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Original Article

Analysis of Sustainability of Governance of ESG Companies in Tourism in Indonesia Registered on the IDX for the 2017-2021 Period

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Abstract: *This study examines the implementation of Sustainable and Responsible Corporate Governance practices (ESG) in the tourism industry in Indonesia. The analysis was conducted from 2017 to 2021 using a quantitative approach and portfolio formation method. The research sample consists of 80 tourism companies listed on the Indonesia Stock Exchange that have implemented ESG practices. The results show that companies in the group with higher levels of ESG practice (Group 3) have better financial performance, with higher average Return on Assets (ROA) and Return on Equity (ROE) compared to other groups. This indicates the efficiency and effectiveness of asset utilization and the company's ability to generate significant profits. However, Group 6 exhibits the lowest performance with the lowest ROA and ROE. This suggests challenges in creating competitive profits compared to the company's assets and equity. Issues in asset management, financial strategies, or operational efficiency may contribute to the low performance in this group.*

Keywords: *Tourism, ESG, Corporate Governance, Financial Performance.*

I. INTRODUCTION

Tourism in Indonesia is experiencing rapid growth with the discovery of many new unspoiled tourist spots. Data from the Ministry of Tourism shows an increase in the number of tourist visits until January 2016. This encourages entrepreneurs to see business opportunities in the tourism sector, especially in the hotel industry. According to Komarosari (2017), one of the businesses that is developing in the tourism industry is hospitality. Under these conditions, entrepreneurs see a profitable business potential. With an increase in the number of tourists coming, the demand for accommodation, such as hotels, is also increasing.

In the list of nine industries listed on the Indonesia Stock Exchange (IDX), there are six industries with poor or negative ROA performance. These industries include trade, solutions, and investment, as well as the fundamental and chemical industries, a variety of industries, assets, real estate, building construction, infrastructures utilities, transport, and the financial industry (Ole et al. 2022). The tourism industry plays an important role in the Indonesian economy by contributing significantly to economic growth, job creation and social development. However, along with this growth, challenges arise related to sustainability and the resulting environmental and social impacts. Therefore, it is important to implement sustainable and responsible corporate governance (ESG) in Indonesia's tourism industry. ESG corporate governance includes practices focusing on sustainable environmental, social, and governance aspects. These practices include waste and energy management, environmental protection, social justice, human rights, resource sustainability, and corporate transparency and accountability.

Profitability is a ratio that measures a company's ability to gain profit or profit from managing production, assets and sales (Indra, 2018). Profitability ratios, such as ROA (Return on Assets) and ROE (Return on Equity), are used to measure a company's effectiveness in generating profit or profit. ROA describes the profit or profit derived from the company's operations compared to the total assets owned. At the same time, ROE measures the profit or profit relative to the equity of the company's shareholders. This ratio provides information to investors and managers about the company's performance whether there is an increase or decrease in profits. ROA and ROE are considered good ratios in evaluating a company's effectiveness in managing its operations to achieve profit or profit (Ilhami and Thamrin 2021).

Era Vivianti Husada and Susi Handayani's research (2021) intends to investigate how ESG disclosure affects the financial performance of organizations in the financial sector listed on the Indonesia Stock Exchange between 2017 and 2019. Purposive sampling was used to choose 80 financial industry organizations for the research sample. Return on Assets, Tobin's Q, and Sales Growth are used to measure financial performance using the multiple regression analysis method. The study results show that ESG disclosure only simultaneously affects Return on Assets.

Zulkarnain's research (2022) analyzes environmental, social and corporate governance disclosures that won the 2021 Environmental, Social and Governance (ESG) Disclosure Award. This study uses data from the 2020 sustainability report from PT Pupuk Indonesia (Persero) Tbk (PHIC) and PT Bank Rakyat Indonesia (Persero) Tbk (BBRI). The results showed that PHIC has more complete disclosure regarding environmental and social aspects compared to BBRI.

