comparative ISRA

by Saarce Hatane

A Comparative Study on Financial Performance of the Participants in Indonesia Sustainability Award (ISRA)

Abstract**:** The main objective of this research is to analyze the financial performance of companies that have participated in Indonesia Sustainability Award (ISRA) competitions in 2009-2017, both regularly and temporarily. This study also analyzes the differences in financial performance in terms of industrial sector factors and the number of workers. This research applies secondary data which is carried out with independent t-test and multivariate test. Companies that consistently participate in ISRA competitions have a smaller level of leverage, and greater ability to generate operating cash. Companies with fewer than two thousand employees are more productive than companies with ten thousand employees. However, when the number of employees is more than ten thousand people, productivity managing assets is even better. It seems that investors appreciate small companies more. Compared to companies in the banking sector, companies in the manufacturing and non-manufacturing sectors have larger debts, more productive assets, and higher stock market values. It seems that investors appreciate this ISRA competition more for non-banking companies. Research related to the benefits of following this ISRA is still very limited, therefore further research can explore more about the factors that influence company interest in the ISRA competition and the benefits of ISRA for stakeholders.

Keywords**:** CSR, Sustainability report, financial performance, ISRA

Introduction

Corporate social responsibility (CSR) has become the spotlight in business because companies are evaluated not only on financial performance but also on social responsibility, thus, many companies take socially responsible actions to gain legitimacy and competitive advantage (Yinyoung Rhou, 2016). Many companies in developing countries start to design appropriate CSR initiatives which can increase their practices in CSR, but a lot of companies still consider CSR as a separate part from the company's strategy and values (Jamali, 2014).

According to Hussain (2015), there are increasing demand and pressure from stakeholders towards the companies to reduce negative impacts on the environment and society. Moreover, they demand the companies be more transparent and accountable in terms of business process and financial statement reporting. Serva and Tamayo (2013) state that CSR has a positive impact on firm's value. Therefore, companies which can fulfil social obligations by being socially responsible may increase their values.

Companies that conduct CSR practices must disclose sustainability reports as a primary tool for communicating CSR (Silvia et al., 2014). The sustainability report is the process of measuring and communicating sustainability performance and one of the responsible reporting methods to the stakeholders for the company's social, environmental and business performance to achieve sustainable development (GRI, 2013). Sustainable development may able to increase company value which is influenced by the relationship quality between internal and external stakeholders. Unlike mandatory financial disclosures, sustainability reports disclosure is voluntary and is considered as an act of transparency (De Villiers and Marques, 2016). Cormier et al. (2011) show that sustainability reports disclosure reduces information asymmetry and stock volatility. Similarly, El Ghoul et al. (2011) state that companies with higher social disclosure will experience risk reduction and a broader investor base.

Since 2005, the National Center for Sustainability Reporting (NCSR) and IAI (Indonesian Institute of Accountants) have established the Indonesia Sustainability Reporting Awards (ISRA) (NCSR, n.d.). ISRA is established to give awards to companies which have compiled and disclosed the sustainability report. The existence of ISRA is expected to give companies incentives to continue on developing sustainability reports as a form of social responsibility so that they can shape fostered corporate governance and have an impact on their financial performances.

Companies begin to publish sustainability reports as a strategy to improve their financial performance. This case is supported by the research from Reddy and Lucus (2010) which shows that sustainability reporting has a significant effect on profitability increase. Companies which publish sustainability reporting may increase the company's attention towards the environment and company's ability to be able to maintain talented human resources, managing corporate wealth, consumers, as well as increasing stakeholders' trust which makes the company's profit to increase. Therefore, to establish a strategy to maximize shareholders' wealth, the board tends to increase and report on the company's environmental and social activities, to benefit the stakeholders (Jizi, 2017). The appropriate sustainability report disclosure is to be in accordance with the stakeholders' expectations that the company higher opportunities in the future and the realization of sustainability development.

This study describes companies' financial performance which participates in the Indonesia Sustainability Report Awards (both consistent and inconsistent). Furthermore, this study also compares the financial performance of companies that have joined the ISRA, related to the industrial sector and the number of employees.

Theoretical Framework and Hypothesis Development

Stakeholders Theory

The dominant stakeholder theory in the CSR literature is profit-oriented activities, which affects broader stakeholder groups (Abdirahman et al., 2015). The effect is raised by the company's intention to not only focus on the investors' wealth but also to address the concerns to non-profit oriented stakeholders such as regulators, employees and the public (Abdirahman et al., 2015). Perez et al., (2013) suggest that stakeholder-based CSR enables companies to identify strengths and business areas that need greater visibility to be successful.

The relationship between the company and the stakeholders through CSR depends on the communication strategy that considers the importance of CSR towards the stakeholders' wealth (Kirat, 2015). The communication strategy is the participation of interests and the way companies can take aspirations and interests from stakeholders. Stakeholder Engagement Process is an activity that involves interests in communication, dialogue and operations, and approval from the stakeholders (O'Riordan and Fairbrass, 2014). Although this practice is relatively new, this process can attract attention from the CSR withdrawal. In 2010, an agreement of interest was approved, in the principles of ISO 26000, as "activities carried out to create opportunities between organizations and one or more officials with the goal to provide the base of information for the resulting organization" (ISO, 2010).

Therefore, the economic condition of the organization relies on the stakeholders' support. One of the strategies to foster the relationship with corporate stakeholders is to disclose sustainability reports, as well as social and environmental dimensions. Sustainability reports disclosure will fulfil the stakeholder's expectations and will produce a harmonious relationship between the company and stakeholders in the long term.

