

**COMPARATIVE STUDY: ECONOMIC INDICATORS, CSR AND  
COMPANY PERFORMANCE OF PUBLICLY TRADED COMPANIES  
IN GERMANY AND INDONESIA**

**UNDERGRADUATE THESIS**

**TISA SARTIKA SARI  
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**Submitted to fulfill the requirement  
of the undergraduate degree program**

**Department of Management  
Faculty of Business & Social Sciences**

**BSD City, Serpong, Tangerang, Indonesia  
October 2019**



**APPROVAL PAGE**  
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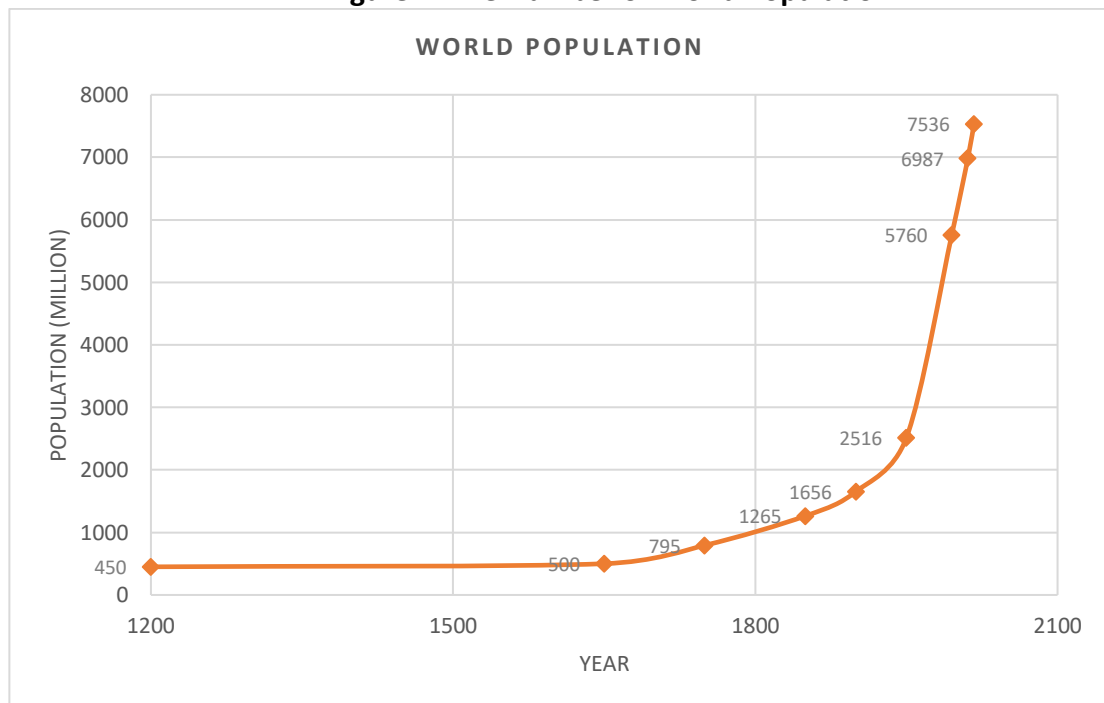
**Dr. Samuel Prasetya**

# CHAPTER I INTRODUCTION

## I.1 BACKGROUND

Human, the Homo sapiens, has been living through different ages and evolving throughout the centuries. Since the first civilization the number of humans living on earth has been growing significantly exponential. In the past 1900 the global population was approximately 1.65 billion people and keep increasing reaching more than 7.5 billion people until last year in 2017. It is estimated in 2050 that the global population will continue to grow about 2.3 billion reaching 9.8 billion (Kaneda & Haub, 2018)

**Figure 1: The Number of World Population**



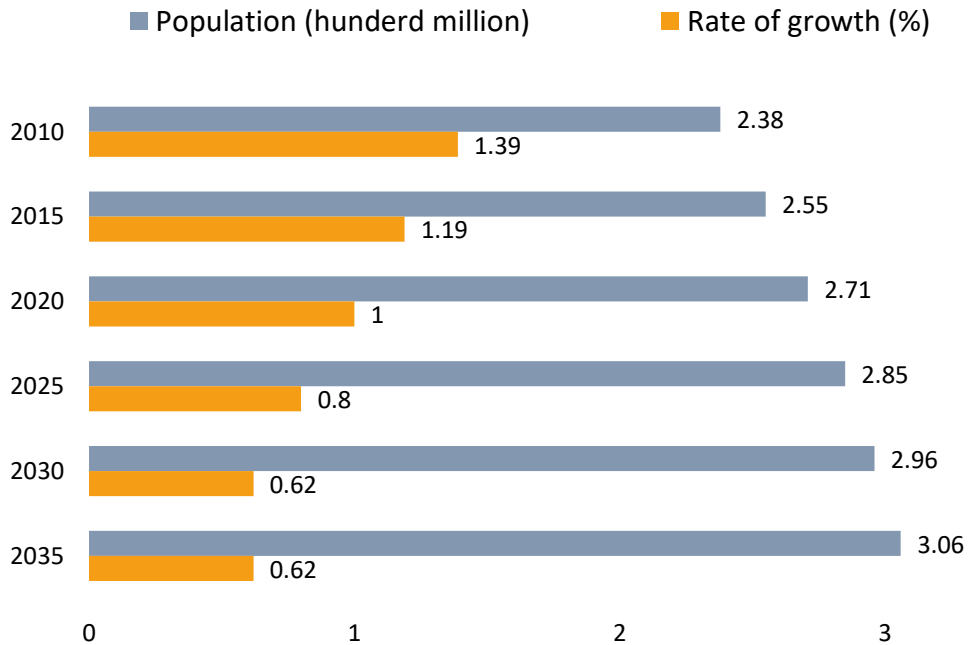
**Source:** (Kaneda & Haub, 2018)

Indonesia is the world's fourth most populated countries after China, India, and the United States. Around 69% of the population lives in rural areas, making Java island, the main island where the capital city Jakarta is located, is known as one of the world most dense areas in the world that accommodates more than 120 million people. By 2010, Indonesia contributed for 11% of the population of east Asia and 3.5% of the global population (Elias & Noone, 2011).