This research by Maulida Nur Safriani and Dwi Cahyo Utomo (2020) examines the effect of ESG disclosure on company performance. This study uses data on non-financial companies listed on the Indonesia Stock Exchange in 2015-2018. The results show that ESG disclosure has a positive and significant effect on operational performance and corporate finance but does not have a positive and significant impact on market performance.

The similarities of these studies are the focus on disclosure and the influence of Environmental, Social, and Governance (ESG) on company performance. However, there are differences in the sectors studied, the variables studied, the number of samples used, and the research methods carried out. Each study has its own approach and focus, which allows for a more holistic understanding of the relationship between ESG and company performance from multiple perspectives.

The analysis period used, namely between 2017 and 2021, was chosen to look at trends and developments in ESG corporate governance in Indonesia's tourism scope. This timeframe provides a long enough snapshot to observe changes and improvements that may occur in ESG practices in tourism companies. During this period, there was an increase in global awareness of environmental and social issues, including in the tourism sector.

The purpose of this analysis is to identify the degree of adoption of ESG practices by tourism companies, evaluate their impact on financial performance, and provide recommendations for enhancing the sustainability of the tourism industry in the future. By conducting an analysis over the 2017-2021 period, it is hoped that we will be able to see developments and improvements in ESG corporate governance practices in the tourism industry, as well as provide a better understanding of the relationship between ESG practices and corporate financial performance in the context of tourism in Indonesia.

II. LITERATURE REVIEW

This study uses a quantitative approach with the method of forming a company portfolio based on the level of implementation of ESG corporate governance practices. In this study, tourism companies were grouped according to a given ESG corporate governance score or classification, and financial performance (ROA/ROE) was compared within each group. The population of ESG companies on the IDX in 2017-2021 consists of 80 companies implementing ESG practices. The sample was selected by considering the availability of financial data and company size. This research focuses on tourism companies listed on the IDX, which have financial data available and considers company size to understand further the application of ESG practices and financial performance in tourism in Indonesia.

Table 1: Company Criteria

NO	CRITERIA	POPULATION
1	Company listed on IDX 2017-2021	766
2	Tourism sector companies listed on the IDX 2017-2021	(672)
3	Companies that use ESG listed on the IDX 2017-2021	(14)
4	Companies that are not in the tourism sector but use ESG are listed on the IDX 2017-2021	(54)
Total Sample of Companies		27

The ESG Corporate Governance Sustainability Research in the Scope of Tourism in Indonesia (2017-2021) uses a sample of 27 companies and multiplies those that meet the criteria of operating in the tourism sector, are listed on the Indonesia Stock Exchange (IDX), have implemented ESG practices, and have sound financial data. available. Taking these factors into account, this research can analyze the relationship between ESG practices and company financial performance in the context of tourism in Indonesia.

A) Return on Asset (ROA)

Based on the explanation from Septadi & Rodhiyah (2013), ROA is a ratio that describes a company's strength in obtaining net profit after tax from its assets. ROA shows how much profit the company gets from using its assets, and the existence of a positive ROA shows the profit the company gets.

In this context, it can be concluded that ROA is an effective ratio in measuring company profitability. The ROA formula can be used to calculate the ratio between net profit after tax with total assets owned by the company.

$$Return\ on\ Asset\ (ROA) = \frac{Net\ Profit}{Total\ Assets}\ x\ 100\%$$

According to Indra (2018), ROE (Return on Equity) is used to evaluate the profits earned by capital owners. ROE describes the level of profit obtained by shareholders from managing their own capital. There is a positive relationship between stock prices and ROE levels. The higher the ROE achieved, the higher the return on investment made. High ROE performance can motivate investors to invest, so stock prices tend to rise.

