Company Characteristic Analysis on Implementation of Green Business in Food and Beverage’s Companies Listed in Indonesian Stock Exchange

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Companies can do many business opportunities that drive the growth rate of the country’s economy. But on the other side of the rate of economic growth, visible social gap and environmental damage occurred. Therefore, the company must run its operations by not only focus on the interests of the company (shareholder), but also look at the social and environmental interests (stakeholder) by implementing green business which is the application of corporate social responsibility (CSR). This study aims to determine the effect of profitability, leverage, and growth on corporate social responsibility disclosure (CSRD) or disclosure of the implementation of green business of food and beverage companies listed on the Indonesia Stock Exchange (BEI) 2013 to 2015 which is the population of this study. This group of companies is taken as the object of research because in those years the group of companies continues to experience growth and contribute the largest to gross domestic product (GDP) compared to other groups of companies. This research can be input for many other companies how condition on CSRD in food and beverage condition seen from financial factors. The type of research is descriptive quantitative with hypothesis testing and causal method. The result of this research proves that profitability variable with return on assets (ROA) indicator influence significantly and positively to CSRD, while leverage and growth does not significantly influence CSRD.

Keywords: CSRD, green business, profitability, leverage, growth

Introduction

The existence of a company in a country becomes one source of economic growth, but the impact of corporate activity is often contradictory and even detrimental to the interests of others. On the other side of the economic growth rate, there is severe damage and the world faces social and environmental challenges, such as poverty, widening economic gaps, global warming, climate change, pollution and pollution, scarcity of energy and natural resources, and so on. Differences of interest if not followed up will affect the company’s activities
and losses for other parties as stakeholder company. Therefore, the company should be operated not only focusing on the interests of the company (shareholder), but also looking at the interests of parties outside the company (stakeholders) by doing green business (Croston, 2009; Danu, 2011).

Corporate social responsibility (CSR) is the company’s commitment in carrying out its operations to always contribute positively to the social and environmental community. The implementation of CSR by the company can be realized by the corporate social responsibility disclosure (CSRD) which is socialized to the public in the company’s annual report and sustainability report (PSAK) No. 1, paragraph 9 on the disclosure of environmental impacts as follows:

Companies may also present additional reports, such as environmental reports and value added statements, especially for industries where environmental factors play an important role and for industries that consider employees as a group of report users who play an important role.

Clearly, the above statement contains an element of notification for all companies in Indonesia to voluntarily be able to report CSR activities owned by the company to the public. It is this voluntary nature that makes the level of awareness of CSR or to do green business in Indonesia tends to be low. Companies will tend to consider in advance the positive and negative impacts as well as the costs required to realize these social and environmental responsibilities.

Various research related CSRD have been explored such as about factors that influence CSRD are company characteristics, in which there are variables profitability, leverage, size, media exposure, research and development, growth and liquidity. Also, from the Corporate Good Corporate Government aspects of board of commissioner’s size, board size, number of meetings, capital ownership, foreign ownership, and number of audit committees, profitability is the level of the company’s ability to generate profits from the activities of the company itself. According to Badjuri (2011), companies in Indonesia will increase CSRD when earning high profits. In line with the results of his research, profitability has a significant effect on CSRD. However, Karina’s (2013) research showed the results that profitability has no significant effect on CSRD.

Leverage is a comparison between funds obtained from external companies with funds owned by the company. According to Purnahanwi (2011), leverage is a tool to measure how much a company relies on its creditors to finance its assets, thereby leveraging the company’s financial risk. So, companies with higher leverage will disclose more information, because the risk of companies with such capital structure is higher. This is because companies that have high leverage will try to look wanting better, especially against creditors by reporting good CSRD. Cahya’s (2011) research showed that leverage has a significant effect on CSRD, while Veronica (2012) showed that the company leverage has no significant effect on CSRD.

The company’s growth is the company’s growth rate as measured by sales growth. According to Sari (2012), high growth companies will get a lot of spotlight so that predicted companies with higher growth opportunities tend to do more CSRD. In the results of research, Sari (2012) showed the results that the growth does not affect the CRSD. Research using variable growth is still rarely used to associate with CSRD.

From several factors influencing CSRD, the researcher chose three variables, namely, profitability, leverage, and growth to be a research variable due to the many variations or differences of research results on profitability and leverage variables, and still few studies using variable and growth.

The diversity of research result that happened and has been presented in research related to the influence
of profitability, leverage, and growth toward CSRD of a company makes the researcher intend to do research again by analyzing and finding empirical evidence about the influence of both variables. Previous studies of factors affecting CSRD show different results.