The population growth in Indonesia is 1.38% annually in the period 2010-2015. Therefore, Indonesian population is projected to keep increasing in the long run. From 238.5 million in 2010, it is expected to grow to 305.6 million in 2035 with proportion 67.9% for productive age (15-64 years old). Life expectancy is also increasing from 70.1 in 2010 to 72.2 in 2035, which indicates that more people will live in the same period of

time in the future. It also implies that Indonesia has to prepare itself to accommodate more people both now and in the future (Badan Pusat Statistik, 2013).

**Figure 2: Indonesia Population 2010-2025**



**Source:** (Badan Pusat Statistik, 2013)

In the hand of President Joko Widodo, Indonesia is prioritizing national development. One of the ways is through better infrastructure that can boost economic growth. Stated in the National Long-Term Development Plan, to achieve the vision of being a developed and self-reliant country, Indonesia required higher quality of human resources, better application of science and technology as well as developed infrastructure as the essential supporting blocks up to the coming 2025 (Indonesia Investments, 2017). The Ministry of Public Works and Public Housing was the institution with second highest National Budget in 2017. During that year itself, 18.6% of the National Budget was specifically budgeted for infrastructure only, increasing from 9.8% in 2012. It is used for building 836 km of road works, 10,198 m bridges, 13 airports both new and development, ports in 61 new locations, 710 km of railways development phase 1, and bus stations in 3 new locations (Kementrian Keuangan, 2017).

In 2018 according to the latest RAPBN release, there is a switch in prioritization. First priority in 2017 is to support the Ministry of Defense, which takes second place in 2018. Planned budget allocation for Ministry of Public Works inflates by 4.2 trillion rupiah reaching 106.9 trillion rupiah making it the beneficiary of largest budget allocation amongst all ministries (Kementrian Keuangan, 2017).

Regardless of the sharp economic decline that occurred during the Asian financial crisis in 1997-1998, Indonesia's economy has grown strongly the past decades. Due to this particular significant growth, Indonesia has become a rising important part in the global economy. Seeing this growth is interrelated with the fact that Indonesia's economic performance has been affected by government policy, the country's natural resources supply together with its young, active, and growing labor force. Parallel with the industrialization development of its own economy, Indonesia has been more open by trade (Elias & Noone, 2011).

Germany is Europe's largest economy and second most populous nation following after Russia. With Berlin as the capital city, Germany plays such a huge role not only in Europe's economic condition, but also in political defense organizations aspects. Following the time afterwards the two legendary and devastating World Wars, with the approaching of the Cold War, Germany was then divided into two German states in 1949 separated by the famous Berlin Wall: the western Federal Republic of Germany (FRG) and the eastern German Democratic Republic (GDR). Over the years, the end of the Cold War in 1990 let German reunify. Germany with its strong economic condition then together with 10 other EU countries introduced a common European exchange currency, the euro, in 1999 (Central Intelligence Agency, 2018). That up until today is one of the world's strongest currencies.

Germany has more than 80.5 million people in July 2017. The population distribution by age in 2007 was estimated as 0–14 years (13.9%), 15–64 years (66.3%), and 65 years and older (19.8%). The number of elderly is expected to grow into higher percentage in the population by 2030, people above 60 years old are expected to yield to 30 percent of the whole population (Library of Congress - Federal Research Division, 2008).

Indonesia as one of the developing countries, with one of characteristic of high population and birth rate (Agarwal, 2017), has to get ready to accommodate more people with housing as well as construction and public facilities to support economic growth. Therefore, the already growing macroeconomics of Indonesia has noted in this research, whose correlation to organization's performance is observed to further be compared with the developed country, Germany in this particular case.

Construction and property firms, the ones that actually contribute to increase people standard of living through better housings are paradox enough in the aspects of social responsibility. Building houses and infrastructures are will always correlate with developing an area, which definitely includes the land and also possibly the people live within. This particular industry also, due to relatively large physical work scale, employ a lot of people in wide range of positions from CEO to construction workers. From these reasons only, it is clear to see that construction and property companies contribute to growth as well as impacting social and environmental dimensions. Thus, it is interesting to observe the correlation between CSR and the performance of construction and

property firms because some studies stated that companies that socially and environmentally friendly are perceived better by the society and customers.

Construction and property industry is one of the key contributors in increasing standard of living and economic stability in a country. A country's economic condition is therefore described by macroeconomics indicators that generally contains statistical data that can be interpreted for analysis (Investopedia, LLC., 2018). As Indonesia and Germany are developing and developed county resepectively, there must be economic condition differences. Therefore it is also interesting to incorporate macroeconomics indocators in this research that represented by GDP, inflation rate, exchange rate, and CCI.

## **I.2 RESEARCH PROBLEMS**

To examine the correlation between the macroeconomic indicators, which are; GDP, inflation, exchange rate against US Dollar and CCI, as well as CSR towards publicly listed company performance within the same industry, the construction and property industry, both in Germany and Indonesia.

## **I.3 RESEARCH QUESTIONS**

1. How strong the economic indicators, namely GDP, inflation, exchange rate and CCI affecting companies' performance?
2. How strong the CSR affecting companies' performance?
3. Is there any difference between the correlation in Indonesia and Germany?

## **I.4 RESEARCH PURPOSES**

The main objective behind this research is to determine the correlation and its strength between selected macroeconomic indicator towards companies' performance as well as CSR towards companies' performance, that are measured through DuPont analysis to be then done the comparative studies on Germany and Indonesia each as a representative of developed and developing county respectively.

## **I.5 RESEARCH LIMITATION**

- Nonetheless, there are some limitation incorporated in this research, which are:
- The indicators for CSR are not based on strict quantitative methods, but they include also considerable estimation and assessment.

## **CHAPTER II LITERATURE REVIEW**

### **II.1 MACROECONOMICS**

Economics is the study of allocating scarce resources among people because without scarcity, everything will be less troubled. Economy analyzes which goods and services are suitable for which people. Markets, all kind of markets such as capital market, commodities, farmer markets, auction markets, online markets are some example of the place where sellers and buyers meet to bargain several goods and services for certain price. Therefore price, known as the exchange of goods and services for money, is an important element in economics because it has huge means in allocation (McAfee, 2006). But generally speaking about economy there are so much more than this, economy analysis and concepts are used widely in so many situations worldwide. Economics is branched into two, the microeconomics and macroeconomic. While microeconomics studies the economics in the households, macroeconomic is the study of the economy-wide phenomena as a whole.