The ROE formula can be calculated by dividing net profit after tax by shareholder equity. ROE provides information about the company's effectiveness in generating profits for capital owners.

$$Return\ on\ Equity\ (ROE) = \frac{Net\ Profit}{Equity}\ x\ 100\%$$

III. RESULT AND DISCUSSION

A) Descriptive Analysis

Descriptive analysis is a method used to provide a statistical picture of the data collected. In the ESG Corporate Governance Sustainability Research in Tourism in Indonesia, descriptive analysis can provide useful details regarding the properties of the data pertaining to the financial performance of travel agencies and ESG corporate governance procedures. The following is a summary of the 27 companies based on the table given:

Table 2: ESG Company

NO	GROUP	COMPANY
1	1	PT. PIONEERINDO GOURMET INTERNATIONAL TBK
2	1	PT. BAYU BUANA TBK
3	1	PT. ISLAND CONSEPTS INDONESIA TBK
4	1	PT INTIKERAMIK ALAMASRI INDUSTRI TBK
5	1	PT PEMBANGUNAN GRAHA LESTARI INDAH
6	2	PT. PAKUWON JATI TBK
7	2	PT. PEMBANGUNAN JAYA ANCOL TBK
8	2	PT. ARTHAVEST TBK
9	2	PT HOTEL SAHID JAYA INTERNASIONAL TBK
10	3	PT. SONA TOPAS TOURISM INDUSTRY TBK
11	3	PT. DAFAM PROPERTY INDONESIA TBK
12	3	PT. FAST FOOD INDONESIA TBK
13	3	PT. CIPUTRA DEVELOPMENT TBK
14	4	JAKARTA SETIABUDI INTERNASIONAL TBK
15	4	PT. SARIMELATI KENCANA TBK
16	4	PT RED PLANET INDONESIA TBK
17	4	MNC LAND TBK
18	5	PT. SANURHASTA MITRA TBK
19	5	PT. HOTEL FITRA INTERNASIONAL TBK
20	5	PT. GOWA MAKASSAR TOURISM DEVELOPMENT, TBK
21	5	PT. INDONESIA PARADISE PROPERTY TBK
22	5	PT. ANDALAN PERKASA ABADI TBK
23	6	PT PANORAMA SENTRAWISATA TBK
24	6	PT DESTINASI TIRTA NUSANTARA TBK
25	6	PT JAKARTA INTERNATIONAL HOTELS AND DEVELOPMENT TBK
26	6	PT LIPPO KARAWACI TBK
27	6	PT PUDJIADI PRESTIGE TBK

The following is an example of a table that might be used to display the results of a descriptive analysis:

B) Descriptive Statistics

Table 3: Descriptive Analysis of 6 Groups of Companies

	N	Minimum	Maximum	Mean		Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
Group 1 ROA	25	-,169	6,376	1,82988	,394071	1,970354
Group 1 ROE	25	-,089	5,496	1,59692	,355009	1,775043
Group 2 ROA	25	-,096	13,290	1,48028	,597429	2,987144
Group 2 ROE	25	-,014	2,778	,63604	,171699	,858494
Group 3 ROA	25	-,104	7,695	1,48828	,382544	1,912721
Group 3 ROE	25	-,114	12,682	2,01616	,545924	2,729621

Group 4 ROA	25	-,104	4,712	,71624	,232861	1,164303
Group 4 ROE	25	-,114	,382	,07848	,021282	,106410
Group 5 ROA	25	-,266	4,712	,47584	,245441	1,227206
Group 5 ROE	25	-,293	,329	-,00716	,025023	,125115
Group 6 ROA	25	-,355	,854	,20820	,069573	,347865
Group 6 ROE	25	-1,861	,735	,03168	,100058	,500291

In this descriptive analysis, we can see the influence between ROA (Return on Assets) and ROE (Return on Equity) in each group.

