

## **CHAPTER III**

### **RESEARCH METHODS**

This chapter provides an overview of the research methods, calculations, classifications, and other terms that are used during this study.

#### **3.1 Type of Research**

This research is qualitative-based research with a descriptive method, which is done by analyzing and describing financial report, annual report, corporate social responsibility (CSR) report data of Textile Industry in Indonesia and Taiwan to determine whether influence Corporate Social Responsibility (CSR) Disclosure positively affects the performance of company activities

#### **3.2 Population and Sample**

Population in this research is the Textile Industry in Indonesia and Taiwan. The sampling technique in this study is purposive sampling, which is sampling with certain criteria. Here are the sampling criteria used in this study:

- a. Sample from this research is the Textile Company which listed either in Indonesia and Taiwan for their 3 years Annual Report and Corporate Social Responsibility (CSR) Report (2015-2017).
- b. The Annual Report and CSR Report from those above Textile companies have been reported and published.
- c. The Taiwan Textile Company disclosing the Corporate Social Responsibility in it is Corporate Social Responsibility Report, while The Indonesia Textile Company disclosing the Corporate Social Responsibility in it is an annual report.

#### **3.3 Data Types and Sources**

This study uses historical data sources. The data used are secondary data. Secondary data is data obtained indirectly from third parties through the intermediary. This study uses data such as Financial Report and Corporate Social Responsibility (CSR) Report of Taiwan Textile Company and Annual Report of Indonesian Textile Company. Source of data derived from financial report, CSR report, an annual report published by the companies concerned. Data obtained from the website that will be examined, from Indonesia Stock Exchange website ([www.idx.co.id](http://www.idx.co.id)) 5 companies each were selected, and The Taiwan Stock

Exchange (TSE) Market Observation Post System (MOPS) ([mops.twse.com.tw](http://mops.twse.com.tw)) 5 companies each were selected. The researcher collected, recorded, and reviewed all required information contained in the financial reports, CSR Report, an annual report of the companies concerned for the periods 2015-2017. In addition, the researcher also calculated the ratios contained in the financial reports and annual reports of those companies.

### **3.4 Research Variable**

In this study, the researcher proposes to use a new approach to understand how CSR can influence company's financial performance by looking at how many weight percentage the CSR disclosure index by the company and how big is the company. For CSR variable tested in this study is to divide the total amount of CSR index disclosed by the company with the total index which should be disclosed by the company based on the GRI standard. And for company size assessment will use the assessment of the company's financial performance using two profitability ratios which are: ROA and ATO and as follows:

#### **3.4.1 CSR Disclosure Index weight percent assessment**

GRI is one of the non-profit organizations based in Amsterdam, the Netherlands. GRI refers to standard issues in sustainability reporting of a company. GRI focuses on an effort for business and government to create social, environmental and economic benefits. More than 100 countries have used sustainability reporting standards including Taiwan and Indonesia.

According to GRI, the GRI standard is the international standard that most widely adopted by companies with revenues greater than the GDP in all countries and has branches throughout the world. GRI claims that there is a reduction in negative impacts on social and environmental issues, easy access to clean water and reducing underage workers or forced labor by using the GRI Standard for sustainability reporting.

GRI's standard cover 3 specific topics, first are economy which contains economic performance, market presence, anti-corruption, and others. While for environmental standard contains energy, materials, water, environmental compliance. And the last is, social standing, in this standard, is broad because it covers the condition of the company itself, human rights, and customers with a total standard index are 87 indexes.

For companies that use the GRI standards will attach a response to the GRI standard in each company CSR report. In the response, it would be mentioned what index that company has done and on what page the standard was reported.

To find out how much the weight percentage of CSR index disclosure will be calculated as follows:

Corporate Social Disclosure Index Weight Assessment

$$= \frac{\text{Total CSR Disclosure index disclosed by the company}}{87 \text{ CSR Index total according to GRI}} \times 100\%$$

### 3.4.2 Profitability Ratio

Profitability ratio is one important measure of financial performance, from this ratio can be seen the degree of whether or not firms have been successful in creating wealth for its owners (Atrill, 2015).

There are four ratios in profitability ratio, but for this study will use only two ratios which are ROA and ATO. These two profitability ratios can be calculated as:

1. Return on Assets (ROA)

ROA is a ratio that will show how the company can generate profits with the assets.

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Average Total Assets}}$$

The greater the ROA ratio, the greater the company is declared able to generate profits from the activities used.

2. Asset Turnover (ATO)

The total assets turnover ratio shows a company's ability to generate sales from its assets by comparing net sales with average total assets.

$$\text{ATO} = \frac{\text{Net Sales}}{\text{Average Total Assets}}$$

The greater the ATO ratio, the company is declared able to generate profits from utilizing total assets.

### 3.4.2 Firm Size

Firm size can be classified into several firm sizes such as small firm, midsize firm, and large firm. There are several standards to determine Firm Sizes such as employment size, total assets, and sales size. The company size category according to the National Standardization Agency is divided into 3 types:

a. Large companies

Large companies are companies that have a net worth greater than Rp. 10 billion including land and buildings. Have sales of more than Rp. 50 billion / year.

b. Medium Enterprise

Medium companies are companies that have a net worth of Rp. 1-10 billion including land and buildings. Having sales results greater than Rp. 1 Billion and less than Rp. 50 billion

c. Small company

Small companies are companies that have a net worth of at most Rp. 200 million excluding land and buildings and has a minimum sales of Rp. 1 billion / year

Classification of company size according to the Small Business Administration (SBA) in Restuwulan (2013), that is:

**Table 3.1 Firm Size Criteria**

Firm Size	Employment Size	Assets Size	Sales Size
Family Size	1-4	Under \$ 100.00	\$ 100.00 -\$ 500.00
Small	5-19	\$ 100.00 - \$ 500.00	\$ 500.00 - \$ 1 M
Medium	20-99	\$ 500.00 - \$ 5 M	\$ 1 M - \$ 10 M
Large	100-499	\$ 5 -25 M	\$ 10 M - \$ 50 M

Source: Small Business Administration

From several indicators that influence classification in firm size, the indicators in this study are limited, so that this study is more focused and the results achieved in accordance with the expected assumptions. And for this study, the measurement of firm size is to look at the assets size of the company assets and based assets size can be determined the size of the company.