

DETERMINANTS OF FINANCIAL AND SOCIAL PERFORMANCE IN MANUFACTURING COMPANIES

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Abstract

Purpose: The aim of this research is to analyze the influence of intellectual capital, financial resources and green supply chain management on financial and social performance.

Method: The sample for this research is manufacturing companies listed on the Indonesia Stock Exchange between 2019 - 2022 and uses panel data regression analysis with the Stata program.

Findings: The results show that Intellectual Capital has a positive effect on Financial Performance and Intellectual Capital has a positive effect on Social Performance. Financial Resources have a positive effect on Financial Performance but Financial Resources have a negative effect on Social Performance. Green Supply Chain Management has a positive effect on Financial Performance, but Green Supply Chain Management has no effect on Social Performance.

Novelty: The novelty of this research for future research should examine other than the manufacturing sector, namely the food and beverage sector and increase the research year period to 2019-2023. The company management can increase the company's intellectual capital, better manage its financial resources, and improve the implementation of green supply chain management. The novelty of this research is that it uses a sample of manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2022 period.

Keywords: intellectual capital, financial resources, green supply chain management, financial and social performance.

Introduction

Indonesia's manufacturing sector is experiencing rapid growth thanks to the liberalization of fdi and its contribution to economic growth. One of the main challenges for this industry is the lack of skills and qualifications of the workforce required by the industry. The manufacturing industry uses labor to maintain competitiveness. Collaboration with the government and influence on the industrial revolution 4.0. The results of concerns with local companies that are used to the industrial revolution 4.0. Therefore, workers in the manufacturing industry need to face challenges in developing skills that are in line with the latest technological trends, such as programming, data analysis, and expertise in using automated equipment (nugroho & wahyuni, 2019).

Table 1. Financial Condition of Manufacturing Companies 2019 - 2022 (in billions)

Year	2019	2020	2021	2022
Total current ratio	26.647	24.529,5	142.564,75	29.633,7
Total Net profit	4.981,3	4.673,7	3.837,4	3.505,6
Total assets	52.651,8	52.905,2	54.323,41	58.269,12
Average share value per share	129	131	122	125

Source: BEI (2023)

Between 2019 and 2022, there were variations in the current ratio, share value, and total assets, while net profit decreased in manufacturing companies. For this reason, improvements are needed in several aspects to improve the company's financial and social performance. Fitriyah et al. (2021) states that intellectual capital influences financial performance. Intellectual capital includes an organization's intangible assets, such as knowledge, patents, brands, and human resources. Research has shown that managing intellectual capital effectively improves financial and social performance.

Financial resources refer to the monetary assets available to an organization, including capital, liquidity, and investments. Adequate financial resources are essential for sustainable growth and operational efficiency. Research conducted by Tanveer et al. (2019) found that financial resources have a significant influence on financial performance. Integrating environmental concerns into supply chain procedures is known as "green supply chain management", including procurement, production,

distribution, and disposal. Khan et al. (2020) found that green supply chain management can be a predictor of financial and environmental performance. Research by Khan et al. (2020) show that intellectual capital significantly drives environmentally friendly supply chain management and makes a significant contribution to financial and environmental performance. Previous research was limited in that it only used primary data obtained through questionnaires and used samples from collections obtained from SMEs operating in Islamabad, Rawalpindi, and Peshawar, three of Pakistan's largest cities. The novelty of this research is that this research uses a sample of manufacturing businesses that are listed between 2019 and 2022 on the Indonesia Stock Exchange and uses secondary data originating from Indonesian Stock Exchange data.

This research aims to analyze three key factors influencing organizational performance: financial resources, green supply chain management and intellectual capital. Benefit can be obtained from this research is that it contributes to the development of Accounting, Management and Finance as a reference for further research and as a comparison for other research. This research helps expand knowledge and provide new understanding about intellectual capital, financial resources and green supply chain management on financial and social performance. This research will also provide insights related to intellectual capital, financial resources and green supply chain management on financial and social performance.