Legitimacy Theory

The second theory which basic of the sustainable report is the legitimacy theory. If the stakeholder theory is upheld by stakeholder accountability, the legitimacy theory based on the existence of "social contracts" that occur between companies and communities where companies which operate legally are accepted. Legitimacy theory encourages companies to conduct their activities are acceptable towards society. In other words, the theory argues that organisations can only continue exist if the society in which they are based perceives the organisation to be operating to a value system that is commensurate with the society's own value system (Gray, 2010). If a company does not follow the social norms in its operations, there will be a legitimacy gap between company operations and community expectations (Abdirahman et al., 2015). However, operating an organisation in this manner is not always easy as society's various norms and expectations are continuously changing and, thus, it is difficult to bring about congruence with the organisation's objectives. As a result, a so- called "legitimacy gap" can arise. Sometimes there can be "legitimisation threats" as a result of unexpected occurrences such as a financial scandal, major accident, or any incident that affects the organisation's reputation (Fernando and Lawrence, 2014)

Legitimacy theory is used to understand the aspects of CSR deeper and to evaluate every decision taken by the company (Duff, 2017). Moreover, companies can legitimize their operations by having good CSR practices. Fundamentally, good CSR practices appreciated (Abdirahman et al., 2015). If the company achieved an award for good CSR practices, the legitimacy gap between companies and communities will be minuscule; thus, companies will be more encouraged to be more transparent.

Sustainability Report

According to Borkowski et al. (2010), Sustainability Report is how a company combines non-financial factors with environmental, social, and governance issues that have the ability to influence the performance and reputation of the organization in the future. Furthermore, according to Borkowski et al., (2010), with increasing the use of sustainability reports, stakeholders' demand for more accountability and transparency also increase.

Sustainability reporting practices in companies require guidelines that are nationally and internationally authorized. One of the guidelines which can be used is the Global Reporting Initiative (GRI) from the Netherlands, initially published in 2000, wherein Indonesia, the institutions which represent GRI are the National Center for Sustainability Reporting (NCSR) (Golob et al., 2017). This result is consistent with Deegan and Carroll (1993) who find that larger companies, which experience more pressure, tend to apply reporting rewards to reduce the pressures faced by companies. The benefits of sustainability reports based on the GRI (2011) are as follows:

1. as an organizational performance benchmark with the accordance of laws, norms, laws, performance standards, and voluntary initiatives;
2. to demonstrate commitment towards sustainable development, and to compare organizational performance at all times.

Indonesia Sustainability Report Awards (ISRA)

Indonesia Sustainability Reporting Awards (ISRA) is an award given to companies which have created sustainability reports in accordance towards environmental and social aspects, in addition to economic aspects to foster the companies' sustainability (SRA, 2013). ISRA is given to companies that have issued sustainability reports, CSR reports, and disclosed company activities on the website (SRA, n.d.). Haniffa and Cooke (2005) imply that to reveal more CSR information, managers have to be motivated to win CSR awards because managers believe that winning the award may become the strategy to build and maintain a good corporate image. Awards are assessed by assessment indicators which include completeness, credibility, and communication. The objectives of ISRA are as follows (NCSR, n.d):

- To provide recognition to companies which report and publish information on environmental, social, and sustainability information.
- To support reporting in environmental, social and sustainability of the economic activities.
- To increase corporate accountability by emphasizing responsibility for key stakeholders.
- To increase company awareness of corporate transparency.

The ISRA's award categories are divided into 4 types of award : (1) Best Corporate Sustainability Report (2) Best Combine Report (3) Commendation for First Time GRI Standard Report (4) Special Commendations (by categories). All participants ISRA will get a certificate and scorecard with feedback from Jury, uploading sustainability reports in the NCSR and ICSP website and reports will also be uploaded in the GRI Database Website (NCSR, n.d.).

CSR disclosure is measured by the Corporate Social Disclosure Index (CSDI). CSDI is measured by grading assessments from GRI and NCSR. ISRA participants will be assessed by looking at the number of CSR items disclosed compared to the amount that should be disclosed. The greater the CSDi, the more disclosure of CSR carried out by the company. NCSR has criteria for Asia Sustainability Rating (NCSR, n.d.):

Table 1 Criteria for Asia Sustainability Rating

Rank	Score	Criteria 2017
Platinum	93 - 100	G4 Guideline/GRI Standards; Assured by the third party
Gold	86 - 92	
Silver	79 - 85	G4 Guideline/GRI Standards
Bronze	72 - 78	

2.2 Financial Performance & CSR

Haifa (2017) states that there is a positive correlation between CSR and the company's financial performance. Elena et al. (2018) also state that CSR will have a positive impact on the company's financial performance in the long-term. Companies which carry out CSR practices will add positive value towards the company's financial performance (Abdirahman, 2015). Stakeholders are aware of the fact when company conduct CSR practices that have an impact on the company's financial performance (Yinyoung et al., 2016). Morteza et al., (2014) revealed that the application of CSR will affect the profitability of the company. Grigoris (2014) states that CSR disclosure is negatively related to the leverage coefficient and is positively connected to profitability. Supported by Feng (2015), CSR performance will help to reduce credit, bond spread, and bankruptcy risk.

