

CHAPTER I

INTRODUCTION

1.1 Background of Study

It is evident that businesses operating in the food and beverage company encounter intense competition within their respective markets. A company that enters a particular industry will consistently strive to attain the optimal possible profit. However, does the organization solely derive financial gain from its activities? What is the climate in the vicinity? Food and beverage manufacturing entities may not invariably operate on a limited scope. Does the business also consider the surrounding environment?

In contemporary times, the sustained success of a business is contingent upon its ability to engage in social disclosure. According to Fauziah (2018), the act of social disclosure in Indonesia has transitioned from a discretionary practice to a compulsory requirement. According to Article 24 of Law No. 40 of 2007, companies involved in activities related to natural resources must fulfill their social and environmental responsibilities. Failure to comply with these obligations can result in legal consequences for the organizations.

According to Fauziah (2018), it is a requirement of the Indonesia Stock Exchange that companies disclose their annual and financial reports. It is mandatory for corporations that are publicly traded on the Indonesia Stock Exchange to participate in Corporate Social Responsibility initiatives. The Indonesian

government mandates this requirement. In the event of non-compliance with the company's corporate social responsibility provisions, various administrative sanctions such as written warnings, business activity restrictions, suspension or revocation of business activities and/or investment facilities may be enforced.

In today's business world, companies operate in a highly competitive and fast-changing environment. Companies often use various resources to increase their profits, but this can have negative consequences for society and the environment. As companies grow, there is a risk of increasing social inequality and harming the environment due to the excessive use of resources. According to Devina (2004), cited in Katiya (2011), the implementation of Corporate Social Responsibility and environmental performance measures is imperative for the establishment of a resilient and sustainable business model, aimed at mitigating the adverse impacts of business operations. It is a concept that highlights the responsibility of businesses to consider the social and environmental impacts of their operations. Corporate Social Responsibility encompasses various activities and initiatives undertaken by companies to contribute positively to society and minimize any negative effects.

Moreover, company value plays a vital role in this relationship. A strong company value, which encompasses factors like brand reputation, customer loyalty, and employee satisfaction, can positively influence a company's financial performance, including its Return on Equity. According to Katiya (2011), understanding the relationship between Corporate Social Responsibility, environmental performance, company value, and Return on Equity is crucial for companies to navigate the complex business landscape and ensure long-term

sustainability. This has resulted in the emergence of several studies conducted in Indonesia and other countries to demonstrate The Influence of Corporate Social Responsibility, Environmental Performance and Company Value toward Return on Equity of Food and Beverage Industry Listed on the Indonesia Stock Exchange.

Presented below is a compilation of the foremost three food and beverage industry enlisted on the Indonesia Stock Exchange.

Table 1.1 Table of Phenomenon

Companies	Year	Corporate Social Responsibility	Environmental Performance	Company Value	Return on Equity
PT Akasha Wira International Tbk (ADES)	2018	0,84	0,98	0,19	1,57
	2019	0,63	0,73	0,19	0,8
	2020	0,48	0,47	0,19	1,98
	2021	0,45	0,53	0,19	0,6
PT FKS Food Sejahtera Tbk (AISA)	2018	0,80	0,93	2,25	2,86
	2019	0,73	0,71	2,25	2,02
	2020	0,69	0,82	2,25	4,75
	2021	0,65	0,71	2,25	1,76
PT Tri Banyan Tirta Tbk (ALTO)	2018	0,66	0,62	12,07	4,9
	2019	0,65	0,67	12,07	3,24
	2020	0,55	0,53	12,07	4,24
	2021	0,51	0,53	12,07	2,43

Source: Prepared by the writer (2023)

Table 1.1 above presented the foremost three food and beverage industry enlisted on the Indonesia Stock Exchange with their financial metrics from period 2018 until 2021. The results of observation are presented as following:

1. Companies

Three companies that being mentioned on Table 1.1 are companies that listed on the Indonesia Stock Exchange which are PT Akasha Wira International Tbk with stock code ADES; PT FKS Food Sejahtera Tbk

with stock code AISA; and PT Tri Banyan Tirta Tbk with stock code ALTO.

2. Year

The table represent the period that being examined in this research. The years range from 2018 to 2021.

3. Corporate Social Responsibility

This indicates how much importance each company places on social and ethical responsibilities. The Corporate Social Responsibility scores of each company are experiencing a slight decline.

4. Environmental Performance

The table represent the environmental performance score of each company for the given year. The score reflects a company's efforts and performance in areas such as energy efficiency, waste management, and environmental conservation. Higher scores indicate better environmental performance.