Intellectual Capital on Financial and Social Performance

The theory known as Resource-Based View (RBV) highlights the significance of unique, valuable, non-replaceable, and unusual internal resources in establishing a sustained competitive edge. One key aspect of these internal resources is intellectual capital, which includes knowledge, skills, innovation, and organizational relationships with customers and brands. In the context of RBV, financial and social performance are two important aspects in evaluating company achievements (Bontis et al., 2015). Investments in intellectual capital, such as employee training and the development of knowledge management systems, can improve employee skills and productivity, drive innovation and competitive advantage, thereby positively impacting financial results. An effective knowledge management system can also improve operational efficiency and decision making, and encourage a culture of learning and collaboration, which contributes to employee satisfaction and social performance. Strong customer relationships based on trust and loyalty can drive revenue growth and profitability, and strong stakeholder engagement can drive corporate social responsibility initiatives and ethical practices, which improve social performance (Rana & Hossain, 2022). The hypothesis in this research is:

H1: Performance in the social and economical spheres is positively impacted by intellectual capital.

Financial Resources on Financial and Social Performance

According to the Resource-Based View (RBV) paradigm, a company's ability to generate long-term competitive advantage is largely dependent on its financial resources. Capital, liquidity, and the capacity to get financial resources are examples of financial resources. The RBV's primary focus is on the creation and usage of other internal resources. Financial resources are crucial for maximizing the use of resources that are valuable, uncommon, unique, and non-replaceable in the context of the RBV. A corporation's social and financial performance is closely linked to its financial resources. Having adequate cash on hand to support sales growth, profitability, liquidity, and risk-taking capabilities can improve a company's financial success. Efficient management of financial resources can also by supporting corporate social responsibility (CSR) programs, environmental initiatives, and positive contributions to society and the surrounding environment (Massie & Arie, 2023). Research by Hussain et al. (2018) emphasized that financial strength positively influences CSR engagement, employee satisfaction, and stakeholder trust, which ultimately improves social performance. In addition, research by Lins et al. (2016) show that financial stability allows organizations to maintain job opportunities, support local communities, and maintain ethical business practices in difficult times, which contributes to long-term sustainability and positive social impact. In light of the foregoing statement, the research's hypothesis is:

H2: Financial and social performance are positively impacted by financial resources.

Green Supply Chain Management's Effects on Economic and Social Performance

Valuable internal resources can make a substantial contribution to a company's long-term performance, according to the Resource-Based View (RBV) paradigm. Management of the green supply chain (GSCM) that aims to optimize the production, distribution and disposition of waste in an environmentally friendly manner. GSCM implementation can impact a company's financial performance by reducing production and energy costs, while also influencing social performance by improving a

company's reputation and community engagement along the supply chain. Research shows that GSCM practices contribute to cost savings and competitive advantage, it enhances the financial success of a business (Huq et al., 2019).

GSCM initiatives also promote ethical practices and social responsibility, strengthen relationships with stakeholders, and improve corporate reputation (Walker et al., 2018). GSCM practices also help reduce environmental impacts and related risks, thereby reducing liabilities related to environmental issues (Seuring & Müller, 2018). By integrating GSCM practices, companies can achieve cost savings, increase market competitiveness, and deliver positive social impact, ultimately improving their financial and social performance. Therefore, improving GSCM implementation will contribute to improving corporate financial and social performance, in line with RBV principles that recognize the importance of valuable internal resources (Sarkis et al., 2018). In light of the foregoing statement, the research's hypothesis is:

H3: Financial and social performance are positively impacted by green supply chain management.

METHODS

This study takes a descriptive method while using quantitative data. This method was chosen because the data consists of numbers from financial reports, including balance sheets and profit and loss, as well as financial ratios. In this research, a descriptive approach was used. Where a descriptive approach is used to explain the state of the research object: what, why, and how the problem occurs and will be analysed (sugiyono, 2019). Manufacturing businesses that are listed on the stock exchange of indonesia make up research population. Sugiyono (2019) emphasized that the sample reflects the size and composition of the population. Manufacturing businesses whoever the indonesia stock exchange lists make up research sample between 2019 and 2022.