The differences of research results occur due to several reasons, such as differences in time period of research, interpretation of the researcher against the company’s annual report on the variables used, or different methods of testing pursued by researchers. This research is interesting to be done to re-verify the results of previous research on what factors affect the practice of CSRD information. This research will seek answers from factors such as profitability, leverage, and growth.

In Indonesia, the food and beverage industry sector is one of the sub sectors in the consumer goods industry sector within the manufacturing companies listed in the Indonesia Stock Exchange (BEI, IDX). In period 2013-2015, it gives highest contribution to gross domestic product (GDP) (Bank Mandiri, 2015). The consumer goods industry sector in BEI covers food and beverage, cigarette, pharmaceutical, cosmetics and household utensils, and home appliances. The food and beverage industry sector is a growing business. Along with the increasing population growth of Indonesia, the volume of need for food and beverage continues to increase. The tendency of Indonesian people to enjoy ready to eat food causes many emerging new companies in the field of food and beverage which means also the increasing of operation, relation with the environment and the competition is getting tighter. What about the implementation of green business based on their company characteristic?

**Literature**

The theory for independent variables that used in this research is CSR, Stakeholder Theory on CSR, Legitimacy Theory on CSR, and Company Characteristic.

**CSR**

CSR is the company’s commitment to run its business processes in order to align the company’s goals with the social interest of the community and the environment. The company continuously contributes to the welfare of society and the preservation of the environment. Companies are required to constantly strive for something positive for society and the environment (Johnson and Johnson Private Limited, 2012; Watts & Holme, 1999; CSR Foundation, 2010; World Business Council for Sustainable Development, 2013; Damiri, 2008; Lako, 2011). The method of measuring CSRD using content analysis method with dummy variable, which is by counting per-item from content in corporate social responsibility index (CSRI) if every instrument or item CSR disclosed company, then given score 1, otherwise if not reveal item of score CSR 0 are as follows:

\[
\text{CSRDI}_i = \frac{\sum X_{yi}}{84}
\]

where CSRDI = Corporate social responsibility disclosure company index i. Xyi = Dummy variable, value 1 if item expressed, value 0 if item y not disclosed.

CSRD based on global reporting initiative (GRI) standard version 3.1 of 2011 consists of three themes, namely, economic, environmental, and social. Economic themes include economic performance, market presence, and indirect impacts. Environmental themes cover material, energy, water, biodiversity, emissions, effluent and waste aspects, products and services, compliance, transportation, and overall. Social themes include employment, human rights, community, and product responsibility.

**Stakeholder Theory on CSR**
According to Freeman (2010), the background of the stakeholder theoretical approach is the desire to build a positive framework for the problems facing managers at that time of environmental change. The continuity of the company depends on the support of its stakeholders, so that the company’s activity is to seek that support, stakeholders in this sense can be said as individuals or groups who have an interest in any decision or activity of an organization. CSRD is expected to meet the company’s information needs are needed and can help companies to get support from stakeholders that affect the sustainability of the company.

**Legitimacy Theory on CSR**

Theory of Legitimacy gives to the company and something the company wants or sought from society. According Ghozali and Cahriri (2007), the legitimacy of an organization can be regarded as a potential benefit or source for the company to survive. CSRD information in the annual report is one way companies to build, maintain, and legitimize corporate contributions from the economic and political side. The disclosure of social and environmental reports is one way companies can show good performance to the public and investors. The company will get a good image and recognition that the company is also responsible for the surrounding environment, so the company will have an appeal in terms of investment with the disclosure (Dowling & Peffer, 1975, as cited in Fahmi, 2015).

**Company Characteristic**

The theory for dependent variables that used in this research is Company Characteristics that consist of Profitability, Leverage and Company Growth. According to Sartono (2010), as cited in Fahmi (2015), profitability is the end result of a number of policies and decisions made by the company. The profitability ratio is a group of ratios showing the combined effects of liquidity, asset management, and debt on operating results. Profitability ratios measure overall management effectiveness as indicated by the size of the profits gained in relation to sales or investment. This ratio is more in demand by shareholders and company management as one of the investment decision tools, whether business investment will be developed, maintained, and so on. Leverage is the proportion of total debt to average shareholder equity. Leverage can show how much the company’s dependence on debt to finance the company’s operations. Leverage reflects the company’s financial risk because it can describe the company’s capital structure and know the risk of uncollectible debt. The higher the leverage of a company, the company has a high financial risk so that the spotlight of the debt holders. The growth of the company can show improvement of company’s financial performance.

In this study, the independent variable is the profitability \((X_1)\), leverage \((X_2)\), growth \((X_3)\), while the dependent variable is CSRD \((Y)\).