1) Group 1
   ROA has an average of 1.82988, while ROE has an average of 1.59692. This shows that the companies in this group have a good performance in generating profits relative to the total assets held and their shareholders' equity.
2) Group 2
   ROA has an average of 1.48028, while ROE has an average of 0.63604. Companies in this group tend to have better efficiency in using their assets compared to the profits generated for shareholders.
3) Group 3
   ROA has an average of 1.48828, while ROE has an average of 2.01616. This suggests that companies in this group can generate higher returns relative to their total assets and equity.
4) Group 4
   ROA has an average of 0.71624, while ROE has an average of 0.07848. Companies in this group show lower performance in generating profits than the assets and equity they hold.
5) Group 5
   ROA has an average of 0.47584, while ROE has an average of -0.00716. This group exhibits relatively low performance, with low returns relative to their assets and equity.
6) Group 6
   ROA has an average of 0.2082, while ROE has an average of 0.03168. Companies in this group perform the lowest in generating profits relative to their assets and equity.

The best group is Group 3, which has a higher average ROA and ROE than the other groups. Inside companies, this group can generate higher returns relative to their assets and equity.

Meanwhile, Group 6 is the lowest group with the lowest performance in generating profits relative to assets and equity. Companies in this group face the challenge of creating a competitive advantage relative to their assets and equity.

C) Normality Test

The Normality Test using the Kolmogorov-Smirnov Test is a statistical method used to test whether data follows a normal distribution. In this test, we compare the data's empirical distributional function to the predicted normal distribution function.

In this study, the Kolmogorov-Smirnov test was used to test the normality of the data with a significance level of 5%. If the significance value (Sig.) is greater than 0.05, it can be concluded that the data is normally distributed. This research reference states that the data can be said to be normally distributed if the Sig. more than 0.05 (Aritonang, 2018).

Table 4: Group Normality Test

Group Number	Sig.
Group 1	0,000
Group 2	0,000
Group 3	0,002
Group 4	0,097
Group 5	0,104
Group 6	0,000

The Kolmogorov-Smirnov normality test is a statistical method used to test whether data follows a normal distribution. In this test, the null hypothesis (H0) is that the data is normally distributed.

Based on the results of the Kolmogorov-Smirnov normality test, a significance value (Sig.) was obtained for each group as follows:

1) Group 1: 0,000
2) Group 2: 0,000

3) Group 3: 0,002
4) Group 4: 0,097
5) Group 5: 0,104
6) Group 6: 0,000

The significance value (Sig.) obtained is the probability or level of confidence that the data being tested comes from a normal distribution. If the value of (Sig.) is smaller than the designated significance level (typically 0.05), the null hypothesis (H0) is rejected, which means that the data does not follow a normal distribution.

Based on these results, group 1, group 2, group 3, and group 6 have very small significance values (Sig.) (less than 0.05), so the null hypothesis (H0) is rejected. This shows that the data in these groups does not follow a normal distribution.

Meanwhile, group 4 and group 5 have a significance value (Sig.) greater than 0.05, so the null hypothesis (H0) cannot be rejected. This shows that the data in these groups can still follow a normal distribution.

IV. CONCLUSION

In this descriptive analysis, a comparison of the effects of ROA and ROE has been carried out in six groups of companies. The results show that Group 3 has the best performance, with a higher average ROA and ROE than the other groups. Companies in this group can generate higher returns relative to their assets and equity. This shows the efficiency and effectiveness of the use of assets as well as excellence in generating significant profits.

On the other hand, Group 6 shows the lowest performance with the lowest average ROA and ROE. Companies in this group face the challenge of creating a competitive advantage relative to their assets and equity. This may indicate problems with asset management, financial strategy, or low operational efficiency.

Based on the results of the Kolmogorov-Smirnov normality test, it can be concluded that Group 1, Group 2, Group 3, and Group 6 do not follow the normal distribution because they have a very small significance value (Sig.) (less than 0.05). Meanwhile, group 4 and group 5 can still follow the normal distribution because they have a significance value greater than 0.05.

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