Table 2. Operational Definitions

No	Variable	Operational Definition	Measurement
Dependent Variable			
1	Financial and Social Performance	Both social and financial performance is the effectiveness of an organization in generating profits, managing expenses, and maximizing shareholder value as well as corporate social responsibility to the community around the company	$TATO = (\text{Total sales} / \text{Total Assets}) \times 100\%$ Source: (Ulm, 2017)
		Social performance is the percentage of expression of concern for the social environment as measured by dummy variables in accordance with the GRI	According to the global reporting initiative, social performance indicators for manufacturing companies use dummy variables GRI, 2024, totaling 48 indicators

Source: (AL-Janabi, 2024)

Independent Variable

2	<i>Intellectual Capital</i>	Intellectual Capital is a kind of knowledge activity, application of mental capacity, and an important or main source of company performance to meet company goals.	The calculation stages are as follows: Value Added Capital Employed (VACA) $VACA = VA/CE$ $VACA = (\text{output} - \text{input}) / \text{Available funds (company)}$
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No	Variable	Operational Definition	Measurement
Source: Ulum (2017)			
3	Financial Resources	Financial Resources is the total income obtained from the sale of products or services during a certain period. Sales turnover reflects how effective a company is in selling its products or services to consumers	Total Equity = Total Assets – Total liabilities Source: Sekti (2017) and Lithfiah et al. (2019)
4	Green Supply Chain Management	In order to accomplish sustainability goals, green supply chain management is a strategic strategy that aims to combine environmental issues with supply chain management methods	Gross Profit Margin = revenue - cost of goods sold (COGS). Source: Sembiring et al. (2023) and Nasution (2020)

Control Variable

1	Size	The natural log of total business assets is used to calculate this variable. Log assets are used in this research to measure company size (size).	Size: Ln (total assets) Source: (Nuridah et al., 2023).
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Panel data analysis of regression is employed. Farrukh & Joiya (2018) also uses the same method, namely using panel data regression analysis as the analysis method. The goal is to address research concerns about how two or more impartial factors interact with the variable that is dependant. Before regressing the data, the classical assumptions must be tested. An impartial regression model is required. The panel data regression analysis equation model has been methodically formulated as follows:

$$FSP_{it} = \alpha + \beta_1 IC_{it} + \beta_2 FR_{it} + \beta_3 GSCM_{it} + \beta_4 SZ_{it} + e$$

Notes:

FSP: Financial and Social Performance

IC: Intellectual capital

FR: Financial Resource

GSCM: Green Supply Chain Management

α : Constant Coefficient

β : Regression Coefficient

SZ : Size

e :Error, disturbance variable.

i : company i

t : time

The regression can be tested using a model or estimating technique selected using the chow test, hausman test, or lagrange multiplier test equation that has to be estimated for panel data. The classical assumption test is one of the requirements in statistics that is important to carry out when using multiple linear regression analysis based on ordinary least squares (ols). In ols, there is more than one independent variable but only one dependent variable. According to ghazali (2018), in determining model accuracy, a number of traditional presumptions must be verified, including the multicollinearity, heteroscedasticity, normalcy, and correlation tests. The next stage of hypothesis testing in research is the partial test (t-test) and also the determination test (r²).

RESULTS AND DISCUSSION

To avoid producing distortion in the processed data results, data winsor is carried out. The descriptive results as follows:

Table 4. Statistics Descriptive

Variable	Obs	Mean	Std. Dev.	Min	Max
TATO	636	.854	.396	.315	1.586

VACA	636	1.316	.884	.156	3.091
Equity	636	27.66	1.364	25.574	29.896
GRI	636	.627	.084	.5	.75
GPM	636	27.831	1.509	25.362	30.152
rSIZE	636	28.349	1.291	26.571	30.653

