International
Business Management
MEDWELL PUBLICATIONS
SINCE 2000

Impacts of Disclosure of Environmental Performance and Corporate Social Responsibility on Company Performance of Listed Manufacturing Companies on IDX 2016-2018

[1]Nurul Qomariah, [1]Eko Budi Satoto, [1]Mega Wahyu Rhamadanita and [2]Mu'ah
[1]*Universitas Muhammadiyah Jember, Jember, Indonesia*
[2]*STIE Ahmad Dahlan Lamongan, 62115 Jawa Timur, Indonesia*

Key words: Environmental performance, corporate social responsibility, company's financial performance, Indonesia

Corresponding Author:
Nurul Qomariah
Universitas Muhammadiyah Jember, Jember, Indonesia

Page No.: 172-177
Volume: 14, Issue 5, 2020
ISSN: 1993-5250
International Business Management

Abstract: The purpose of this study is to determine the impact of environmental performance and corporate social responsibility on financial performance in manufacturing companies listed on the Indonesia Stock Exchange from 2016-2018. The population of this study are all manufacturing companies listed on the Indonesia Stock Exchange between 2016 and 2018 with a total population of 126 companies while the sample of 24 companies that meet the requirements is to follow the company Performance Appraisal Program (PROPER) Ministry of Environment of the Republic of Indonesia during 2016-2018. The dependent variable is the financial performance variable. Data analysis was processed using multiple linear regression. The results showed that environmental performance had a positive and significant effect on the company's financial performance. Corporate social responsibility has a positive and significant effect on the compan's financial performance on manufacturing companies listed on the IDX 2016-2018.

INTRODUCTION

The industrial sector in Indonesia is still a sector that contributes to the gross domestic product is still large. According to the Ministry of Industry records in 2018, the growth of the non-oil and gas industry was recorded at 4.77% or able to contribute 19.86% of the total national Gross Domestic Product (GDP). The value of the processing industry GDP in that year touched Rp2.95 thousand trillion. Meanwhile, the national GDP has been observed to sit at Rp.14.84 thousand trillion. Several sectors have high growth such as the transportation and automotive industries which grew 9.49%, the leather and footwear industry 9.42%, the base metals industry 8.99%, the textile and textile products industry 8.73% and the food industry and drinks 7.91%.

Data from Trading Economics in the third quarter of 2018, Indonesia's Gross Domestic Product (GDP) from the manufacturing industry amounted to USD39.7 billion. Indonesia's manufacturing sector's GDP is the largest in the ASEAN region. Followed by Thailand in the second position with a portion of USD22.5 billion, then followed by Malaysia (USD17.2 billion), Singapore (USD16 billion), Vietnam (USD8.2 billion), Philippines (USD8.2 billion), Cambodia (USD2, 8 billion), Laos (USD1.1 billion) and Brunei Darussalam (USD0.5 billion). The

Ministry of Industry notes that the non-oil and gas manufacturing sector in the period 2015-2018 experienced a positive performance with an average growth of 4.87 % and is still the sector that contributed the most to national GDP with deposits of up to 17.66% in 2018. Although, the growth of 4.87 is still below the economic growth announced by the government which is 5% -7% (Https://nebraska.co.id/blog/view/dampak-limbah-terhadap-lingkungan-sekitar, 2018).

The contribution of the industrial sector by 19.86% is a reasonable amount and needs to be appreciated, although at present the contribution of that number is considered to be lacking with the breadth of the industrial sector that can be managed in Indonesia. Development in any sector is sure to have an impact on the environment, and development in the industrial sector is no exception. Indonesia is one of the countries that have a high level of industrial development. This makes Indonesia can be regarded as a semi-industrial country. With this status, Indonesia will focus more on increasing production output. Meanwhile, until now the attention to the waste produced is still ruled out. Lately, the topic of waste pollution in the environment has become a hot topic in various media. This is due to the impact of waste produced in the form of disease outbreaks that attack residents around the industrial environment. The presence of waste hurts humans and the environment, it is necessary to handle these wastes. Industry players are expected to not only think about the many benefits and put aside the processing of industrial waste. Because this can hurt others around the industrial environment (Https://nebraska.co.id/blog/view/dampak-limbah-terhadap-lingkungan-sekitar, 2018).