Company Size

Sustainability reports can increase employee productivity and increase the company's ability to absorb a more skilled workforce. According to Kim et al., (2010) the importance of CSR participation is by displaying the direct influence on the company employee identification which leads to employee commitment to the company. Haifa (2017) also supports that companies will pay more attention to stakeholders and employees. Companies must pay attention to CSR indicators including employee relationship which will eventually improve company performance.

Hypothesis Development

Raida et al. (2017) reveal that there is a positive relationship between financial performance and CSR disclosure. Ghazali et al. (2018) give the evidence that implementing CSR will influence the company's profitability because stakeholders will be willing to buy the company's products and assume that small fraction of the company profit will be donated to environmental care activities. CSR is a way of communicating with stakeholders (Mehralian et al., 2016). Morteza and Raechel (2014) suggest that customers will tend to pay a higher price for products or services provided by companies which implement CSR, thus, the consumers can help the companies in building its reputation and profitability. With the differences in the application of CSR towards profitability, the following hypotheses are formed:

H1a: there is a difference in the dimension of profitability of ISRA participants between the consistent and inconsistent ones.
H1b: there is a difference in the dimension of profitability of ISRA participants based on the business sector.
H1c: there are differences in the dimensions of profitability in ISRA participants based on company size

Amelia et al. (2019) conducted the research by testing companies which implement CSR towards market book value. The study revealed that a sustainable company becomes the top position in the market, attracting investors and stakeholders. Kim et al. (2014) add that CSR performance affects company value in the market. Consistent results were also found by Stevan and Burcin (2018) that strong CSR predicts market value from the social dimension. The hypotheses that developed in this study with the basis of previous research is:

H2a: there is a difference in the market dimension of ISRA participants between the consistent and inconsistent ones.
H2b: there is a difference in the market dimension of ISRA participants based on the business sector.
H2c: there is a difference in market dimension in ISRA participants based on company size.

Feng (2015) states that companies which have positive CSR performance will experience the reduction in credit risk, the spread of bonds, and the risk of bankruptcy. In Grigoris's (2014) study reveals CSR is negatively related to the leverage coefficient. The negative coefficient displays fostered company conditions. Raida et al. (2017) state that there is a positive effect between leverage and CSR disclosure because CSR can be a way of monitoring creditors. This can be a concern for investors and lenders as indicators of financial risk because CSR is a key component of the internal and external control systems to accurately ensure bankruptcy and debt risk. From the research the following hypotheses are established:

H3a: there is a difference in the leverage dimension of ISRA participants between the consistent and inconsistent ones.

H3b: there is a difference in the dimensions of leverage in ISRA participants based on the business sector.
H3c: there are differences in the dimensions of leverage in ISRA participants based on company size

Haifa (2017) provides evidence that there is a positive relationship between CSR and financial performance. This case makes the application of CSR to improve financial performance. Nyeadi and Sare (2018) also find evidence that CSR positively spurs financial performance. Due to the lack of research on financial performance on the asset management dimension the following hypotheses appear:

H4a: there is a difference in the asset management dimension of ISRA participants between those who are consistent and inconsistent.
H4b: there is a difference in the asset management dimension of ISRA participants based on the business sector.
H4c: there is a difference in the asset management dimensions of ISRA participants based on company size

Methodology

Population and Sample

The data used in this research are secondary data. All the financial performance deploys in this study taken from Bloomberg. The number of companies used in this study are 12 public companies which participated in the ISRA award from 2009 - 2017. Tests conducted on the companies are done by conducting different tests to see the implications of the company condition in reporting sustainability reports while simultaneously following the ISRA award and inconsistent.

Tabel 2 Variable from Bloomberg Database

Variables	Variables
Total Asset	NFA Turnover
Total Revenue	ROE
ROA	NWC Turnover
Profit Margin	Debt Equity Ratio
Market Value	LTD Ratio
Debt Ratio	PER
Market Book Ratio	Inventory Turnover
Receivable Turnover	CFO
Asset Turnover	

Tabel 3 Company Samples Studied

Code	Company Name	Year	Sector	Employee range
ANTM	PT Antam (Persero) Tbk	2009 – 2017	2	2000 – 10000
JSMR	PT Jasa Marga	2009 – 2017	2	2000 – 10000

TLKM	PT Telekomunikasi Indonesia Tbk	2009 – 2017	2	> 10000
TINS	PT Timah (Persero) Tbk	2009 – 2017	2	2000 - 10000
PTBA	PT Bukit Asam (Persero) Tbk	2009 – 2017	2	2000 - 10000
SMCB	PT Holcim Indonesia Tbk	2009 – 2017	1	2000 - 10000
ASII	PT Astra International Tbk	2009 – 2017	1	> 10000
UNTR	PT United Traktors Tbk	2009 – 2017	2	> 10000
PGAS	PT Perusahaan Gas Negara (Persero) Tbk	2009 – 2013 2014 – 2017	2 2	< 2000 2000 – 10000
SMGR	PT Semen Indonesia (Persero) Tbk	2009 – 2017	1	2000 – 10000
INCO	PT Vale Indonesia Tbk	2009 – 2017	2	2000 – 10000
BBNI	PT Bank Negara Indonesia (Persero) Tbk	2009 - 2017	3	> 10000

Variable and measurements

This study compares the financial performance of the participants in ISRA. The dimensions of financial performance examined in this study are leverage, asset management, profitability, and market value. This study compares the performance dimension in three categories. First is based on the consistency in joining the ISRA: a consistent scale (1) and inconsistency scale (0). Second group is based on the business sector: manufacturing (1), non-manufacturing (2) and banking (3). Lastly, based on the size of the company which is measured by the number of employees: <2000 (1), 2000 - 10000 (2) and > 10000 (3).