With a standard deviation of 0.396 and an approximate average value of 0.854, the Total Assets Turnover (TATO) variable. The numbers, which varied from 0.315 to 1.586, showed differences in the observed companies' asset use efficiency. For VACA, which stands for Variable Costs to Assets, the mean was approximately 1.316, displaying a considerable spread with a standard deviation of about 0.884. The values spanned from 0.156 to 3.091, suggesting a wide range of variable costs across the entities under consideration. Equity, depicting Equity, exhibited an mean 27.66, ranging from 25.574 to 29.896. GRI, the Governance Risk Index, exhibited a narrow standard deviation of 0.084 and an average of 0.627, reflecting relatively consistent governance risk scores among the entities, ranging from 0.5 to 0.75. GPM, the Gross Profit Margin, had an average of approximately 27.831, with a standard deviation of 1.509. The values ranged from 25.362 to 30.152, indicating variability in gross profit margins among the observed entities. Lastly, SIZE, representing Size, had mean 28.349. The values ranged from 26.571 to 30.653, suggesting a diverse range of entity sizes in the dataset.

Regression Model Selection Results

Hausman test

Table 5. Hausman Test Model 1 (Financial Performance)

	coef
Chi- square test value	192
P - Value	1

The P Value (Prob>Chi2) in the table above is 1 >Alpha 0.05, indicating that model 1 RE is the better option than model FE. This indicates that H1 is not accepted. The Random Effect model has been selected.

Table 6. Hausman test Model 2 (Social Performance)

	coef
Chi – square test value	-4.102
P- value	1

The P-Value (Prob>Chi2) in the table above is 1 >Alpha 0.05, indicating that H1 is not accepted and that model 1 RE is the better option than FE. So the model chosen is Random Effect.

Chow Test

Table 7. Chow Test Model 1 (Financial Performance)

	coef
F (3,624	0,64
Prob <F	0,5891

Table above shows the results of the results of the Chow test for model 1 indicate that (Prob < F) = 0.5891, with a significance level of > 0.05. In light of this, common effect is the research model chosen for model 2.

Table 8. Chow Test Model 2(Social Performance)

	coef
F (3, 624)	30,52
Prob < F	0,000

The Chow test results for model 2 are displayed in the table above. It indicates that (Prob < F) = 0.00, with a significance value of < 0.05. In light of this, fixed effect is the research model chosen for model 2.

Lagrange Multiplier Test

Table. 9 Lagrange Multiplier Test Model 1 (Financial Performance)

	coef
Chibar2 (01)	0,00
Prob < chibar 2	1,000

Table above shows the results of the Lagrangian For model 1, a multiplier test was performed, showing that $(\text{Prob} < \text{chibar2}) = 1,000$, where the significance value is > 0.05 . In light of this, common effect is the research model chosen for model 1.

Table 10. Lagrange Multiplier Test Model 2 (Social Performance)

	coef
Chibar 2(01)	0,00
Prob < chibar 2	1,000

Table above shows the findings from the model 1 Lagrangian Multiplier Test, showing that $(\text{Prob} < \text{chibar2}) = 1,000$, where the significance value is > 0.05 . In light of this, common effect is the research model chosen for model 2.

Classic Assumption Test Results

Multicollinearity Test

Table 11. Results Multicollinearity Test Model 1 (Financial Performance)

	VIF	1/VIF
GPM	10,625	0.094
SIZE	10.446	0.096
Equity	7.777	0.129
VACA	2.226	0.449
Mean VIF	5.265	

Table 12. Results Test Multicollinearity Model 2 (Social Performance)

	VIF	1/VIF
GPM	10.625	0.094
SIZE	10.446	0.096
Equity	7.777	0.129
VACA	2.226	0.449
Mean VIF	5.265	

Based on table 11 and 12, as can be shown, multicollinearity does not occur because the independent variable's VIF value falls within the threshold values of 0 and 10.

Heteroscedasticity Test

Table 13. Results Test Heteroscedasticity Model 1 (Financial Performance)

Chi2 (1)	= 20.60
Prob > chi2	= 0.0000

Based on table, the test produces a probability 0 and $\text{chi2}=20.60$. This suggests that heteroscedasticity may be present in some cases, but the results are statistically significant at the conventional 5% significance level.