Macroeconomic indicators, such as GDP, inflation rate, exchange rate, unemployment rate, etc, are basically economic statistics data that help to measure the condition and the health of an economy. They are not only used as a helping tool to judge and provide evaluations towards an economy, but also to analyze and predict an economy in the future (Investopedia, LLC., 2018).

#### **II.1.1 GROSS DOMESTIC PRODUCT**

Gross domestic product (GDP) is the market value of all final goods and services produced within a country within a given period of time. Nations with higher GDP is expected to be wealthier as GDP affects the standard of living. Therefore, GDP is known to be a sophisticated tool to measure the value of economic activity and consisting several components of consumption (C), investment (I), government spending (G), and net export (NX) which correlated in an equation of:

#### **Equation 1: GDP**

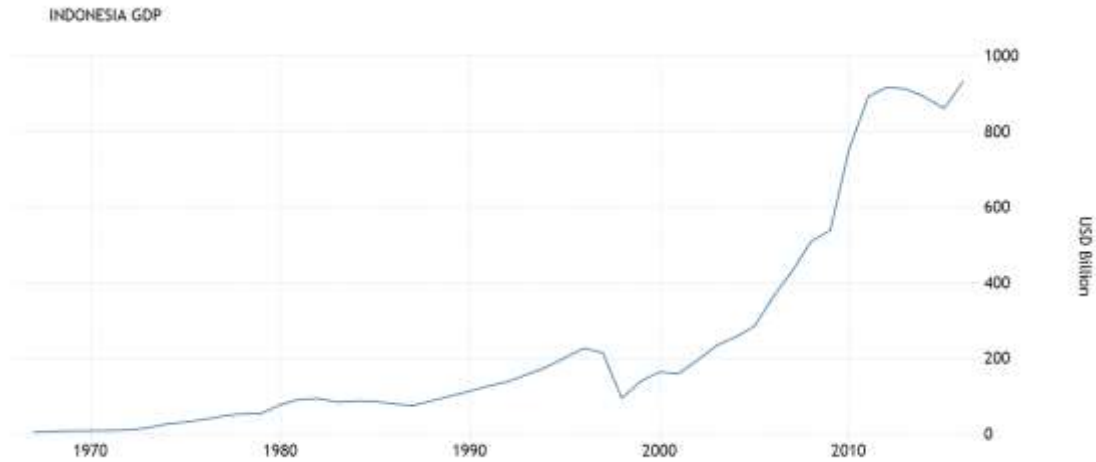
$$Y = C + I + G + NX$$

**Source:** (Mankiw, Quah, & Wilson, 2013)

Generally, there are two different types of GDP, which includes (Mankiw, Quah, & Wilson, 2013):

1. Nominal GDP: The production of goods and services valued at the current prices.
2. Real GDP: The production of goods and services valued at constant prices.

**Figure 3: Indonesian GDP**

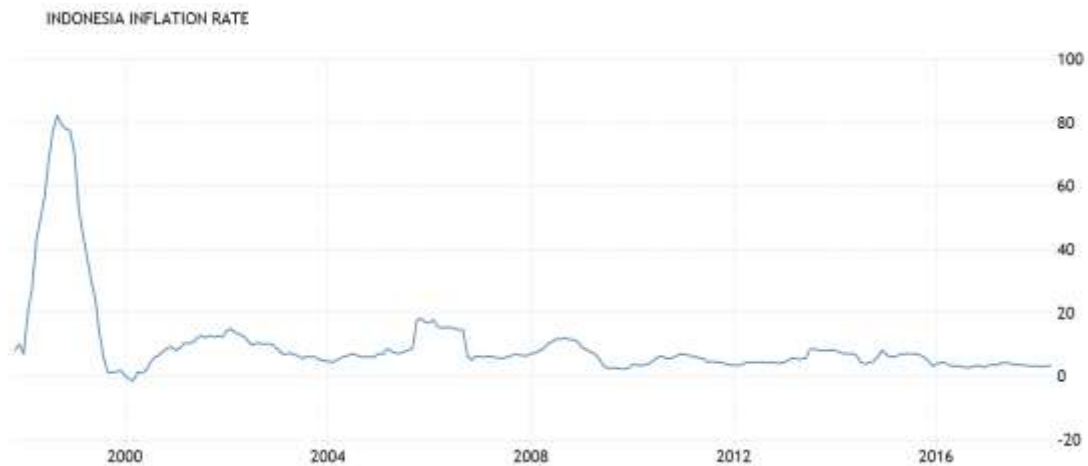


**Source:** (Trading economics, 2018)

### II.1.2 INFLATION

Inflation is an increase in the overall level of prices in the occurring economy. Indeed in the economy, almost all prices are likely to increase over time. No wonder that inflation is claimed and called to be the public enemy as it increases the cost of living (Mankiw, Quah, & Wilson, 2013). Consumer price index (CPI) is one of the most common measure of inflation while it affects also the purchasing power. One of the cause for inflation is the rising money supply, known as the theory of monetarism (Amadeo, 2018). High inflation charges diverse costs in the society and therefore maintaining the inflation rate low is mostly one of the ultimate goal of worldwide economic policymakers because inflation is an economy-wide phenomenon that concerns the cutting edge value of the economy's instrument of exchange (Mankiw, Quah, & Wilson, 2013).

