CHAPTER I
INTRODUCTION

1.0 Introducion

This study aims to explore whether ISO 26000 social responsibility standard adoption has an impact on financial performance. Basic Industry and Chemicals Sector in Indonesian Stock Exchange during the 2019-2022 period. Therefore, Chapter 1 begins by presenting the research context, issues and problem statement, and study justification. This chapter describes the study's purpose, objectives, research questions, limits, and importance in experimental research. It finishes with an operational definition of key terminology used throughout the study.

1.1 Background of Study

The GRI Standards promote sustainable development and reporting on social responsibility(Brown et al., 2009)The first standard that outlines a set of considerations a firm must make in order to be socially responsible is the ISO 26000 "Guidelines on Social Responsibility". Extending and widening the scope of (Feng et al., 2017) found that companies participate in CSR to preserve their standing, financial performance, and reputation. An rising number of businesses, regardless of size, are increasing their involvement in corporate social responsibility (CSR) due to the benefits it offers for improving business success.

Their corporate governance model instructs managers on their duties and emphasizes the significance of meeting the interests of stakeholders. Accordingly, in order to preserve solid stakeholder relationships and improve the reputation of the company, they must routinely take into account social, environmental, and financial factors, according to the stakeholder theory (Chakroun et al., 2022), companies must guarantee social responsibility and demonstrate their functions. Therefore, when making business decisions, businessmen must always take the economy, ethics, society, and environment into account. Companies have a responsibility to the community. This preserves stability and guarantees justice.

Unlike financial statements, most companies will make the effort to declare their CSR activities; however, not all companies will look to have these disclosures verified (Akisik & Gal, 2017). A company's social responsibility encompasses the expectations of all stakeholders from an ethical, moral, and financial standpoint. These stakeholders are those individuals or groups who have an impact on the organization's goals, policies, procedures, performance, and decisions. In 2008, (Sadeghi et al., 2016) This research contributes to ISO 26000 known as (Corporate Social Responsibility Guidelines). This research discusses corporate social responsibility and various social dimensions. This research continues the same research as previous studies regarding the financial impact of corporate social responsibility. In the Indonesian context, it tries to examine the impact of ISO 26000 implementation on financial performance.

1.2 Problem Statement

The research that involves collecting and analyzing data to determine whether implementing ISO 26000 has any measurable effects on the financial performance of indonesia companies. This research aims to provide evidence whether the adoption of ISO 26000 has a positive, negative or neutral impact on financial performance in the business context in Indonesia. (Chakroun et al., 2020a). This research requires careful planning, data collection, and statistical analysis to draw valid conclusions. In the data there are 50 companies registered in the Basic Industry and Chemicals Sectors in the Indonesian but only 15 companies meet the standards from 2020 - 2022.

The research would require careful planning, data collection, and statistical analysis to draw valid conclusions. The objective of this study is to investigate the impact of ISO 26000 social responsibility standards adoption on the financial performance of companies listed on the Indonesia Stock Exchange (IDX). Comprehensive guidelines for socially responsible practices are provided by ISO 26000; however, in the particular context of IDX-listed companies, it is imperative to ascertain whether compliance with these standards is associated with better financial outcomes. Based on this background, the problem in this research can be formulated as follows: Do the variables consisting of Human Rights, Labor and conditions, and environment have an effect on return on assets?

1.3 Research Objectives

The general aim of this research is to assess a company's financial performance is to provide a comprehensive evaluation of the company's financial health, efficiency, and profitability. It involves the examination of various financial metrics and ratios to achieve the following objectives :

1. To examine the impact of Human Rights on financial performance in indonesia
2. To examine the impact of Labor Relations and Conditions on financial performance in indonesia
3. To examine the impact of Enviroment on financial performance in indonesia

1.4 Research Questions

The purpose of the research questions is to support the major aims and objectives of the study. The purpose of this study is to respond to the following inquiries regarding :

1. What is the impact of Human Rights on financial performance?
2. What is the impact of Labor Relations and Conditions on financial performance?
3. What is the impact of Enviroment on financial performance?

1.5 Defination of Key Terms

1.5.1 Human Right

In the context of business, upholding human rights can benefit an organization's bottom line. Fair treatment of workers, clients, and other stakeholders and respect for their rights can improve a company's reputation, boost consumer trust, and improve brand image. Long-term financial gains, a rise in sales, and client loyalty may result from this.

1.5.2 Labor Relations & Conditions

The manner in which an organization handles its labor relations and working conditions can significantly impact its financial outcomes. Increased productivity, employee contentment, and eventually financial success can all be attributed to positive labor relations and acceptable working circumstances. A company's turnover rate and employee engagement levels are typically lower when it cultivates positive relationships with its staff. This may result in a staff that is more dedicated and skilled, which would boost operational effectiveness and produce goods and services of a higher caliber. In conclusion, fostering a productive and motivated workforce is crucial for establishing excellent labor relations and providing favorable working circumstances, both of which can have a significant effect on a company's financial success and long-term viability.

1.5.3 Environment

A company's financial success can be significantly impacted by environmental factors. In addition to maximizing resource efficiency, environmental rules compliance and investments in eco-friendly corporate practices can assist lower legal and reputational concerns. Businesses that innovate in green technology and lessen their carbon footprint can also cut waste and energy expenses, boost operational effectiveness, and draw in eco-aware clients. Long-term profitability and revenue growth may benefit from this.

1.6 Significant of Study

This study, like all others, has certain limitations, but it has also made contributions to the literature by examining the effect of ISO certification on financial performance. Theoretically, the variables selected and how they are conceptualized might not accurately reflect the reality under study. Furthermore, the measurements taken may have an impact on the outcomes. We can then take into account other control variables like industry, research and development, corporate culture, management quality, etc. for a more thorough explanation of the societal reality. There are other mechanisms that influence financial performance and can motivate businesses to take social responsibility. nevertheless it is important to interpret the results cautiously because a number of intricate factors could have an impact on corporate financial performance.