Companies in this industrial sector are required to be able to maintain their performance, especially performance in the financial sector. Improved performance in the financial sector is demanded by parties with an interest in the existence of the company. The shareholders hope that the company can provide benefits to the funds already invested in the form of shares. From the internal side of the company is also demanded to improve financial performance. Usually, this financial performance can be obtained by the company's financial statements every year. Financial reports are a source of information used to measure the extent of the financial performance of the company[1]. In addition to being demanded in terms of financial performance, companies in the industrial sector are also demanded by the public and the government that the impacts of the industries they manage must be accountable. Industrial companies that currently exist must have an impact on the surrounding environment. Proper management of industrial waste and providing information to the public and adhering to government regulations on the environment is something that must be done by companies in the industrial sector.

The Indonesian government is now beginning to pay attention to policies relating to environmental management and nature conservation. Law Number 32 of 2009 concerning Environmental Protection and Management is a law issued by the government to overcome the impact of industry on the environment. Its application in industry is regulated by Republic of Indonesia Government Regulation Number 74 Year 2001 Regarding Management of Hazardous and Toxic Material, Law No. 25 of 2007 concerning Investment, Law No. 40 of 2007 concerning Limited Liability Companies (UUPT) and Government Regulation Number, 47 of 2012 concerning Social and Environmental Responsibility is evidence that the government cares about environmental management. Even though the laws on the environment have already been made in practice these laws and regulations need to be evaluated for effectiveness so that they are not merely regulations[2]. The Ministry of Environment (KLH) has also formed a program called the Company Performance Rating Assessment Program in Environmental Management (PROPER) as a form of encouragement for companies in environmental management. This action is carried out, so that, companies engaged in the industrial sector not only seek profit but also need to pay attention to the surrounding environment.

Literature review: Disclosure of environmental information is an effort of companies engaged in the industry to provide information related to environmental impacts caused by the company's operations. Disclosure of environmental information contains twenty-five items in which various dimensions of environmental impacts arising from company operations[3]. There is also disclosure of environmental information that contains eight dimensions which include materials, energy, water, biodiversity, emissions and waste as well as B-3 waste, products and services, compliance and transport. Companies must understand the importance of disclosure of environmental information in the annual financial statements, so, they always get support from external parties[4]. Companies that produce waste in carrying out operations need to provide information related to the impact of industrial management. The management of environmental performance aims to meet all legislation and environmental requirements completely and comprehensively. Activities related to environmental management are expected to reduce the quality of environmental impacts to below the quality standards required by government regulations[1].

Various studies related to the disclosure of the company's environmental performance associated with the company's financial performance showed mixed results. The results of the study[5] about environmental performance as measured by PROPER on the sustainability report on the disclosure of practices and economic performance. The results show that environmental performance has a significant impact on the Disclosure Sustainability Report. The environmental performance also has a significant impact on economic performance. Research[6] on environmental performance and economic performance on the Jakarta Stock Exchange, which results that disclosure of environmental performance has a significant impact on economic performance. The research[7] was carried out on general mining companies and HPH / HPHTI owners listed on the Indonesia Stock Exchange participating in the PROPER program in 2008-2012 with 13 companies. The results of his research indicate that environmental performance does not affect financial performance. Research[1] conducted on companies listed on the Indonesia Stock Exchange which provided the 2010-2011 report.

The results show that environmental performance has a significant impact on financial performance. Research[8] on mining companies listed on the Indonesia Stock Exchange in 2014-2016. The results obtained are that environmental performance has no impact on the company's financial performance. Research results from[9] show that there is no influence between environmental management activities due to exploration and evaluation, and reclamation closure on financial performance. The study[10] used data from 2009-2011 reports of companies related to PROPER listed on the Indonesia Stock Exchange. The results showed that environmental performance had an impact on the company's financial performance. Research conducted on manufacturing companies that participated in PROPER 2011-2013. The results showed that disclosure of environmental information with wider content analysis provides better information and disclosure of environmental information has a significant effect on financial performance.