The leverage ratio is a ratio that considers the company's ability to fulfil long-term obligations, which uses three indicators (Ross et al, 2016):

1. The debt ratio is the ratio that takes into account all debts from all maturities for all creditors with the formula

$$\text{Debt ratio} = \frac{total\ debts}{total\ assets} \tag{1}$$

$$\text{Debt to equity ratio} = \frac{total\ debts}{total\ equity} \tag{2}$$

2. The long term debt ratio represents the percentage of a company's capital financed with debts that last over a year.

$$\text{LTD ratio} = \frac{long\ term\ debts}{owner's\ equity} \tag{3}$$

The **asset management ratio** is the ratio of turnover size which oversees how efficient the company uses its assets to generate sales (Ross et al, 2016). In this ratio there are four indicators namely:

1. Inventory turnover calculates how fast inventory turnover is owned by the company. The faster the turnover, the better the company produces sales. This ratio formula is as follows

$$\text{Inventory turnover} = \frac{cost\ of\ goods\ sold}{inventory} \tag{4}$$

2. Receivable turnover calculates how fast the customer receivable repayment turnover is. The faster the better the company produces sales. This ratio formula is as follows

Receivables turnover = $\frac{net\ sales}{account\ receivables}$ (5)

3. Total asset turnover calculates how much the company's assets are used to generate sales. If the larger the better. The formula for this ratio is as follows

Total asset turnover = $\frac{net\ sales}{total\ assets}$ (6)

4. Net working capital turnover represents how effiecient a company in managing its working capital funds to generate the sales.

Net working capital turnover = $\frac{sales}{(current\ assets - current\ liabilities)}$ (7)

5. Net fixed asset turnover is the productivity of a company's fixed-asset investments (net of accumulated depreciation) to generate sales

NFA turnover = $\frac{net\ sales}{average\ fixed\ assets}$ (8)

The **profitability ratio** focuses on company income to measure how efficient a company uses its assets and manages its operations (Ross et al, 2016). There are three common indicators, namely:

1. Profit margin where the ratio measures the proportion of income with profit

Profit margin = $\frac{net\ income}{sales}$ (9)

2. Return on assets (ROA) measures the proportion of profits over assets

ROA = $\frac{net\ income}{total\ assets}$ (10)

3. Return on equity (ROE) measures the proportion of profit with shareholder equity

ROE = $\frac{net\ income}{total\ equity}$ (11)

4. Cash return on assets ratio. The issue that accounting profit is not always lined up with cash, thus cash flow from operations (CFO) is aimed to reconcile the issue.

CFO = $\frac{CFO}{TA}$ (12)

Market value measures the value of shares specifically for public companies (Ross et al., 2016). There are two indicators, namely:

1. Price earnings ratio which compares the price of one share with profit per share, the formula is as follows

PE ratio = $\frac{price\ per\ share}{earning\ per\ share}$ (13)

2. Market book value ratio which compares market value with book value, the formula is as follows

$$\text{MBV ratio} = \frac{market\ value\ per\ share}{book\ value\ per\ share} \quad (14)$$

Financial Performance

In previous the studies, the ratio that is often used to assess company performance is profitability ratios and market value ratios; however, for other ratios such as leverage ratio, asset management ratio, leverage ratio, and liquidity ratio are still limited and they are used together same in one study. Therefore, this study is inspired from the motivation to better complement research in the field of sustainable reports, especially in Indonesia, which will use four existing financial performance indicators, in order to enrich the research model of sustainability reports.

Method of Analysis

Normality Test

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A normality test is conducted to ensure that the data sources collected are normally distributed. The data taken by the researcher is secondary data in which data taken comes from Bloomberg and the annual report.

Independent t – test 3

The independent t-test is used to test the hypothesis H1a - H1d where the samples consist of 2 categories that are not correlated, namely participants consistently participate and those which do not consistently participate in ISRA 2009 - 2017. The normality test is used to test whether the residuals produced have been normally distributed. However, even though the results are not normal, it can still be overcome by the bootstrap process. The criteria for decision making to see participants' differences that are consistent and inconsistent in this test are based on probability values. If the probability is (sig) > 0.05 then, there is no difference. If the probability is (sig) < 0.05 then, there is a difference.

Multivariate Test

The multivariate test is used to test the hypothesis H2a - H2d and H3a - H3d where the samples of each hypothesis consist of 3 categories. For H2a-H2d the sample consists of participants in the manufacturing, non-manufacturing and banking sectors. Whereas for H3a - H3d the sample consisted of participants with an interval of the number of workers namely <2000, 2000 - 10,000, and> 10,000.

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Results and Discussion

Descriptive Statistic

Table 4 shows the descprtive of each variables deploy in this study. These results indicate that several companies in the observation period have negative profits. Analysis of inventory turnover and receivable turnover performance is only focused on non-banking companies. Meanwhile, there are some companies that do not use long-term debts as funding sources. In addition, TINS companies, in 2013, 2014 and 2014 were unable to produce positive cash flow operating.