Hypotheses being tested in this research are:
- \(H_1\): Profitability, leverage and growth simultaneously significantly influence the CSRD.
- \(H_2\): Profitability significantly affects the CSRD
- \(H_3\): Leverage significantly affects the CSRD
- \(H_4\): Growth significantly affects the CSRD.
Research Methodology

The population in this study is the food and beverages company listed on the BEI during the years 2013 to 2015. The sample was selected using purposive sampling method. The criteria for selection of samples in this study are:

1. Companies that are included in the category of food and beverages company listed on the Stock Exchange for three years in a row.
2. The Company does not delisting during the years 2013-2015.
3. The financial statements presented in rupiah and dibutuhan all data for this study are comprehensive.
4. The company experienced growth in sales (growth) is positive in a row from year 2013 to 2015.

List of Food and Beverages Company which listed on the Stock Exchange are ADES, AISA, ALTO, CEKA, DAVO, DLTA, ICBP, INDF, MLBI, MYOR, PSDN, ROTI, SKBM, SKLT, STTP, and ULTJ as described in Tables 1 and 2 below:

CSRDI used to measure the content analysis method as used in Nurkhin’s (2011) research. Each item of CSR in the research instrument rated 1 if disclosed, and the value 0 otherwise disclosed. Furthermore, the score of each item is summed to obtain the overall score for each company. CSRDI calculation formula is as follows:

\[
CSRDI_i = \frac{\sum X_{yi}}{84}
\]

where CSRDI = Corporate social responsibility disclosure score index company i, \(X_{yi}\) = Dummy variable, 1 if item y disclosed; y value of 0 if the items were not disclosed.

This type of research is the study hypothesis and causal method. Data processing was performed using statistic package for social science (SPSS). Processing of this data is used to determine the effect of profitability (\(X_1\)), Leverage (\(X_2\)), and Growth (\(X_3\)) of the CSRD (Y).
COMPANY CHARACTERISTIC ANALYSIS ON IMPLEMENTATION OF GREEN BUSINESS

Table 1

A Listing on the Company Food and Beverages in BEI

<table>
<thead>
<tr>
<th>No</th>
<th>Code</th>
<th>Companies</th>
<th>Criteria</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ADES</td>
<td>Ades Waters Indonesia Tbk</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>AISA</td>
<td>Tiga Pilar Sejahtera Food Tbk</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>ALTO</td>
<td>Tri Banyan Tirta Tbk</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>4</td>
<td>CEKA</td>
<td>Wilmar Cahaya Indonesia Tbk</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>DAVO</td>
<td>Davomas Abadi Tbk</td>
<td>X X</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>DLTA</td>
<td>Delta Djakarta Tbk</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>7</td>
<td>ICBP</td>
<td>Indofood CBP Sukses Makmur Tbk</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>8</td>
<td>INDF</td>
<td>Indofood Sukses Makmur Tbk</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>9</td>
<td>MLBI</td>
<td>Multi Bintang Indonesia Tbk</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>10</td>
<td>MYOR</td>
<td>Mayora Indah Tbk</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>11</td>
<td>PSDN</td>
<td>Prashida Aneka Niaga Tbk</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>ROTI</td>
<td>Nippon Indosari Corporindo Tbk</td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>13</td>
<td>SKBM</td>
<td>Sekar Bumi Tbk</td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>14</td>
<td>SKLT</td>
<td>Sekar Laut Tbk</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>15</td>
<td>STTP</td>
<td>Siantar Top Tbk</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>16</td>
<td>ULTJ</td>
<td>Ultrajaya Milk Industry and Trading Company Tbk</td>
<td></td>
<td>12</td>
</tr>
</tbody>
</table>

Table 2

Variable Operational Definition

<table>
<thead>
<tr>
<th>No</th>
<th>Variable</th>
<th>Definition</th>
<th>Measurement</th>
<th>Data scale</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CSRD (Y)</td>
<td>Referring to GRI version 3.1, there are 84 items with six indicators</td>
<td>CSRDI = (Σxyi/84)</td>
<td>Ratio</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CSRD items consisting of disclosure of economy, environment, labor practices, human rights, social &amp; responsibility product.</td>
<td>Ket: Σxyi = Score CSRI</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Profitability (X₁)</td>
<td>The company’s ability to produce profit on level of sales.</td>
<td>ROA = Net profit after Tax/total assets</td>
<td>Ratio</td>
</tr>
<tr>
<td>2</td>
<td>Leverage (X₂)</td>
<td>The degree of the company’s dependence on debt in financing activities operation.</td>
<td>Debt to equity ratio = Total Liabilities/Total Equity</td>
<td>Ratio</td>
</tr>
<tr>
<td>3</td>
<td>Growth (X₃)</td>
<td>Ability of the company in competition with other companies in the industrial field the same and measure company growth from year to year.</td>
<td>Growth = Penjualanₙ₋₁/ Penjualanₙ₋₁</td>
<td>Ratio</td>
</tr>
</tbody>
</table>

Source: The secondary data processed (2016).