Table 14. Results Test Heteroscedasticity Model 2 (Social Performance)

Chi2 (1)	= 0,05
Prob > chi2	= 0,8294

Based on table, the test yielded a chi-squared p value of 0.8294 and an alpha of 0.05 for significance. Given that the value of p exceeds the significance criterion of 0.05, it accept the null hypothesis of homoscedasticity, indicating that the absence of any indication of heteroscedasticity in the data.

Table 15. Test Correlation Coefficient Model 1 (Financial Performance)

Breusch-godfrey LM test for autocorrelation	df	Prob>chi2
Chi2		
0,832	1	0,362

The Breusch-Godfrey test for model 1 in the table, which uses the autocorrelation test data, indicates that there is no autocorrelation issue because the Prob value $> \text{chi2} = 0.362 > 0.05$.

Table 16. Test Autocorrelation Model 2 (Social Performance)

Breusch-Godfrey LM test for autocorrelation	df	Prob>chi2
Chi2		
64.906	1	0,000

The results of the Breusch-Godfrey test for model 2 in the table, based on the data from the autocorrelation test, indicate that there is no autocorrelation problem because the Prob value > chi2 = 0.000.

Model Specification Test

**Table 17. Model Fit and Determination Coefficient Model 1
(Financial Performance)**

R-squared	0.719	Prob > F	0.000
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The data above shows the F test shows that the model regression results are quite significant, with a Prob < F value of 0.000. The variable that is dependant might be described by an separate variable by, according to the R-squared value of 71.9% whereas other factors have an impact on the remaining 28.9%.

Table 18. Model Fit and Determination Coefficient Model 2 (Social Performance)

R-squared	0.062	Prob > F	0.000
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Findings reveal that the regression model's significance is indicated by the Prob value < F; if the value is less than 0.05, the regression model is statistically significant. The Square value is 0.062, meaning the independent variables influence the dependent variable by 6.2%, with other factors influencing the remaining 93.8%.

Hypothesis testing

Table 19. Results Test Regression Model 1

	Coeff	St.Err	t- value	p-value	[95% conf	interval]	sig
VACA	191	014	13.48	0	.163	.219	***
Equity	13	017	7.55	0	.096	.163	***
GPM	272	018	15.01	0	.237	.308	***
SIZE	-425	021	-20.23	0	-466	-384	***
Constant	1259	411	3.06	002	451	2.06	***

*** $p < .01$, ** $p < .05$, * $p < .1$

Intellectual Capital as proxied by VACA shows the probability value is 0.000 which indicates that it generates a coefficient of 0.191 and noteworthy with a 0.01 significance threshold (1%). This indicates that H1 is approved since Financial Performance Is Favorably Affected by Intellectual Capital. Financial Resources as proxied by Equity shows the probability value is 0.000 which indicates that it generates a coefficient of 0.13 and noteworthy with a 0.01 significance threshold (1%). This indicates that H2 is approved since Financial Performance is positively impacted by Financial Resources. Green Supply Chain Management as proxied by GPM shows the probability value is 0.000 which yields a value of 0.272 and shows that the significance level is reached of 0.01 (1%). Thus, H3 is approved since it indicates that Green Supply Chain Management improves Financial Performance.

Table 20. Results Test Regression Model 2 (Social Performance)

	Coeff	St.Err	t- value	p-value	[95% conf	interval]	sig
VACA	01	.005	1.81	07	-.001	.021	***
Equity	-.018	.007	-271	007	.096	-.005	***
GPM	008	.007	1.16	245	.237	.022	***
SIZE	.01	.008	1.25	211	-.466	.026	***
Constant	.753	.159	4.74	0	451	1.065	***

*** $p < .01$, ** $p < .05$, * $p < .1$

Intellectual Capital as proxied by VACA shows the probability value is 0.07 which indicates that it yields a coefficient of 0.01 and is significant at a significance level of 0.1 (10%). This indicates that H1 is approved since Intellectual Capital has a favorable impact on Social Performance.

Financial Resources as proxied by Equity shows the probability value is 0.007 which translates to a coefficient of -0.18 and indicates that it is significant at a degree of significance of 0.01 (1%). This indicates that if financial resources have a detrimental impact on social performance, H2 is approved.