**Figure 4: Indonesian Inflation Rate**



**Source:** (Trading Economics, 2018)



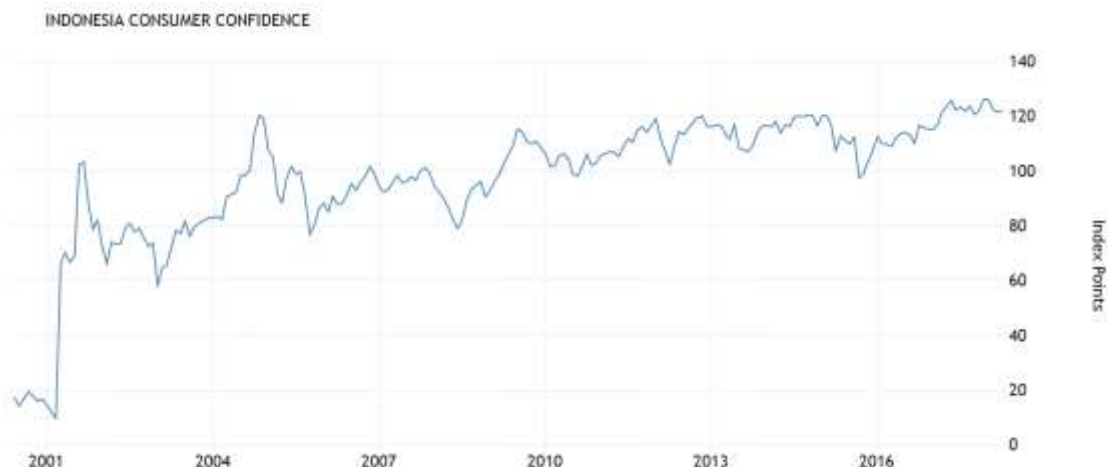
### II.1.3 EXCHANGE RATE

Nations trade for absolute and comparative advantage reasons and exchange rate is a speak for the price for international transactions (Carbaugh, 2015). Nominal exchange rate is the rate at which a country's currency traded with foreign currency, while the real exchange rate is the rate at which a country's goods and services traded with the goods and services of another. Exchange rate might appreciate, when a currency can buy more foreign currency, or conversely depreciate when a currency can buy less foreign currency (Mankiw, Quah, & Wilson, 2013).

### II.1.4 CONSUMER CONFIDENCE INDEX

Consumer Confidence Index (CCI) is one of the main indicators for measuring the performance of an economy especially related to consumption and short term economic forecast. Conceptually it is a helping tool in studying consumer behavior of the household sector towards different economical factors that might affecting decision making in both spending and saving (Setiyo, 2016). It is calculated is based on households' intentions for major purchases in their economic situation currently and expectation in the near future (Organisation for Economic Co-operation and Development, 2018). There are several benchmarks that have to be fulfilled in calculating the CCI, including survey method, minimum sample number, time period, etc where the consumers are answering some questions that expressing their expectations and confidence quantitatively and highly correlated to the macroeconomic factors and national economic situation viewed from the household sector point of view (Setiyo, 2016).

Figure 5: Indonesian CCI



Source: (Trading Economics, 2018)

## II.2 ORGANIZATIONAL PERFORMANCE

Each organization do different activities in attempt to achieve its own goals and objectives. How these activities go then should be assessed to be able to see at which level is the organization is performing so that if necessary, management can do

improvement. Accordingly, organizational performance has something to do with organizational objectives and resources. The economical use of minimum resource to produce maximal output is commonly described as efficient, meanwhile effectiveness illustrates maximum production functions are able to meet customers' demands and needs. Performance and scaling are quantitatively related. Performance, should be able to be measured and quantified according to the organization objectives (Jenatabadi, 2015).

### **II.2.1 DUPONT ANALYSIS**

DuPont analysis, known as well as the DuPont equation or DuPont model is a method of company performance analysis that was started by DuPont Corporation, a chemical company, in the 1920s. The name is taken directly from the company's name while actually an explosive salesman named Donaldson Brown that used a return formula in his internal efficiency report in 1912 (Phillips, 2015). According to this kind of analysis, ROE of a company is highly affected by three things: operating efficiency that is measured by profit margin, asset use efficiency that is measured by total asset turnover, and financial leverage which is measured by the equity multiplier (Investopedia, LLC., 2018)

Therefore, DuPont analysis is represented in mathematical form by the following equation:

#### **Equation 2: DuPont Equation**

$$ROE = ROA \times Equity\ Multiplier$$
$$ROE = Profit\ Margin \times Asset\ Turnover\ Ratio \times Equity\ Multiplier$$

**Source:** (Erhardt & Brigham, 2011)

#### **II.2.1.1 RETURN ON ASSET**

Return on Assets (ROA) is a profitability indicator relative to its assets. This calculation is giving better insight to the level of asset efficiency to generate earnings (Erhardt & Brigham, 2011).

#### **Equation 3: ROA**

$$ROA = Profit\ Margin \times Asset\ Turnover$$

**Source:** (Erhardt & Brigham, 2011)

#### **II.2.1.2 NET PROFIT MARGIN**

Profit margin is one of the available profitability ratios calculated by dividing net income by revenue, some may state it by dividing net profits by sales. By subtracting all of company's expenses from its total revenue will result in net income or net profit (Investopedia, LLC., 2018). Profit margins are expressed as a percentage and it shows profit per currency of sales:

#### Equation 4: Net Profit Margin

$$\text{Profit Margin} = \frac{\text{Net Income}}{\text{Sales}}$$

Source: (Erhardt & Brigham, 2011)

Low profit margins may indicate different things not only about the company but also the industry in which the company is operating. Example wise, when a company's profit margin is low, it might imply lower market share, high expenses relative to the revenue showing poor ability in expense management and or poor efficiency. Conversely, a higher profit margin is preferable because it implies higher and better ability to control over its costs (Investopedia, LLC., 2018).

#### II.2.1.3 ASSET TURNOVER RATIO

The total asset turnover ratio is one of the most commonly used measure of efficiency, in which defining as small as input utilization to produce as much as output. This ratio compares the sales of a company to its asset and measures the organization's ability to efficiently generate sales (Erhardt & Brigham, 2011). This ratio is often by third and external parties to assess a business operation. Ideal wise, a firm with higher total asset turnover still performs with less asset compared to less efficient competitors. This shall result in higher shareholders return. Mathematically written as:

#### Equation 5: TATO

$$\text{Total Asset Turnover} = \frac{\text{Sales}}{\text{Total Asset}}$$

Source: (Erhardt & Brigham, 2011)

#### II.2.2 EQUITY MULTIPLIER

The equity multiplier is one of the component in the DuPont analysis, which is calculated by dividing an organization's total asset value by total equity. It mathematically measures the financial leverage of an organization, because organizations with high level of leverage owns higher equity multiplier due to smaller amount of equity used to finance the assets (Erhardt & Brigham, 2011). The equity multiplier is a variation of the debt ratio, and written as an equation as follows:

#### Equation 6: Equity Multiplier

$$\text{Equity Multiplier} = \frac{\text{Total Asset}}{\text{Total Common Equity}}$$

Source: (Erhardt & Brigham, 2011)

### II.3 CORPORATE SOCIAL RESPONSIBILITY (CSR)

The United Nation in the 2015 has adopted a set of 17 goals as a new global program for sustainable development, that aims on building sustainable communities worldwide known as the Sustainable Development Goals (SDGs) (United Nations Environment Programme, 2015). SDGs as a global agenda is indicating that sustainability is a major topic nowadays. Sustainability is essentials in so many life aspects, including for businesses. In the current modern life, corporations are having a new role. Corporations are pointed out to be responsible for their societal and environmental effects of operational conducts, as well as expected to pertain sustainability standards in their business activities. Therefore, knowing how to to be a good corporate citizen is then essential as a part of adaptability to the dynamic changing of global trends. Crucial for firms' success is the relationship excellency with employees and other business stakeholders that is bridged by the Corporate Social Responsibility (D'Amato, Henderson, & Florence, 2009).