Table 4. Descriptive Results

Variables	S.D.	Mean	Median	Minimum	Maximum
fsize assets	1.251	8.406	3.007	4.856	7.093

fsize revenue	4.827	3.84	1.652	3.692	2.601
Roa	7.901	9.857	9.046	-5.504	38.458
Roe	12.812	18.807	17.057	-9.937	66.241
profit margin	9.99	14.859	14.547	-13.681	34.578
nwc turnover	15.068	2.107	2.599	-89.139	58.698
debt ratio	0.133	0.19	0.156	0.002	0.468
debt equity ratio	0.349	0.413	0.323	0.002	1.74
ltd ratio	0.115	0.127	0.103	0	0.398
market book ratio	1.48	2.621	2.413	0.412	8.21
Per	29.727	19.835	15.393	0	298.333
inventory turnover	120.234	39.802	5.56	0	602.244
receivable turn	4.952	8.018	8.69	0	18.543
nfa turnover	4.64	3.305	1.993	0.341	36.543
asset turnover	0.339	0.69	0.703	0.091	1.553
cfo / ta	0.096	0.13	0.111	-0.076	0.339

Normality Test Result

Variables are deemed to fulfil normality if each group of ISRA and non-ISRA (not consistent as the ISRA participants) is fulfilled, meaning that if in a variable that has one normal ISRA group while non-ISRA group is declared abnormal then the residual variable cannot be said to be normal. Residuals from each variable can be declared homo if the test value is > 0.05. The table result shows that Ln NFA turnover does not pass the heterocodasticity test because it has a Levene value of 0.039 (<0.05).

Table 5 Normality test result from Kolmogorov – Smirnof

Variable	fsize asset	fsize revenue	ROA	profit margin	Ln market value	debt ratio	Ln market book ratio	receivable turnover	asset turnover	Ln NFA turnover
	sig.	sig.	sig.	sig.	sig.	sig.	sig.	sig.	sig.	sig.
non isra	0.055	0.016	0.020	0.200	0.200	0.200	0.047	0.074	0.200	0.042
Isra	0.001	0.000	0.200	0.200	0.200	0.002	0.089	0.010	0.200	0.013
hetero (levene)	0.974	0.784	0.703	0.557	0.617	0.277	0.074	0.659	0.14	0.039

From the overall results of the Kolmogorov test, p-values of variables are mostly higher than 0.05, therefore bootstrap in the difference test will be carried out to support the continuation of this study.

Bootstrap Independent Analysis t-test

Independent tests of bootstrap t-test is used because the kolmogorov - smirnov results indicate that each group does not meet normality. The following are the results of the bootstrap test independent t-test:

Table 6 Bootstrap Independent t-test results

	ROA	ROE	Profit Margin	NWC Turn	Debt Ratio	Debt Equity Ratio	LTD Ratio	Market Book Ratio	PER	Inventory Turn	Receivable Turn	NFA Turn	Asset Turn	CFO/ TA

isra - non isra	3.032	2.84	3.35	1.45	-0.089	-0.322	-0.059	0.281	3.275	-58.281	3.214	-2.985	0.112	0.047
Bias	-0.065	-0.112	-0.11	-0.051	0.002	0.004	0.002	0.003	0.204	0.557	0.013	0.002	-0.001	0.000
Std. Error	1.91	3.473	2.263	2.22	0.034	0.107	0.030	0.350	3.979	36.78	1.068	1.838	0.070	0.021
Sig.	0.119	0.402	0.148	0.508	0.012	0.005	0.055	0.42	0.471	0.131	0.002	0.141	0.115	0.023

The bootsrap results show that the different financial performance of companies that consistently joined ISRA from the inconsistent ones. The loyal participants of ISRA use more equity in its financing activities, which makes them more liquid. In addition, their abilities to produce cash are higher than the inconsistent ISRA participants. The standard error is used to measure accuracy in predictions; the smaller the numbers, the more accurate the predictions (Lane, n.d.).

Multivariate Test Analysis on Number of Employees

The following data is the results of data processing performed for different test numbers of employees:

Table 7 Multivariate test results

dependent variable	fsize asset	fsize revenue	ROA	profit margin	Ln market value	debt ratio	Ln market book ratio	receivable turnover	asset turnover	Ln NFA turnover
	mean diff.	mean diff.	mean diff.	mean diff.	mean diff.	mean diff.	mean diff.	mean diff.	mean diff.	mean diff.
	sig. (t-test)	sig. (t-test)	sig. (t-test)	sig. (t-test)	sig. (t-test)	sig. (t-test)	sig. (t-test)	sig. (t-test)	sig. (t-test)	sig. (t-test)
< 2000 – (2000 – 10000)	0.595	0.664	11.841	18.952	1.23	0.112	0.942	2.722	-0.009	-0.296
	0.004	0.001	0.000	0.000	0.000	0.057	0.003	0.000	0.977	0.144
< 2000 – > 10000	-1.423	-1.17	12.927	15.967	-0.805	0.166	0.762	3.481	-0.034	-0.757
	0.000	0.000	0.000	0.000	0.000	0.012	0.011	0.007	0.882	0.000
(2000 – 10000) - > 10000	-2.017	-1.834	1.086	-2.986	-2.104	0.054	-0.18	0.759	-0.026	-0.461
	0.000	0.000	0.689	0.219	0.000	0.064	0.159	0.793	0.943	0.027

Table 6 shows that in most of financial performances, companies with the smallest number of employees (less than 2000 employees) are higher than the companies with the middle number of employees (in range of 2000 - 10000 employees). Moreover, companies with biggest number of employees (more than 10000 employees) have highest assets, revenues, equities, market value, and net fixed assets' turnover.