Analysis and Results

Green business strategy is the effort to minimize the negative impacts of economic activity company on the community and environment that fulfills the principles of corporate management. The Constitution (No. 25) in 2007 on investment and the Constitution (No. 40) in 2007 about limited company have been made and were ordered to businesses managed in green business, such as characteristic of companies. Concrete results obtained in manage companies in green business among others (Tuan, 2012):

1. Reduce a political pressure;
2. The condition of people to be better;
3. Company environmental to be green and comfortable;
4. Company has a good relationship;
5. Decreased of business risk;
6. Improve access political, investment, credit and a business firm;
7. Get appreciation from stakeholders and increased sales;
8. For sustainability companies and profit in the long run.

After going through tests, questionnaires and data through the test validity, reliability and test assumptions classic and data to be analyzed have already passed all tests then elaborated descriptive results of this research which is to look for the lowest score, highest, and average of the variable profitability (ROA), growth, leverage, and CSRD. The results are value profitability (ROA) food and beverage company from year 2013 to 2015 amounted to 0.098 or 9.8%. This means that the ability of the average food and beverage company earned a profit of 9.8% of total assets. Companies are able to generate profitability (ROA) is STTP highest in the second half of 2014, while companies that produce the lowest ROA is SKLP in the first half of 2013.

The model’s ability to implement the dependent variable variation, as measured by the coefficient of determination ($R^2$) amounted to 31.1% at 69.9% and the rest comes from other factors not examined in this study. As described previous CSRD based on GRI standard version 3.1 of 2011 consists of three themes, namely, economic, environmental, and social. Economic themes include economic performance, market presence, and indirect impacts. Environmental themes cover material, energy, water, biodiversity, emissions, effluent and waste aspects, products and services, compliance, transportation, and overall. Social themes include employment, human rights, community and product responsibility. Research to describe CSRD is not enough to see from the financial just but must included three themes as described in GRI standard.

Simultaneous test in this study aims to determine the effect of variable profitability (ROA), leverage, and growth, together to variable CSRD. The results of the simultaneous proved that jointly profitability variable (ROA), leverage and growth, significantly influence CSRD variable.

Regression equation is $\text{CSRD} = 0.051(\text{Konstanta}) + 0.386(\text{ROA})$. Regression analysis was used to obtain forecasting or trend rather than a dependent variable based on the change of the independent variable. Trend CSRD amounted to 0.0386 with the relationship positively with ROA, while leverage and growth variables did not show a significant relationship.

This study was supported by research conducted by Putri (2013), and Prakarsa and Astika (2017). The positive influence of ROA value generated by the company on the CSRD can be described using stakeholder theory and legitimacy theory. The use of stakeholder theory to explain the influence of ROA on CSRD is based on the fact that the company should be responsible to the parties concerned (stakeholders) on all activities undertaken by the company both in terms of activity required to be reported as well as volunteer activities that have been undertaken by the company. Companies with a good ROA show that the company is in a good performance conditions and have a strong competitive position. This will trigger a reaction from stakeholders to encourage companies to undertake repair business achievement and concern for environmental and social issues.

One form of implementation undertaken by the company to fulfill its role to the stakeholders is to implement CSR. Hopefully, by the implementation of a CSR, then this would be a good medium of communication between the company and its stakeholders. On the other hand, the stakeholders also require a transparency that should be done by the company concerning any activities that companies do.
The same thing can be explained through the use of legitimacy theory to explain the influence of the value of profitability is proxied through ROA on CSRD. According to Putri (2013) in the perspective of the theory of legitimacy, it is stated that a company will voluntarily report any activity if that is what is expected by the community to ensure the company’s operations are within the limits and norms in society. Therefore, CSRD made by the company can be interpreted as a tool for companies to behave in the corridors which is socially acceptable by the environment and society. CSR is also the establishment of the company to create harmony between social values inherent in its activities with the existing norms of behavior in the social system that does not lead to legitimacy gap.

Conclusions and Suggestion

Based on these results, it can be concluded that simultaneously, profitability, leverage, and growth significantly affect CSRD food and beverages company in BEI. As partially only profitability (ROA), it is significant and positive to the CSRD food and beverage company in BEI.

This study proved to know CSRD it is not enough to use financial factor, all areas in companies should be used to produce a complete. A method Value Based Management (VBM) can be used for measuring CSRD. VBM is a philosophical concept rather than technique intended to show the financial managers where and when value is created or destroyed within the organization (Ashton, 2007).

References


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