**Figure 6: Sustainable Development Goals**



**Source:** (United Nations, 2015)

Corporate Social Responsibility has been a rising issue in the past decades. Social and ethic code issues such as human rights, equality, child labor, eco-friendliness and sustainability is more and more and more discussed in the modern society. With better technology, education system and transfer knowledge media, people are more aware of these issues compared to who live in the previous centuries. Regardless of increasing numbers of papers, journals, discussions, FGDs and other form of publications, no single definition of CSR stands alone. In the midst variety of descriptions in different literatures, it is quite a difficulty to put up a systematical and comprehensible statement about what CSR truly is (Crane, Matten, & Spence, 2013).

Corporate Social Responsibility is a management concept in which companies integrate social and environmental interest in their business operations and interactions together with their stakeholders. It is commonly perceived as being the way through

which a company achieves a balance of economic, environmental and social urgencies parallel with shareholders' and stakeholders' expectation. (United Nations Industrial Development Organization, 2018). According to the European Commission, CSR refers to companies that take accountability for their business effects on the society level (European Commission, 2018). International Labor Organization describes CSR as a way in which firms considerate the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors. While a UK NGO coalition, Corporate Responsibility Coalition (CORE), defines CSR as a way in which business realize its 'social responsibilities' beyond shareholders' profitability. Contradict to this perspective, NGOs and trade unions have the tendency to disband CSR as a public relations tool at best, and at worst is a corporate channel to avoid the creation of regulatory and legal procedures to ensure their adherence to adequate standards of conduct. Canadian governmental organization, the Foreign Affair and International Trade, states that CSR is designated as companies' approach to integrate social, environmental, and economic matter into their values and business operations in a transparent and accountable conduct. CSR is then essential for long-term business growth and success, which also is necessary in promoting Canadian values worldwide and taking part in communities' sustainable development (Crane, Matten, & Spence, 2013).

Seeing vary descriptions of CSR mentioned above, it does not mean that one defines CSR better than the others. To seek and follow one of these definitions nor providing another definition is also not the objective of this writing. Therefore, CSR more specifically has six aspects around the existing debatable definitions (Crane, Matten, & Spence, 2013): (1) Voluntary, (2) Managing Externalities, (3) Multiple stakeholder orientation, (4) Social and economic alignment, (5) Practices and values, and (6) Beyond philanthropy.

**Figure 3: Core Characteristics of CSR**



**Source:** (Crane, Matten, & Spence, 2013)

### II.3.1 CSR ON EMPLOYMENT EXTENT

According to Afiff and Anantadjaya (2013), common perception about CSR is to be a platform of governance issues that encompassing the idea of fairness in employment and society. Therefore for this particular intangible means, the parameter used for measuring the employment aspect are (Afiff & Anantadjaya, 2013): (1) Health and safety systems, (2) Training and development systems, (3) Equal opportunities policies, (4) Employee relations, and (5) Systems for job creation and job security.

### II.3.2 CSR ON ENVIRONMENTAL EXTENT

In its very own development, CSR focused more on society, which has been altering in the more recent development into environmental dimension. CSR is more and more common used as it is beneficial to gain company positive image, thus essential for the firm to conduct proper activities. Increasing popularity of CSR is also resulting in companies' rising interest in handling their environmental responsibilities, to achieve efficiency by avoiding criticism. Flammer (2013) has previously found that shareholders show positive response towards eco-friendly actions as well as customers. Environmental friendly companies are more appreciated and taken as having higher value customers (Johansson, Karlsson, & Hagberg, 2015).

Thus, as previously studied, the measures for CSR environmental dimension are (Afiff & Anantadjaya, 2013): (1) Quality of environmental policies, (2) Environmental management systems, and (3) Environmental reporting.

**Table 2.1: Germany and Indonesia Environmental Performance Index**

Country	Current Rank	Current Score	Baseline Rank	Baseline Score
Germany	13	78.37	6	78.23
Indonesia	133	46.92	132	45.49

Source: (Yale University, 2016)

### II.3.3 CSR ON COMMUNITY

Community is defined as a group of people living in the same place or having a particular characteristic in common (Oxford University Press, 2018). These people share expectations and responsibilities, as well as sharing the sense of cooperation and commitment. Community development is then the actions done by the communities partnering with organizations to develop the community members and or community as a whole by transferring skills needed to positively affect the community itself (PaulRoja & Sherina, 2015). Therefore, the common roles of CSR in communities are: to share the negative consequences as a result of industrialization, to get closer ties between corporations and community, to help getting talents, to play the role in transfer of technology, to help protecting environment, promote human right corporate sustainability, to build interdependency between a corporation and community, to alleviate poverty, to help in data gathering for other public organization function, and as initiatives for corporate sustainability goals (PaulRoja & Sherina, 2015).

The community parameter is thus according to Afiff and Anantadjaya commitment to: (1) safeguard the environment, (2) support human rights, (3) eliminate child labor, (4) adopt codes of ethics, (5) enter into partnerships with NGOs, (6) display openness and transparency in relationships with customers, employees, community groups, and governmental organizations, (7) promote diversity in the workplace, (8) help communities solve their social problems, and (9) consult with community residents on business plans and strategies (Afiff & Anantadjaya, 2013).