Green Supply Chain Management as proxied by GPM shows the probability value is 0.245 which means it is not significant and yields a 0.008 coefficient. Thus, H3 is rejected since it indicates that Sustainability in Supply Chain Management does not affect Social Performance.

These results highlight the role that intellectual capital plays in improving social outcomes as well as commercial success. Better financial and social performance is expected to come from

organizations that efficiently allocate resources and minimize variable costs, which are signs of excellent intellectual capital management and leveraging. Financial outcomes may be positively impacted by investments in intellectual capital, such as staff training and the creation of knowledge management systems, which can increase worker productivity and skills, spur innovation, and provide businesses a competitive edge. In addition to enhancing operational effectiveness and decision-making, an efficient knowledge management system may foster a culture of learning and cooperation, which boosts social performance and employee happiness. Trusting and loyal customer connections may propel revenue development and profitability, while ethical business practices and CSR activities can propel strong stakeholder involvement and enhance social performance) (Lasisi et al., 2023). This research supports research conducted by (Li et al, 2020) which highlights how employee knowledge and competence contribute significantly to innovation, process improvement, and ultimately, company financial performance. Employees who have high skills are not only able to increase work productivity but also encourage the creation of innovation and sustainable competitive advantage. This has a positive impact on the company's financial results, showing that the better the company is at investing in intellectual capital, such as training and development, the higher the employee's skills and productivity. In this way, companies can encourage continuous innovation and maintain sustainability. Impact Intellectual Capital (IC) on corporate social performance has become an important focus in academic literature and business practice. According to Ulum (2017), the Value Added Intellectual Coefficient (VAIC) was introduced as a tool to measure the efficiency of utilization of intellectual and physical capital by companies. Intellectual capital includes aspects of employee potential and talent, which are invisible but crucial resources in creating added value for the company.

Financial Resources as proxied by Equity shows the probability value is 0.000 this yields a coefficient of 0.13 and shows that, at a significance level of 0.01 (1%), it is significant. This suggests that H2 is authorized since Financial Performance is positively impacted by Financial Resources. Equity serves as a stand-in for financial resources, and its probability value of 0.007 indicates significance at a significance level of 0.01 (1%), yielding a coefficient of -0.18. Consequently, H2 is approved since financial resources have a detrimental impact on social performance. Financial resources are critical for organizations to maintain liquidity, invest in growth opportunities, and manage financial risks effectively (Huang et al., 2020). With adequate financial resources, organizations can finance day-to-day operations, acquire assets, and undertake strategic initiatives such as research and development, expansion into new markets, and mergers and acquisitions. Financial performance refers to an organization's effectiveness in generating profits, managing expenses, and maximizing shareholder value. The influence of financial resources on corporate social performance is important in the context of corporate social responsibility (CSR) and sustainability. Adequate financial resources enable the company to make significant investments in community development and environmental sustainability initiatives (Hussain et al., 2018).

These results demonstrate how complex the connection is between GSCM procedures and organizational effectiveness. Green supply chain efforts have the potential to boost financial performance, but their benefits on social performance may vary depending on a number of contextual circumstances or may need to be measured using alternative measures. Research shows that GSCM practices contribute to cost savings and competitive edge, which enhances a business's financial results (Huq et al., 2019).

Conclusion

The results show that Intellectual Capital has a positive effect on Financial Performance and Intellectual Capital has a positive effect on Social Performance. Financial Resources have a positive effect on Financial Performance but Financial Resources have a negative effect on Social Performance. Financial performance is positively impacted by green supply chain management, while social performance is unaffected by it. Solution is that organizations should prioritize tactics aimed at boosting their intellectual capital, such as funding employee training and development, encouraging knowledge sharing and innovation, and safeguarding intellectual property rights. Through knowledge-sharing efforts and stakeholder engagement programs, firms may increase their social impact and financial success by efficiently exploiting intellectual capital. Although bolstering financial resources is crucial for the success of an organization, managers should take a balanced approach that takes social and financial goals into account. In order to increase sustainability, lower their environmental impact, and boost financial performance, businesses should continue investing in green supply chain management techniques.

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