In term of profitability, it is revealed that the smaller the number of employess in the companies, the higher the profitability in those companies. The productivity of fixed assets are found in the large companies. However, the smaller companies have higher productivity in their accounts receivable. Comparing to the small companies, the market to book ratio in the large companies are smaller since those companies have more equities.

Multivariate Test Analysis on Business Sector

In addition to conducting different tests on the number of employees, researchers also conduct different tests that examine the type of company. The following are the results of data processing carried out for different types of company tests:

Table 8 Multivariate test results

dependent variable		fsize asset	fsize revenue	ROA	profit margin	Ln market value	debt ratio	Ln market book ratio	receivable turnover	asset turnover	Ln NFA turnover
		mean diff.	mean diff.	mean diff.	mean diff.	mean diff.	mean diff.	mean diff.	mean diff.	mean diff.	mean diff.
		sig. (t-test)	sig. (t-test)	sig. (t-test)	sig. (t-test)	sig. (t-test)	sig. (t-test)	sig. (t-test)	sig. (t-test)	sig. (t-test)	sig. (t-test)
manuf - non manuf	mean diff.	0.346	0.553	0.643	-1.865	0.544	0.032	0.124	0.36	0.112	-0.088
	sig. (t-test)	0.366	0.119	0.928	1.000	0.117	0.465	0.558	0.904	0.134	0.887
manuf – banking	mean diff.	-2.239	-0.18	8.977	-14.869	-1.714	0.161	0.453	9.009	0.723	-1.13
	sig. (t-test)	0.000	0.789	0.000	0.000	0.000	0.000	0.002	0.000	0.000	0.000
non manuf – banking	mean diff.	-2.585	-0.734	8.333	-13.004	-2.258	0.13	0.329	8.649	0.611	-1.042
	sig. (t-test)	0.000	0.000	0.000	0.000	0.000	0.000	0.008	0.000	0.000	0.000

The fsize (total assets) of manufacturing companies tend to worth less than the fsize (total asset) of banking companies. Likewise, non-manufacturing companies have smaller fsize asset than fsize asset of banking companies. This shows that banking companies' smaller fsize asset is greater than the manufacturing and non-manufacturing companies.

Fsize revenue from manufacturing companies has no difference from non-manufacturing and banking companies. Non-manufacturing companies have less value than banking fsize revenue. The results of banking company fsize revenue are equal to the value of the fsize assets of non-manufacturing companies with greater value but there is no difference with manufacturing companies in terms of fsize revenue.

In terms of profitability, manufacturing companies have greater ROA than banking companies. Non-manufacturing companies also have greater ROA than banking companies. It can be concluded that the ROA of banking companies are smaller than the manufacturing and non-manufacturing companies. The ROA results are inversely related to profit margins. The profit margin of manufacturing companies is smaller than the profit margin of banking companies. Non-manufacturing companies have a smaller profit margin than banking companies. The result of this profit margin is concluded that banking companies have a greater profit margin than manufacturing and non-manufacturing companies.

The market value of manufacturing companies will have a smaller value than banking companies; however, manufacturing companies' market book ratios are larger than banking companies. The market value of non-manufacturing companies is smaller than banking companies, while market book ratios of non-manufacturing companies are greater than banking companies. Thus, banking companies tend to have greater market value than manufacturing and non-manufacturing companies. Conversely, with the market book ratio, banking companies tend to have smaller values than manufacturing and non-manufacturing companies.

Debt ratios of manufacturing and non-manufacturing companies are greater than banking companies. Therefore, banking companies have a smaller debt ratio than manufacturing and non-manufacturing companies.

Manufacturing and non-manufacturing companies have a higher receivable turnover and greater asset turnover than banking companies. Therefore, it can be concluded that receivable turnover and banking company asset turnover is smaller than manufacturing and non-manufacturing companies. If seen from the NFA turnover variable, the results are inversely related. Manufacturing and non-manufacturing companies have a smaller NFA turnover than banking companies, thus, banking companies have greater NFA turnover than manufacturing and non-manufacturing companies.

Analysis Result of Relationship between Hypotheses and Theory

By analyzing at the results of the leverage dimension test, the hypotheses state that there are differences in the leverage dimensions of companies which consistently follow the ISRA and those which did not follow it consistently (H3a). The results of the debt ratio from table 5 that show significant negative difference. This result is in line with previous research by Grigoris Giannarakis (2014). Companies' debt ratio which discloses CSR and consistently followed ISRA are smaller than companies which disclose CSR but did not consistently follow ISRA; it can be concluded that companies which consistently follow ISRA have better economic conditions. That is, only a small portion of the companies' assets are financed by debt. Investors or creditors will feel safer if they are funding companies which are actively participating in the ISRA due to lower credit risks (Feng, 2015).