The following is a study conducted on companies that went public on the Indonesia Stock Exchange in 2009-2013, the result of which is that environmental performance impacts on the company's financial performance. The results of the study[11] show that environmental performance has an impact on the financial performance of mining companies listed on the Indonesia Stock Exchange 2010-2013. Research[12] states that environmental performance has an impact on the financial performance of SOE companies listed on the Indonesia Stock Exchange in the period 2004-2011. Research[13] conducted on mining companies holding HPH/HPHTI holders listed on the Indonesia Stock Exchange in the period 2010-2013 where the result is that environmental performance has a significant effect on financial performance. Research[2] on manufacturing companies listed on the Indonesia Stock Exchange in the 2012-2014 period with 34 companies, the results of which show that environmental performance does not affect firm value. Research states that environmental performance has no effect on firm value in manufacturing companies listed on the Indonesia Stock Exchange in the 2008-2010 period that followed the PROPER program chosen by 10 companies.

In addition, to being pressured by the shareholders, the company engaged in the industrial sector is also often sued by the community for its social performance. Corporate social responsibility is an effort of the company to continue to assess that the company is not only making a profit but on the other hand is also obliged to pay attention to the surrounding environment. This demand from the community gave rise to new accounting terms that moved away from traditional accounting concepts. This concept requires company activities that can have an impact on society. Therefore, companies are required to conduct transparency regarding the information on social and environmental impacts due to the existence of the company's industrial activities[14].

Several studies have been carried out including research which states that corporate social responsibility has an impact on corporate value. Research[11] states that corporate social performance can improve corporate financial performance. Research states that corporate social responsibility can have an impact on financial performance on manufacturing companies on the IDX. From explanations related to environmental issues due to the presence of industrial company activities and also about research that has revealed the relationship between corporate financial performance and environmental performance and corporate social responsibility activities, the hypotheses proposed in this study are:

- H_1: The company's environmental performance can improve the company's financial performance
- H_2: The greater the corporate social responsibility, the financial performance of the company will increase

MATERIALS AND METHODS

In this study, the influence of the company's environmental performance and corporate social responsibility variables will be analyzed on the company's financial performance. To determine the effect of company environmental and corporate social responsibility variables on the company's financial performance individually, the t-test was used and to find out the effect simultaneously the F test was used.

The population as a regionalization region consisting of objects/subjects that have certain quantities and characteristics. The population of this research is 126 manufacturing companies listed on the Stock Exchange in 2016-2018. While the manufacturing companies that participated in the company performance appraisal program (PROPER) of the Ministry of Environment of the Republic of Indonesia during 2016-2018 totaled 24 companies, so the number of 24 companies was used as a sample.

Iriyanto and Nugroho[5] stated that the company's environmental performance is the company's performance in creating an environment that can provide benefits to the community. The PROPER assessment uses a color indicator that starts with gold for the company with the best environmental assessment, followed by green, blue, minus blue, red, minus red and black for the worst environmental performance assessment. Financial performance variable is a measure of company achievement in monetary units. The indicator used is a measure of profitability that is a Return on Assets (ROA) which illustrates the profit earned by a company with its assets. ROA is a ratio that shows the results of the total assets used in a company. The greater the ROA shows the better performance because the greater the rate of return. Some studies that use ROA indicators include[4, 6, 11, 13]. Indicators for corporate social responsibility variables using the CSRDI approach. Basically using a dichotomous approach, each CSR item in an assessment instrument is given a value of 1 if disclosed and a value of 0 if not disclosed. Furthermore, the score of each item is summed to obtain the overall score for each company. Data analysis uses multiple linear regression analysis.

RESULTS AND DISCUSSION

Descriptive analysis results: The variables used in this study are environmental performance (X1), CSR (X2), and company financial performance (Y). The following are descriptive statistics for each of the variables used in this study.