5. Company Value

The table represent the value of each company for the given year. The value can be an indicator of the company's overall worth or market capitalization. It is influenced by factors such as financial performance, market conditions, and investor sentiment.

6. Return on Equity

The table represent Return on Equity for each company in the given year. Return on Equity is a measure of profitability that indicates how

efficiently a company generates profits from the shareholders' equity. Higher Return on Equity values indicate better profitability and efficient use of equity.

The inconsistent in previous researchers and phenomena shown then raise the writer's interest and becomes an interesting issue to be further empirically explored in this research. Under this intention, the writer is motivated to conduct this research with the title **“The Influence of Corporate Social Responsibility, Environmental Performance and Company Value on Return on Equity of Food and Beverage Industry Listed on The Indonesia Stock Exchange.”**

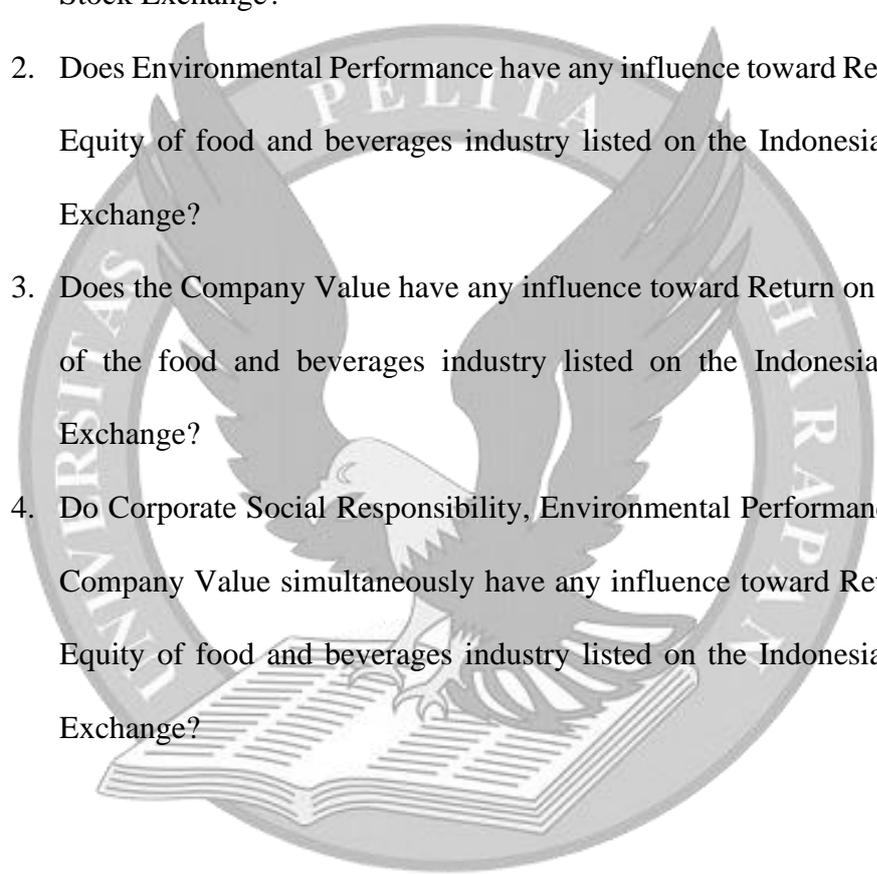
1.2 Problem Limitation

To enhance the research's focus and direction, the author has limited the scope of the addressed issues. The research is subject to certain limitations.

1. The scope of this research is restricted to food and beverage industry listed on the Indonesia Stock Exchange.
2. This research focuses only on period of financial year 2018 until 2021.
3. One of the independent variables under examination in the research is Company Value, which is exclusively focused on the Price-to-Book Value metric.

