CHAPTER III

METHODOLOGY

3.1 Types and Data Sources

The types and sources of data used are secondary data, namely annual report and consolidated financial statement from manufacturing companies listed on the Indonesia Stock Exchange during the period from 2014 to 2016.

3.2 Data Collection Method

Data collection method in this research is by documentary technique. This technique is done by tracing the annual report of the company being the sample and the data related to Corporate Social Responsibility, and also using literature study that is by collecting data by reading books or materials related to the issues discussed in the research.

3.3 Population and sample

3.3.1 Population

Population is a generalization area consisting of Object / subject that has a certain quantity and characteristics set by the researcher to be studied and then in conclusion sugiyono (2011) Therefore, the population of this study covers all companies in Indonesia However, the population is represented by Manufacturing companies listed on BEI (Indonesia Stock Exchange) because of the availability and quality of information it has. And this research tries to further investigate the influence of Corporate Social Responsibility disclosure on company's financial performance.

3.3.2 Sample

According Sugiyono sample is part or number and characteristic possessed by the population. If the population is large, and researchers are unlikely to study everything in the population, because of limited funding, energy and time, the researchers will take samples from that population. What is learned from the

sample, the conclusion will be applied to the population. For that sample taken from population must be really representative (Sugiyono, 2011).

The samples selected in this study are companies representing manufacturing companies listed on the Indonesia Stock Exchange which presents the financial statements as of December 31 during the year 2014-2016 along with Annual Report and Sustainability Report.

3.3 Sampling Technique

The sampling technique used is purposive sampling technique. This study uses secondary data from IDX which is accessed through www.idx.co.id The procedure of data collection is documentation study. Data taken in those years with criteria:

1. Manufacturing companies listed on BEI successively during the period from 2014 to 2016
2. Companies that use rupiah currency
3. Provide complete financial report, Annual Report, or Sustainability Report during the period from 2014 to 2016
4. Have complete data on corporate social responsibility disclosure within the specified study period
5. Companies that have not suffered losses during the study period

3.4 Research Variables and Operational Definition of Variables

Size variables are something different or varied and a set of values. There are several types of variables used in this study, independent or independent variable (X) is the variable that becomes the estimator, the dependent variable or not free (Y) is the estimated value variable, and Control Variables. The independent variables in this research are Corporate Social Responsibility Disclosure or Corporate Social Responsibility (Economy, Environment, Labor, Social,). Dependent variable in this research is financial performance that is Activity performance in proxy with Asset Turn Over (ATO) and Profitability Performance

in proxy with Return On Asset (ROA). And there are Variable Control of Type Company.

3.4.1 Operational Definition of Variables

The study used data classification and assessment in accordance with GRI 4 (Global Reporting Initiative). Dependent Variables, the practice of Corporate Social Responsibility may produce different effects in the company's performance. Here CSR itself is defined as the responsibility of an organization to the effects of its decisions and activities on society and the environment embodied in the form of transparent and ethical behavior in line with sustainable development and community welfare, taking into account the expectations of stakeholders, in line with the law the established and the norms of international behavior; and integrated with the organization as a whole (ISO 26000, Guidance on social responsibility)

3.4.2 Independent Variables

The independent variable is CSR Disclosure, using the measurement of Compound CSR Index. Here the independent variables in the form of CSR are categorized based on GRI 4 are as follows (Economic, Environmental, and Social) are measured simultaneously and partial influence on the dependent variable. According to research conducted by Tilt (2001), an analysis of the contents of annual reports has been used to examine corporate CSR practices from data provided in different documents and observation reports. For this purpose, a checklist has been designed to cover certain categories that match the data distribution of companies in Indonesia (economic, environment, labor practices, human rights, society, and product responsibility) according to the Global Reporting Initiative (GRI4). as a guide for corporate social disclosure. This illustrates the transational effort to extend the credibility of financial reporting in areas of social responsibility by using internationally used reporting standards (Robert and Koeplin, 2007).

The Global Reporting Initiative is a reporting framework for creating sustainability reports comprising reporting principles, reporting guidelines and disclosure standards (including performance indicators). These elements are considered to have the same importance and weight for their assessment (GRI 2013).

The CSR Disclosure category uses the standards of GRI 4 (Global Reporting Initiative). GRI consists of 3 focus disclosures, namely economic, environmental and social as the basis of sustainability In GRI4 contains several Indicators:

1. Labor Practices and Decent Work
2. Human Rights,
3. Society
4. Product Responsibility.

Later these CSR indicators will be assessed using the Dummy variable. Dummy codes generally use a rating category denoted by 1 or 0. The dummy 0 (zero) group is called the excluded group, while the dummy 1 group is called the included group (Ghozali 2006). In the indicator there are 79 categories (4 categories of economics, 13 categories of environment, 14 categories of labor, 9 categories of social rights, 8 categories of social categories, and 9 categories of products) categories, and each category contains more detail both about the specific disclosure area and marked by using code 0 or 1. A value 0 is provided if no information is disclosed. And a value of 1 is awarded if the company has undertaken several activities that correspond to the coded category. As for Measurement using the following formula.

$$\text{Formula CSRiy} = \frac{\sum \text{Xky}}{\text{ny}}$$

Information :

CSRiy = Corporate Social Responsibility Index company y,

Σ Xky = Total from dummy variable. 1 = if category Sustainability Report k is disclosed, 0 = if category Sustainability Report k is not disclosed. NY
ny = Number of items for company y, ny = 91

3.4.3 Dependent Variables

Dependent variable of this research is financial performance proxy by activity ratio and profitability. The total asset turnover ratio shows the ability of an asset to create a sale.

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

ROA analysis is used to measure a company's ability to generate profits using total assets after adjusting for cost to fund asset (Hanafi, 2005).

$$\text{Formula ROA} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

3.5 Data Analysis Method

3.5.1 Multivariate Analysis of Variance (MANOVA)

Multivariate statistical analysis is a method of doing research on more than two variables simultaneously. By using this technique of analysis then we can analyze the influence of several variables against other variables at the same time. Based on the relationship between variables, multivariate analysis can be divided into dependence techniques and interdependence techniques. In dependence techniques, there are two types of variables, namely the dependent variable and the independent variable. Dependence techniques are used to solve problems about the relationship between the two groups of variables. While in interdependence techniques, the position of each variable is the same, there is no dependent variable and independent variable. Usually these interdependence

techniques are used to look at interrelationships among all variables regardless of the form of the variables involved (Bilson Simamora, 2005).

3.5.2 Analysis of Variance (ANOVA)

Analisis varians (ANOVA) adalah kumpulan dari model statistik yang digunakan untuk menganalisis perbedaan rata-rata antara kelompok dan prosedur terkait (seperti "variasi" antara kelompok). Dalam pengaturan ANOVA, varians diamati pada variabel tertentu dibagi menjadi komponen disebabkan berbagai sumber variasi. Dalam bentuk yang paling sederhana, ANOVA menyediakan uji statistik apakah rata-rata beberapa kelompok adalah sama, dan adanya generalisasi t-test untuk lebih dari dua kelompok. Seperti melakukan beberapa dua-sample t-tes akan menghasilkan peningkatan kesempatan dalam mengamati tipe I kesalahan statistik, maka ANOVA berguna untuk membandingkan (pengujian) tiga atau lebih berarti (kelompok atau variabel) untuk signifikansi statistik Ronald Fisher (sbm.binus.ac.id 2015)