Table 1 shows that environmental performance (X1) has an average of 2.861. Environmental performance has a minimum value of 2 which is a company with environmental performance in the red category while a maximum value of 4 is a company with environmental performance in the green category. CSR (X2) has an average of 0.339. CSR has a minimum value of 0.241, which is CSR in several companies while a maximum value of 0.456 is CSR in the company PT. Multi Bintang Indonesia Tbk. (MLBI) in 2016 and 2017. CSR disclosure is done by assessing the CSR index (CSRi) in this case the higher the CSR index value, the better the corporate social responsibility. The company's financial performance (Y) as measured by the Return on Assets (ROA) proxy has an average of 6.75%. The company's financial performance has a minimum value of -17.61 which is the company's financial performance in the company PT. Martina Berto Tbk. (MBTO) in 2018 while the maximum value of 53.00 represents the company's financial performance at the company PT. Multi Bintang Indonesia Tbk. (MLBI) in 2017.

Table 1: Descriptive statistics results

Variables	Minimum	Maximum	Mean	SD
X1	2.000	4.000	2.861	0.512
X2	0.241	0.456	0.339	0.069
Y	-17.610	53.000	6.748	11.049

Data processed 2020

Table 2: Collinearity statistic

Variables	VIF	Information
X1	1.283	Non multicollinearity
X2	1.283	Non multicollinearity

Data processed 2020

Multicollinearity test: Multicollinearity means intercorrelation between independent variables which indicates more than one significant linear relationship. If the correlation coefficient of the relevant variable is located outside the acceptance limits, the correlation coefficient is significant and multicollinearity occurs. If the correlation coefficient lies within the limits of acceptance, the correlation coefficient is not significant and does not occur multicollinearity (Table 2).

Based on the results of collinearity statistical analysis, it can be concluded that multicollinearity does not occur because a VIF value of <10 is obtained, meaning that there is no linear relationship between the independent variables used in the regression model.

Heteroscedasticity test: Heteroscedasticity test is performed to test whether in a regression model there is an inequality of variance from the residuals of one observation to another. Detection of the presence or absence of heteroscedasticity can be done by looking at the presence or absence of certain patterns on the scatterplot graph between SRESID and ZPRED. The results of heteroscedasticity testing can be seen in Fig. 1.

From the scatterplot chart it can be seen that there are no clear patterns and the points spread above and below the 0 number, so there is no heteroscedasticity.

Autocorrelation test: Autocorrelation test is done to test the assumption that the data must be free in the sense that

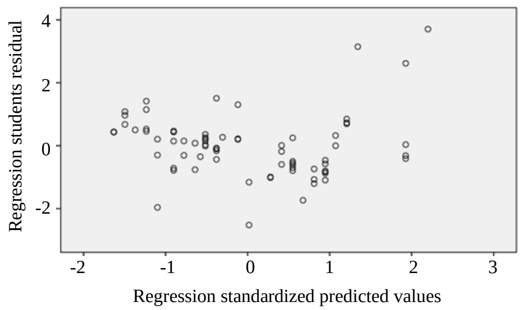

Fig. 1: Heteroscedasticity test results; Dependent variable Y

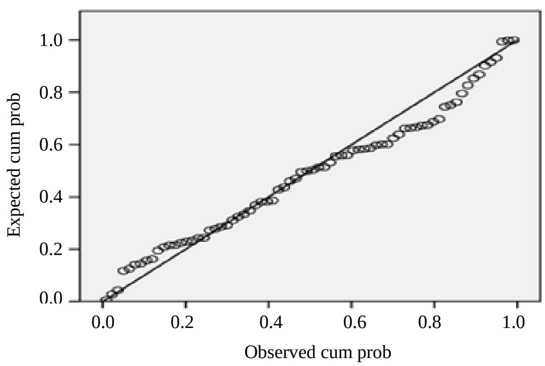

Fig. 2: Normality test results; Dependent variable Y

the data in the previous period or in the period thereafter. Autocorrelation testing is done by testing the Durbin Watson statistical test where the statistical value of the Durbin Watson is denoted by d or DW. Testing is done by comparing the Durbin-Watson test value with the Durbin-Watson test table. The Durbin-Watson table values for n = 72 and k = 2 at the level of significant 5% obtained a value of 1.554 and a value of 1.672. The test results obtained a DW value of 1.981 which means it is located between dU<d <4 - dU (1,672 <2,269 <2,328). This means that the regression model above has no autocorrelation problems.