#### II.4 PREVIOUS STUDIES

**Table 2.2: Previous Studies**

No	Title & Author	Variables & Sub variables	Findings
1	Analisis Variabel Makro Ekonomi Dan Rasio Keuangan Terhadap <i>Return Saham Perusahaan Real Estate Dan Property</i> Yang Terdaftar Di Bursa Efek Indonesia Periode 2011-2015 (Devianti, 2017).	<ol style="list-style-type: none"> <li>1. Macroeconomic Variables <ul style="list-style-type: none"> <li>• Inflation Rate</li> <li>• Interest Rate (SBI)</li> <li>• IHSG</li> <li>• ROA</li> <li>• DER</li> </ul> </li> <li>2. Stock Return</li> </ol>	<ul style="list-style-type: none"> <li>• Inflation does not affect stock return of real estate and property companies in IDX period 2011-2015</li> <li>• Tax Rate (SBI) does not affect stock return of real estate and property companies in IDX period 2011-2015</li> <li>• IHSG positively affects stock return of real estate and property companies in IDX period 2011-2015</li> <li>• ROA does not affect stock return of real estate and property companies in IDX period 2011-2015</li> <li>• DER does not affect stock return of real estate and property companies in IDX period 2011-2015</li> <li>• The overall macroeconomics variables used in this research together affect the stock return of real estate and property companies in IDX period 2011-2015</li> <li>• Only IHSG affect the stock return</li> </ul>

No	Title & Author	Variables & Sub variables	Findings
2	Pengaruh Variabel Makroekonomi Terhadap Kinerja Perusahaan Di Indonesia Pasca Merger dan Akuisisi (Halim, 2013).	<ol style="list-style-type: none"> <li>1. Macroeconomic Variables <ul style="list-style-type: none"> <li>• Inflation</li> <li>• Interest Rate</li> <li>• GDP</li> </ul> </li> <li>2. Merger &amp; Acquisition</li> <li>3. Company Performance <ul style="list-style-type: none"> <li>• Current Ratio</li> <li>• Total Debt</li> <li>• ROE</li> <li>• ROA</li> </ul> </li> </ol>	<ul style="list-style-type: none"> <li>• Inflation does not significantly affecting company performance after merger and acquisition</li> <li>• Interest rate does not significantly affecting company performance after merger and acquisition</li> <li>• GDP does not significantly affecting company performance after merger and acquisition</li> <li>• Inflation, interest rate and GDP altogether significantly affecting company performance after merger and acquisition</li> <li>• There is between M&amp;A and non-M&amp;A company performance, represented by current ratio and ROA</li> <li>• M&amp;A companies performance represented by Current Ratio is not necessarily better than non-M&amp;A companies. Non-M&amp;A companies represented by ROA is better than M&amp;A companies.</li> </ul>
3	Analisis Pengaruh Tingkat Inflasi, Harga Minyak Dunia, Harga Emas Dunia, Dan Kurs Rupiah Terhadap Pergerakan <i>Jakarta Islamic Index</i> di Bursa Efek Indonesia (Rusbariand, Masodah, Riskayanto, & Herawati, 2012).	<ol style="list-style-type: none"> <li>1. Macroeconomic Variables <ul style="list-style-type: none"> <li>• Inflation</li> <li>• World Oil Price</li> <li>• World Gold Price</li> <li>• IDR Exchange Rate</li> </ul> </li> <li>2. Change in Jakarta Islamic Index (JII)</li> </ol>	<ul style="list-style-type: none"> <li>• Inflation rate affect JII negatively and significantly.</li> <li>• World oil price affect JII positively and significantly.</li> <li>• World gold price statistically does not significantly affecting JII.</li> <li>• IDR exchange rate affect JII negatively and significantly</li> <li>• All variables together can explain the change of JII for about 43.4%, the rest of 56.6% is caused by the</li> </ul>



No	Title & Author	Variables & Sub variables	Findings
			other factors that are not included in this research.
4	Financial Performance of Pharmaceutical Industry in India using DuPont Analysis (Sheela & Karthikeyan, 2012).	1. Financial Performance <ul style="list-style-type: none"> <li>• ROE</li> <li>• ROI</li> </ul>	<ul style="list-style-type: none"> <li>• Cipla pharmaceutical ROE and ROI has highest returns on equity and Investment by 23.10 and 0.21</li> <li>• Dr. Reddy's Laboratories ROE is 17.00 and ROI is 0.18.</li> <li>• Ranbaxy Laboratories ROE is 16.16 and ROI by 0.13. This shows Cipla is concentrating on its financial performance by reducing its expenses and cost.</li> </ul>
5	Penilaian Kinerja Keuangan Perusahaan Menggunakan Analisis Du Pont (Lianto, 2013).	1. Organizational Performance <ul style="list-style-type: none"> <li>• ROI</li> <li>• NPM</li> <li>• TATO</li> </ul>	PT. Hanjaya Mandala Sampoerna has better financial performance than PT. Gudang Garam.
6	The Effect of Macroeconomic Variables On Financial Performance of Commercial Banking Sector In Kenya (Otambo, 2016)	1. Macroeconomic Variables <ul style="list-style-type: none"> <li>• GDP</li> <li>• Interest Rate</li> <li>• Exchange Rate</li> <li>• Inflation Rate</li> </ul> 2. Financial Performance <ul style="list-style-type: none"> <li>• ROA</li> </ul>	<ul style="list-style-type: none"> <li>• ROA was correlated negatively with the interest rates and exchange rates.</li> <li>• ROA was positively correlated with the GDP growth rates and the inflation rates.</li> </ul>
7	CSR and Performance: Any Evidence from Indonesian LQ45? (Afiff & Anantadjaya, 2013).	1. CSR <ul style="list-style-type: none"> <li>• Employee</li> <li>• Environment</li> <li>• Community</li> </ul> 2. Financial <ul style="list-style-type: none"> <li>• Firm Size</li> <li>• Profitability</li> <li>• Leverage</li> </ul>	CSR employee, CSR community, firm's size, profitability and leverage have significant effect toward firm's stock price.

No	Title & Author	Variables & Sub variables	Findings
		<ul style="list-style-type: none"> <li>• Crisis</li> </ul> <p>3. Price</p>	
8	The Influence of Corporate Social Reporting to Company's Value in a Developing Economy (Dagilienė, 2013)	<p>1. Company's Value</p> <ul style="list-style-type: none"> <li>• ROA</li> <li>• MVA</li> </ul> <p>2. Corporate Responsibility Rate of Disclosure</p> <ul style="list-style-type: none"> <li>• Social</li> <li>• Human Resouce</li> <li>• Environment</li> <li>• Community</li> </ul>	Companies with high CR rate of disclosure, have no higher ROA indicators or higher MVA indicators
9	Relationship between CSR and Financial Performance - Companies within ZSE CROBEX10® Index (Fabac, Calopa, & Sestanji-Peric, 2016)	<p>1. CSR</p> <ul style="list-style-type: none"> <li>• Values and general interest</li> <li>• Shareholder</li> <li>• Employees</li> <li>• Environmental issue</li> <li>• Philantropy</li> <li>• Stakeholder issue</li> </ul> <p>2. Financial Performance</p> <ul style="list-style-type: none"> <li>• ROE</li> <li>• ROA</li> </ul>	Both profitability variables are positively correlated with the variable VGI (Values and general interests) and even more with Ph (Philanthropy).