The variable debt-equity ratio (DER) has a negative significant that shown from Table 5. DER with a value below 1.00, indicates that a company has smaller debt than its capital. Significant results start to show for companies which disclose CSR and consistently follow the ISRA. The smaller the DER of the company, the more the certainty of the company to pay its long-term obligations. Sheikh (2018) argues that firms that have a higher score on CSR have lower leverage ratios. These results are similar to (Vierwijmeren and Derwall, 2010; Bae et al., 2011). In addition, things that must be considered by companies are engaging in financial services lead to higher DER because most of the funds are managed by third-party funds which are considered as debt. The greater the third party's involvement in capital management, the higher the probability of getting a higher profit. Shareholders prefer lower DER companies because the ability to provide dividends to shareholders will be higher. This will lessen the concern for stakeholders about investing in companies that consistently follow the ISRA which are more protected from the risk of bankruptcy (Feng, 2015)

Furthermore, the hypothesis states that there are differences in the leverage dimensions in ISRA participants according to the business sector (H3b). According to the analysis results which have been carried out, companies which are classified as manufacturing and non-manufacturing will have larger debt ratio than banking companies. The majority of manufacturing and non-manufacturing companies have their assets financed by debt. Looking at the sample of companies taken by the majority engaged in manufacturing and mining, it requires assets at a tremendous cost. It does not rule out the possibility that debt from manufacturing and non-manufacturing companies will be greater. So that the debt ratio of manufacturing and non-manufacturing companies can be greater than banking companies which focus on financial services with lower asset costs.

Finally, the hypotheses state that there are differences in the leverage dimensions of ISRA participants based on company size (H3c). Companies which have <2000 employees will have greater debt ratio than companies that have > 10000 employees. Companies which consistently followed ISRA with > 10000 employees have better economic conditions. The respective companies are able to fund existing assets with minimal debt.

Moving to financial ratios and existing hypotheses, there are differences in the profitability dimensions between companies which are consistently and inconsistently took part in ISRA (H1a). The results of the bootstrap test show that the value of sig. ROA 0.119, ROE 0.402, and profit margin 0.148 have no significant difference between companies which consistently followed the ISRA with those which did not. It is a common thought that most of the companies are profit-oriented, therefore profit is not a significant factor that can drive the companies to do more social activities (Asmeri et al., 2017)

The second hypothesis in the profitability dimension states that there are differences in ISRA participants based on the business sector (H1b). Manufacturing and non-manufacturing companies have greater ROA than banking companies. Investors will tend to invest in companies which continue to experience an increase in ROA because of the greater the ROA the greater the ability of the company to use all existing assets to maximize net income. Thus, the refund rate will swiftly rotate again. Mahbuba and Farzana (2013) imply that CSR has a significant impact on profitability, which means CSR positive influence in short terms and the return will be even greater in the long term. In terms of profit margin ratio, manufacturing and non-manufacturing companies are smaller than banking companies. Macharia and Gatuhi (2016) argue that higher profit margin implies that the company have more cash inventory and the return will increase. Banking companies which followed ISRA can generate net income purely from business operations. The operational costs contained are effectively able to be covered by company profits and the ability to achieve a higher percentage of net income.

The third hypothesis from profitability dimension shows that there are differences between ISRA participants based on company size (H1c). This result is according to the research of Grigoris (2014) and Anas (2015). Companies' ROA which have <2000 employees will be far greater than companies which have 2000 - 10000 employees and even greater than 10000 employees. From the perspective of profit margin ratio, it is also stated that the company's profit margins which <2000 employees are greater than companies with 2000 - 10000 employees and > 10000 employees. Companies generate greater profits because the resources value to create a product are small and the company is able to effectively cut costs - existing costs to maximize profits.

The hypothesis states that there are differences in market dimensions between companies which consistently and inconsistently followed ISRA (H2a). Bootstrap test results show that there is no significant difference between companies that are consistent with companies that do not consistently follow the ISRA. In conclusion, the market is not too concerned about companies that conduct active CSR or not. However, in Yinyoung's research (2016), stakeholders respond positively to companies with active CSR. The second hypothesis states that there are differences in market dimensions of ISRA participants based on the business sector (H2b). Looking at the results of the multivariate test, the market value of manufacturing and non-manufacturing companies is lesser than banking companies. Zaccheaus et al. (2014) CSR performance in manufacturing companies are not related to stock prices because investors used the sustainability report only as a guide to investing, but investors tend to use financial statements to consider. While the market book ratio of manufacturing and non-manufacturing companies is larger than banking companies. Market value is a reflection of the company size which can influence investors in making decisions to buy, sell, or hold their shares. Wang (2011) companies that carry out CSR will help companies improve their image to interact with investors so investors intend to invest in the company and this can build a favourable share price. While Izzo and Donato (2012) stated that the negative market response in the stock prices of companies that do CSR is due to high financial pressures and high risk. Banking companies which consistently followed ISRA are seen as having more volatile fluctuations, making the stock market value higher. The bank companies that have a high-profit margin has a significant effect on investors in assessing the market so that it has an impact on stock market value (Macharia and Gatuhi, 2016). However, external parties provide a more accurate assessment of the book value of manufacturing and non-manufacturing companies. This is due to investors' optimistic approach that manufacturing and non-manufacturing companies which actively participate in ISRA to have a more dynamic business process and to be developed in the future. Therefore, manufacturing and non-manufacturing companies are considered growth stocks.

The third hypothesis from the market dimension perspective states that there are differences in market dimensions between ISRA participants based on company size (H2c). Companies with highest number of employees have larger market values when compared to companies that the smaller ones. Conversely, from the market book ratios, companies with highest number of employees are smaller than companies with the smallest number of employees. Investors tend to give positive reponds to companies which consistently followed ISRA with a largest number of employees but investors are not optimistic enough to provide considerable ratings to companies with > 10000 employees even though consistently followed ISRA.

Lastly, the hypothesis of asset management states that there are differences between ISRA participants (consistent and inconsistent) (H4a). Companies' receivable turnover of those which consistently followed ISRA is larger than those which did not consistently follow ISRA. Companies which consistently followed ISRA have quicker receivables to be billed, so the company can quickly convert the account receivable into cash.