1.3 Problem Formulation

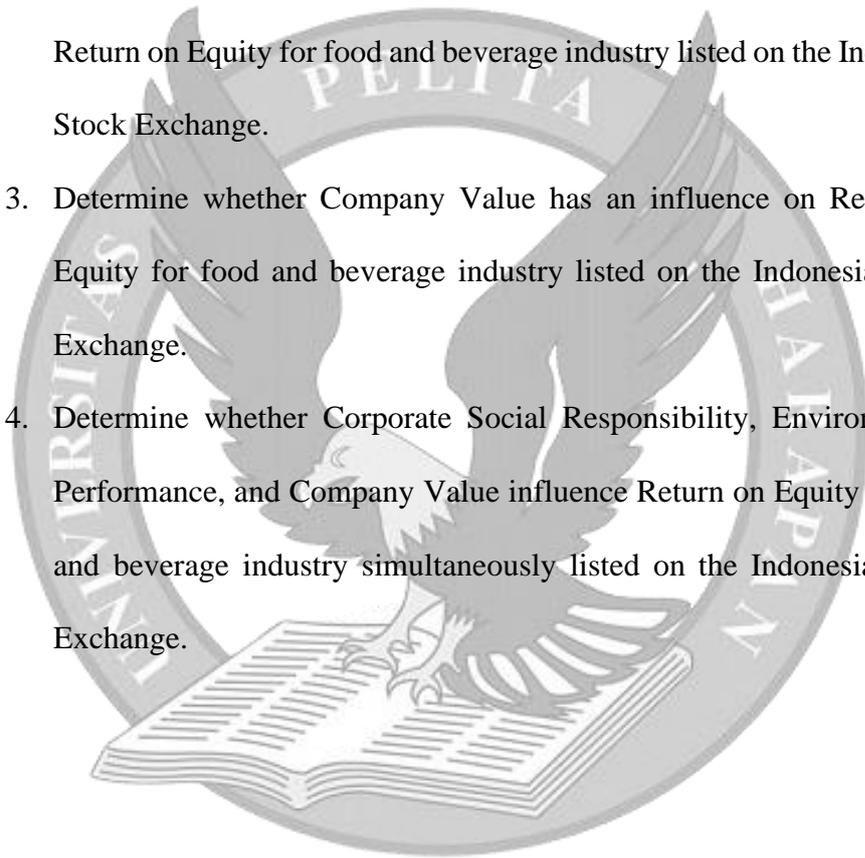
Based on the previous Background of the Study section, the following is the formulation of the research problem:

1. Does Corporate Social Responsibility have any influence toward Return on Equity of food and beverages industry listed on the Indonesia Stock Exchange?
 2. Does Environmental Performance have any influence toward Return on Equity of food and beverages industry listed on the Indonesia Stock Exchange?
 3. Does the Company Value have any influence toward Return on Equity of the food and beverages industry listed on the Indonesia Stock Exchange?
 4. Do Corporate Social Responsibility, Environmental Performance, and Company Value simultaneously have any influence toward Return on Equity of food and beverages industry listed on the Indonesia Stock Exchange?
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1.4 Objectives of The Research

The objectives of the research are as below:

1. Determine whether Corporate Social Responsibility influences on Return on Equity of food and beverage industry listed on the Indonesia Stock Exchange.
2. Determine whether Environmental Performance has an influence on Return on Equity for food and beverage industry listed on the Indonesia Stock Exchange.
3. Determine whether Company Value has an influence on Return on Equity for food and beverage industry listed on the Indonesia Stock Exchange.
4. Determine whether Corporate Social Responsibility, Environmental Performance, and Company Value influence Return on Equity of food and beverage industry simultaneously listed on the Indonesia Stock Exchange.



1.5 Benefit of The Research

Based on the identified objective and formulation of this research, the benefits of the research can be classified into two distinct categories:

1.5.1 Theoretical Benefit

The learning objective is to enhance academic knowledge, particularly with respect to the influence of Corporate Social Responsibility, Environmental Performance and Company Value on Return on Equity in the context of financial management of a business. Furthermore, the author had foreseen that this investigation would function as a valuable asset for subsequent scholars and other individuals perusing the material.

1.5.2 Practical Benefit

1. For companies

The current research places emphasis on the concepts of Corporate Social Responsibility, Environmental Performance, and Company Value with the aim of improving the overall performance of the organization.

2. For government

This research offers significant value to the government by establishing a framework that examines the influence of Corporate Social Responsibility and Environmental Performance on the Sustainability Reporting format. This framework could potentially be utilized as a mandatory standard for Corporate Social Responsibility and Environmental Performance reporting, tailored to suit the Indonesian business market.

3. For society

The present research offers a benefit to society by furnishing additional insights into corporations that have implemented and divulged their Corporate Social Responsibility initiatives and Environmental Performance, as well as those that have not integrated and revealed these activities and outcomes in their organizational strategies. Furthermore, this research advocates for the incorporation of corporate social responsibility and environmental performance within the yearly financial statements of other organizations. Furthermore, this research enhances the collective understanding of the various Corporate Social Responsibility endeavors and Environmental Performance measures that have been widely adopted and executed by industry enlisted on the Indonesia Stock Exchange in recent times.