## II.5 DIFFERENCES

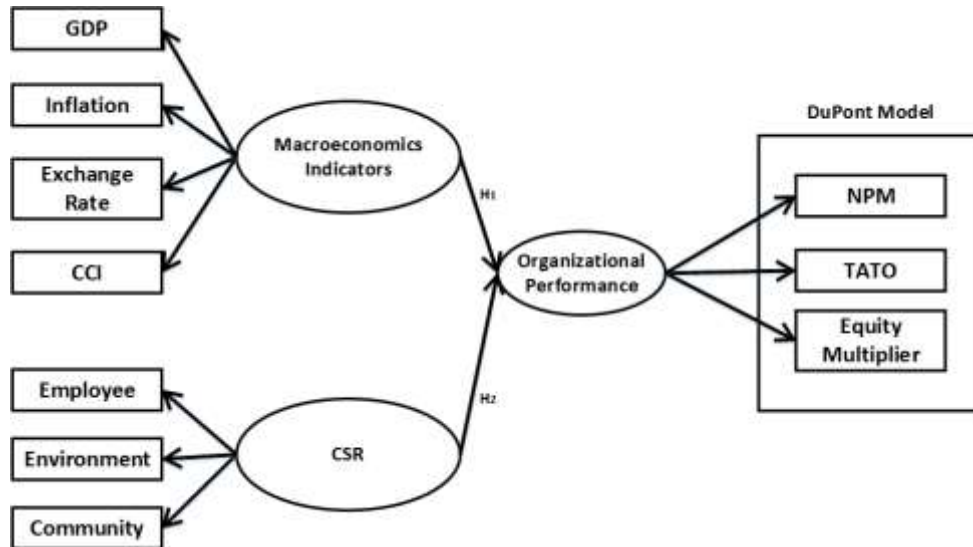
The differences of this research are:

- This research includes broader variables; macroeconomics indicators as external factors as well as CSR as internal factor for organizational performance.
- This research is also comparing two countries, Germany and Indonesia.
- This research includes the sub variable of CCI for Macroeconomics Indicator.

- This research focuses on year 2014-2017.

## II.6 RESEARCH MODEL

Figure 7: Basic Research Model



## II.7 HYPOTHESIS

$H_1$ : Macroeconomic indicators have a significant effect on organizational performance

$H_2$ : CSR has a significant effect on organizational performance

## II.8 REPORT STRUCTURE

This thesis will be structured into 5 different chapters, as follows:

1. Chapter 1: Introduction, which includes background of both Indonesia and Germany and the general economy, the research problems and questions, the purpose as well as research scope limitation.
2. Chapter 2: Literature Reviews, focuses on the literature studies that is relevant and related to the main topic discussed in this paper, including related references and theories.
3. Chapter 3: Research Methodology, describes about the research process and frameworks used to conduct the research, data collection method as well as the sources of the data.
4. Chapter 4: Result and Discussion, shows the result of the analyzed data and discussion regarding the finding.
5. Chapter 5: Conclusion and Recommendation, concludes the whole research in a concise manner as well as giving recommendation after the analysis.

## CHAPTER III METHODOLOGY

### III.1 TYPE AND APPROACH OF RESEARCH

This research is based on the predictive research and correlational research that are generally done to probe the relationship between variables that includes also their significance of influence (Anantadjaya & Nawangwulan, 2018). In order to function well in this purpose, a predictive research needs to do hypothesis testing that will be helped by different statistical software such as SPSS and AMOS.

### III.2 DATA COLLECTION AND RESEARCH DESIGN

The macroeconomics indicators and organizational performance data used in this research are secondary data that are available in the market for both variables. The macroeconomic indicators are commonly retrieved from *www.bi.go.id* and *www.bps.go.id*. The CCI in this research are extracted from *www.tradingeconomics.com*. The measures for companies' performance are retrieved from the available financial reports in *www.idx.co.id* or the respective annual reports.

CSR that are more intangible compared to the other variable is in this research incorporated through quantitative analysis with proxies. The used proxies are employee performance (Afiff & Anantadjaya, 2013; Fab16), environment performance (Afiff & Anantadjaya, 2013; Fab16), and community performance (Afiff & Anantadjaya, 2013). All the variables will be tested for the organizational performance, which are the companies mentioned in Subchapter III.3.

**Table 3.1: Selected Variable and Indicator**

Variable	Description	Indicator
Macroeconomic Indicator	Economic statistics data that help to measure the condition and the health of an economy (Investopedia, LLC., 2018)	GDP (Halim, 2013; Otambo, 2016)
		Inflation (Devianti, 2017; Halim, 2013; Rusbariand, Masodah, Riskayanto, & Herawati, 2012)
		Exchange Rate (Rusbariand, Masodah, Riskayanto, & Herawati, 2012)
		CCI
CSR	According to Wayne Visser is the formal and informal ways in which business makes a contribution to improving the governance, social, ethical, labor and	Employment (Afiff & Anantadjaya, 2013; Fab16)
		Environment

<b>Variable</b>	<b>Description</b>	<b>Indicator</b>
	environmental conditions of the emerging economies in which they operate, while remaining sensitive to prevailing religious, historical and cultural contexts (MVO Nederland, 2016).	(Afiff & Anantadjaya, 2013; Fab16; Dagilienè, 2013; Fab16; Fab16)
		Community (Afiff & Anantadjaya, 2013; Dagilienè, 2013)
Organizational Performance	Assessment to see at which level the organization is performing so that if necessary, management can do improvement. Has strong interrelation with resource utilization and return (Jenatabadi, 2015).	DuPont Model (Sheela & Karthikeyan, 2012; Lianto, 2013)

This study aims to grade all companies mentioned in Subchapter III.3 for CSR assessment for the year 2013-2017 refer to the study done by Afiff and Anantadjaya (2013). According to this particular previous study, CSR are properly indicated by three parameters; employment, environment, and community; that are converted into quantitative variables.

