability is 2.88 units, lower than respondents who have perception above the average. The difference in ability between the two respondents is 11.1% and the difference is not statistically large enough.

The Effect of Credibility on the Analyst's Investment Recommendation

The result of multiple regression analysis tests in this study, through t-test value, indicates that the credibility of the company shows significant effect on the analyst's investment recommendations as measured by the company evaluation. Stock analysts or brokers have the valuation that the company which is trusted by society is capable of generating high profits. The company's capability of generating high profitis is caused by the people's belief that the company which has good credibility will be able to meet their needs so that people will be very loyal to the products or services produced. This finding supports the stakeholder theory. There are 17 respondents who have the value above the average of the analyst's investment recommendations. Based on the perceptions of the 17 respondents, the effect of the credibility on the analyst's investment recommendation has the average value of 3.37 units. There are 19 respondents who have recommendation value below the average, which shows that the average stock ability is 2.82 units, lower than respondents who have perception above the average. The difference in the ability between the two respondents is 19.5% and the difference is statistically large enough. This finding is based on the testing performed to the stock analysts of the second group, who know the CSR implemented by the company and follow its development.

The Effect of Association on the Analyst's Investment Recommendation

The test result of multiple regression analysis through t-test value indicates that the association of the company shows significant effect on the analysts' investment recommendation as measured by the company evaluation. The stock analysts or brokers have the valuation that the association between the company and its stakeholders emphasizes on the corporate image, so that the loyalty given by the society is a long-term profit for the company. This finding supports the stakeholder theory. This result also supports the previous research conducted by Marin, Salvador and Alicia (2009) which states that the association affects the analyst's investment recommendations. There are 14 respondents who have the value above average of the analyst's investment recommendations. Based on the perceptions of 14 respondents, the effect of the association on the analyst's investment recommendations has the average value of 3.55 units. There are 16 respondents who have recommendation value below the average, which shows that the average stock association is 2.82 units, lower than the respondents who have perception above the average. The difference in the association between the two respondents is 22.4% that is statistically high.

The Effect of Ability on the Analyst's Investment Recommendation

The test result of multiple regression analysis of the ability variable of the second group has the same result as that of the first group. Through t-test value, it indicates that the ability of the company does not show significant effect on the analyst's investment recommendations as measured using company evaluation. The stock analysts or brokers who have valuation that the company which is worth recommended to investors is the company capable of generating high profits, regardless of whether or not the company is able to produce a quality product or service to stakeholders.

PT. Sampoerna, tbk is a multinational manufacturing company and as most people know that the CSR programs conducted by PT. Sampoerna, tbk are no quite popular in the community. The products manufactured by PT. Sampoerna, tbk are not good, reliable or quality products. PT. Sampoerna, tbk, however, has ability to higher earnings per year. This proof does not support the stakeholder theory. There are 14 respondents who have the value above the average of the analyst's investment recommendations. Based on the perceptions of the 14 respondents, the effect of the ability on the analyst's investment recommendations has the average value of 3.55 units. There are 16 respondents who have recommendation value below the average, indicating the average stock ability of 2.90 units, lower than respondents who have perception above the average. The difference in ability between the two respondents is 6.9% and the difference is not statistically large enough.

The Effect of Credibility on the Analyst's Investment Recommendation

The test result of multiple regression analysis through t-test value indicates that the credibility of the company does not show significant effect on the analyst's investment recommendations as measured by using the company evaluation. The test result of the credibility of the second group is different from that of the first group. The credibility of the first group has significant effect, while the credibility of the second group does not have significant effect. The stock analysts or brokers of the second group have perception that corporate image is not a reference in decision making.

PT. Bumi Resources is one of the examples. Its resources are of the Bakrie group's companies engaged in mining. Based on the income, it can be said that Bakrie group has a good ability in generating the earnings. This proves that Bakrie group has recently had 10% path share or 300 billion rupiahs. Although Bakrie has a lot of funds, Bakrie group has not paid the dividends for quite long, even more PT. Bumi Mandiri. This is what makes the stock analysts avoid recommending Bakrie companies. In addition, some officials of Bakrie group have become the suspects in tax arrear cases.

Bakrie group consists of companies that have credibility in generating profits, but stock analysts and investors avoid the shares held by Bakrie. This evidence does not support the stakeholder theory. There are 14 respondents who have the value above the average of the investment analyst's investment recommendations. Based on the perceptions of the 14 respondents, the effect of credibility on the analyst's investment recommendations has an average value of 3.55 units. There are 16 respondents who have the value below the average, indicating the average credibility stock of 2.90 units, lower than respondents who have perception above the average. The difference in credibility between the two respondents credibility is 6.9% and the difference is not statistically large enough.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

When the F test was conducted on the stock analysts who know CSR which is implemented by companies but do not follow the development, the results can be concluded that the regression model fits the research data. Based on the determination coefficient test, the variables of association, ability, and credibility are quite capable of explaining the model. Based on the t test, the independent variables, i.e. association, ability and credibility, provide different outcome. It is only variable of credibility that significantly affects the analyst's investment recommendations. This is due to the fact that the analyst's perception of the credibility of the company is trusted by the consumer able to generate profits obtained through the loyalty of the people. The variables of association and ability have no significant effect on the analyst's investment recommendations.

When the F test is conducted on the stock analists who know CSR which is implemented by companies and follow its development, the results can be concluded that the regression model fits the research data. Based on the deteermination test, the variables of association, ability, and credibility are quite weak in explaining the model. Based on the t test, the independent variables, i.e. association, ability, and credibility, provide different outcome. It is only variable of association that significantly affects the analyst's investment recommendations. These results indicate that the perception of the stock analysts of the second group find that association (or the company's commitment to meet social obligations) is able to generate long-term profits for the company. While the variables of ability and credibility have no significant effect on the analyst's investment recommendations.

The results show that the company's CSR information is also used in making investment decisions, although the main focus of investors and analysts of the company is aimed at the company's financial performance. This implies that the company had better inform the CSR that has been implemented as the additional information, because investors and stock analysts also consider CSR information in making investment decisions.

There are some limitations that may affect the results of the study. For stock analysts in Indonesia, CSR adopted by the company has not been powerful in generating long-term profits. The number of securities firms in Surabaya is fewer than those in Jakarta. The busyness of the respondents leads to delayed return of the questionnaires, and the number of questionnaires returned is not in accordance with those which are distributed. The questionnaires are used as data collection techniques. This way will cuase bias if the respondent's perception does not match the reality. Future research is expected to use a larger sample size to get a broad generalization results. Future research is also expected to add more independent variables.

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