The second hypothesis signifies that there are differences in the asset management dimension of ISRA participants based on the business sector (H4b). Manufacturing and non-manufacturing companies have a better receivable turnover and greater asset turnover than banking companies. Looking at the NFA turnover ratio, manufacturing and non-manufacturing companies have smaller NFA turnover than banking companies. Manufacturing and non-manufacturing companies which were actively involved in ISRA are better at converting receivables into cash than banking companies. This case may be affected by banking companies which tend to provide long term credits and make the acquisition in cash to require a longer time-scape than manufacturing and non-manufacturing companies. The same case with asset turnover owned by manufacturing and non-manufacturing companies which actively participated in ISRA tend to be more effective in using assets to support sales than banking companies. Whereas in NFA turnover, banking companies are higher because assets owned by banks tend to require more than one strategic building to support operations and customer satisfaction.

Finally, asset management dimension shows that there are differences in the asset management dimensions between ISRA participants based on company size (H4c). Companies which have 2000 - 10000 employees and > 10000 employees show no difference in terms of receivable turnover; however, those companies have lesser value than companies with smaller number of employees. NFA turnover companies that have largest number of employees worth more than companies that have <2000 employees and 2000 - 10000 employees. The asset turnover ratio does not show any difference in the companies with any level number of employees. The company which actively follows ISRA with > 2000 employees have lesser debt turnover because these companies provide a larger amount of debt than companies that have <2000 employees, thus, in terms of arrears and billing to customers, it will be much longer than companies that are less than 2000 employees. Related to NFA turnover, companies which actively participated in ISRA with > 10000 employees will be greater, which can be caused by the fulfilment of capacity and asset financing owned. Therefore, the fewer resources, the smaller the capacity and funding needed

Managerial Implication

ISRA is considered an activity which can provide sustainable development for company management. Especially, the demand for sustainability reports has become higher because it helps the stakeholders and the community to analyze environmental problems produced by the company. Sam's survey (2012) states that external parties can assess companies from dimensions such as profit, planet, and people. Connecting with people is one of the management concerns to create good relationships with employees. Kim (2010) states that CSR has a direct influence on the identity of the companies. Haifa (2017) also states that companies must pay attention to employee relationship so that they can improve company performance. This has become an encouragement for management, especially, for companies which consistently follow the ISRA to pay attention to employees and to make employees feel comfortable. When employees feel comfortable, the employees will make their performance to become more productive. Assets owned by the company will be more effectively used so that turnover in the company's performance will be greater as well.

The level of interest of the companies that are actively participating in ISRA tends to be focused on the manufacturing and non-manufacturing sectors. External parties are more optimistic about the performance of manufacturing and non-manufacturing companies. This can be said by looking at investors who are optimistic about determining the company's book value, high debt turnover rate, high ROA, and how manufacturing and non-manufacturing companies are able to optimize their assets to be cost-effective and to have dynamic sales. The NCSR agency noted the rating of Asian companies, especially Indonesia, which managed to score platinum rank, are manufacturing and non-manufacturing companies (NCSR, 2018). This achievement encourages stakeholders to entrust his investment in manufacturing and non-manufacturing companies.

Conclusions and Suggestions

Conclusion

The first hypothesis related to financial ratios used is profitability, market, leverage, and asset management. The related dimensions are tested differently to see the effect of financial performance between companies that consistently followed the ISRA and companies that did not consistently follow the ISRA. Based on the results of the test, the first hypothesis shows to be accepted (positive) because the variable of the company ratio which consistently followed ISRA is different from the company that did not consistently follow the ISRA.

The second hypothesis is conducted on different tests have been conducted by looking at the differences in companies which actively participated in the ISRA. Companies that actively participated in ISRA are divided into three business sectors, namely manufacturing, non-manufacturing, and banking. Likewise, the second hypothesis is accepted because the variables of the ratio of manufacturing and non-manufacturing companies which followed ISRA are different from the banking companies which followed the ISRA. By looking at the list of winners in the last three years of ISRA award, the majority was dominated by manufacturing and non-manufacturing companies, making external parties to be more optimistic to companies which follow ISRA in manufacturing and non-manufacturing sectors.

The final hypothesis is conducted on different tests have been carried out by looking at the differences in companies that actively participated in the ISRA. Companies which actively participated in ISRA are divided into 3 classifications of the number of employees which are less than 2000, 2000 to 10000, and more than 10000. The third hypothesis is declared to be acceptable because companies that have less than 2000, 2000 to 10000 employees, and more than 10000 have differences in financial performance. Companies which are aware that employees are part of the company's assets that need to be considered have better financial performances.

Suggestion

From all the results of this research, companies that have disclosed sustainable reports but are not actively participating in the ISRA must consider the effect of ISRA for companies. External parties will be more interested in companies which actively participate in ISRA. Especially companies engaged in the manufacturing and non-manufacturing sector, in which from the data sample, the majority of companies that are engaged in mining require corporate responsibility. If the company is able to get high ranks and become the winner as the best sustainable report in the ISRA competition, the external party will assume that the company cares about the environment and the surrounding community. Companies get the legitimacy from the society from its social concern activities. Companies which are developed well and sustain are companies that are able to protect the environment. Therefore, there is a balance between profits with environmental conditions and public trust.

Research related to the benefits of following this ISRA is still very limited, therefore further research can explore more about the factors that influence company interest in the ISRA competition and the benefits of ISRA for stakeholders.

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