**Table 3.2: CSR Indexing**

<b>CSR Indicator</b>	<b>Parameter</b>	<b>Index Score</b>
Employee performance	<ol style="list-style-type: none"> <li>1. Health and safety systems</li> <li>2. Training and development systems</li> <li>3. Equal opportunities policies</li> <li>4. Employee relations</li> <li>5. Systems for job creation and job security</li> </ol>	<p>Scored 0 – 3</p> <p>0 = not stated 1 = few stated 2 = slightly stated 3 = fully stated</p>
Environmental performance	<ol style="list-style-type: none"> <li>1. Quality of environmental policies</li> <li>2. Environmental management systems</li> <li>3. Environmental reporting</li> </ol>	<p>Scored 0 – 4</p> <p>0 = not stated 1 = few stated 2 = slightly stated 3 = fully stated 4 = very complete</p>

CSR Indicator	Parameter	Index Score
Community performance	Safeguard the environment, support human rights, eliminate child labor, adopt codes of ethics, enter into partnerships with NGOs, display openness and transparency in relationships with customers, employees, community groups, and governmental organizations, promote diversity in the workplace, help communities solve their social problems, and consult with community residents on business plans and strategies.	Scored 0 – 3  0 = not stated 1 = few stated 2 = slightly stated 3 = fully stated

Source: (Afiff & Anantadjaya, 2013)

### III.3 SAMPLING

#### III.3.1 INDONESIA

Cluster 1 : IDX JASICA

There are 575 companies as of 20 April 2018

Cluster 2 : SECTOR

Choosing one sector = PROPERTY

In the hand of president Joko Widodo Indonesia is developing so much, together with increasing number of Indonesian population property sector is quite a highlight for Indonesia.

Stratified 1 : 2014-2017

Because it is the year in which Joko Widodo is the president of Indonesia, he includes national development plan through better infrastructure and housing that includes a lot of construction firms

Stratified 2 : Companies with closing price above than IDR 1,000 per 20 April 2018

From all the 18 companies available with this sampling model, two companies are excluded from this research namely Paramita Bangun Sarana Tbk and Totalindo Eka

Persada Tbk because these companies went public in 2016 and 2017 respectively. Therefore only 16 will be the samples for Indonesian companies.

**Table 3.3: Indonesian Companies List**

No	Ticker Code	Company
1	ACST	Acset Indonusa Tbk
2	ADHI	Adhi Karya (Persero) Tbk
3	BSDE	Bumi Serpong Damai Tbk
4	CTRA	Ciputra Development Tbk
5	DUTI	Duta Pertiwi Tbk
6	GMTD	Gowa Makassar Tourism Development Tbk
7	LPCK	Lippo Cikarang Tbk
8	MKPI	Metropolitan Kentjana Tbk
9	OMRE	Indonesia Prima Property Tbk
10	PLIN	Plaza Indonesia Realty Tbk
11	PTPP	Pembangunan Perumahan (Persero) Tbk
12	RDTX	Roda Vivatex Tbk
13	SCBD	Danayasa Arthatama Tbk
14	SMRA	Summarecon Agung Tbk
15	WIKA	Wijaya Karya (Persero) Tbk
16	WSKT	Waskita Karya (Persero) Tbk

### III.3.2 GERMANY

Cluster 1 : FRANKFURT STOCK EXCHANGE

There are 470 companies consists of 315 Prime Standard companies and 155 General Standard Companies as of July 2017 (retrieved from Topforeignstocks.com)

Cluster 2 : SECTOR

Choosing one sector = CONSTRUCTION

Germany is one of the developed countries in the world, seeing the fact that Germany supposedly have world class construction to support their leading economy.

Stratified 1 : 2014-2017

Parallel with the time focus of research in Indonesian companies samples.

From all the 11 companies available with this sampling model, four companies are excluded from this research namely Froehlich Bau AG I.A, Froehlich Bau AG VZO I.A, Walter Bau-AG ST O.N, Walter Bau-AG VZO O.N because the data are incomplete. Therefore only 7 will be the samples for German companies.

**Table 3.4: German Companies List**

<b>No</b>	<b>Ticker Code</b>	<b>Company</b>
1	B5A	Bauer AG
2	HEI	Heidelbergcement AG O.N.
3	HOT	Hochtief AG
4	KWG	KHD Humboldt Wedag O.N.
5	HOZ	Philipp Holzmann AG O.N.
6	STB1	Strabag AG NA
7	UZU	Uzin Utz AG O.N.



## CHAPTER IV DATA ANALYSIS

### IV. 1 DESCRIPTIVE STATISTICS

32 datas are runned within SPSS for pre test, the descriptive statistics result is shown below. Thus, to be noted that only financial datas are tested, because the macroeconomics indicators are still incomplete. Shown in the Skewness that some data namely net income and equity multiplier are having value more than 2.0, also happened in the kurtosis.

**Figure 8: Descriptive Statistics**

Descriptive Statistics													
	N	Range	Minimum	Maximum	Mean		Std. Deviation	Variance	Skewness		Kurtosis		
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error	
NI	32	5.12E+12	4.54E+10	5.17E+12	9.6201E+11	1.0749E+11	1.1172E+12	1.248E+24	2.455	.414	6.848	.809	
SALES	32	1.98E+13	2.73E+11	2.00E+13	4.4257E+12	8.1860E+11	4.6307E+12	2.144E+25	1.771	.414	3.350	.809	
TA	32	4.47E+13	1.23E+12	4.60E+13	1.3406E+13	2.2584E+12	1.2776E+13	1.632E+26	1.074	.414	-.013	.809	
TE	32	2.88E+13	4.04E+11	2.92E+13	7.1715E+12	1.3308E+12	7.5283E+12	5.668E+25	1.527	.414	1.720	.809	
NPM	32	.87	.03	.71	.2868	.03147	.17801	.032	-.020	.414	-.669	.809	
TATO	32	1.08	.12	1.20	.1913	.05135	.29048	.084	1.621	.414	1.873	.809	
EM	32	5.13	1.24	6.37	2.2128	.20008	1.13184	1.281	2.200	.414	5.383	.809	
Valid N (listwise)	32												

Source: SPSS

### IV. 2 VALIDITY TEST

The 32 datas are too runned into SPSS for validity test using factor analysis. The Result show 0.471 or 47.1% valid.

**Figure 9: KMO Table**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.471
Bartlett's Test of Sphericity	Approx. Chi-Square	242.939
	df	21
	Sig.	.000

Source: SPSS

### IV. 3 RELIAIBILITY TEST

Through the reliability pre testing, the 32 data is having total 7 component with result 66.1% reliable.

**Figure 10: Reliability Table**

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.661	.539	7

Source: SPSS

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