Normality test: Data normality test is used to determine whether the data is normally distributed or not. Data normality is detected by looking at the spread of data on the diagonal axis of the normal P-Plot Of Regression Standardized Residual graph. With this method, the data can be said to be normally distributed if the data spread around the diagonal line and follows the direction of the diagonal line from the normal P-Plot Of Regression Standardized Residual graph. The normalitytest results can be in Fig. 2.

From the graph of the normality test results of the regression model that can be seen in Fig. 2, visible points spread around the diagonal line and the distribution follows the direction of the diagonal line. Then the regression model is feasible because it meets the normality assumption.

Multiple linear regression analysis: Multiple linear regression testing is useful to determine the effect of the independent variables consisting of Environmental Performance (X1) and CSR (X2) on the dependent variable, Corporate Financial Performance (Y). Based on the test results obtained that can be presented in Table 3.

In Table 3 a regression equation can be arranged as follows: Y = -33,151+5,701X1+69,636X2. The interpretations of the equation are: Constants of -33,151, showing the magnitude of the Company's Financial Performance when the Environmental Performance (X1) and CSR (X2) equals zero that is equal to -33.151%. b1 = 5,701, meaning that if the CSR variable (X2) is equal to zero, then an increase in the Environmental Performance variable (X1) by 1 unit will increase the Company's Financial Performance by 5.701%.b2 = 69,636, meaning that if the Environmental Performance variable (X1) equals zero, the increase in CSR variable (X2) by 1 unit will increase the Company's Financial Performance by 69.636%.

Effect of environmental performance on company financial performance: Regression test results showed that the environmental performance variable had a positive and significant effect on the company's financial performance with a regression coefficient of 5.701. This means that the better the environmental performance, the greater the company's financial performance. Thus the hypothesis stating that environmental performance affects the company's financial performance is accepted. Environmental performance is the performance of a company that cares about the environment. Environmental performance in manufacturing companies reflects the company's performance in creating a good environment. The Government through the Ministry of Environment launched a company Performance Appraisal Program (PROPER) which is closely related to the dissemination of information on the performance of each company's management to all stakeholders on a national scale. Companies that have a high level of environmental performance will be responded positively by investors, increasing public trust while enhancing the company's image in the eyes of the public who will buy company products or invest in company operations through investment. These conditions will certainly encourage an increase in company sales which will impact profitability and a better financial performance of the company.

The effect of CSR affects the company financial performance: The regression test results showed that the corporate social responsibility variable had a positive and significant effect on the company's financial performance

Table 3: Results of multiple linear regression analysis

Variables	Coef. regresion	T_{count}	t_{table}	Sig.	Information
A constant	-33.151	-4.999	1.980	0.000	-
X1	5.701	2.429	1.980	0.018*	Significant
X2	69.636	3.975	1.980	0.000*	Significant

Data processed 2020

with a regression coefficient of 69.636. This means that the greater the corporate social responsibility, the greater the company's financial performance. Corporate social responsibility is a form of corporate responsibility to the community for the company's operations which is conveyed in the company's annual report. The more social and environmental information delivered by a company, it will improve the company's image. Investors will tend to invest in companies that have a good image, thus impacting on the high level of consumer loyalty to the company's products. Thus, in the long run, the company's sales will improve, so that, profitability will also increase. This increase in profitability shows that the company's financial performance can be said to be getting better.

CONCLUSION

Based on the descriptions that have been disclosed in the discussion, then some conclusions can be drawn as an answer to the main problems raised in this study. Environmental performance has a positive and significant effect on the company's financial performance. The company must pay attention to the company's environment caused by the company's operational activities that can result in damaging the surrounding environment due to industrial waste. Companies that pay attention to the surrounding environment will get a good response from the community that the company cares for the environment which is expected to have a positive impact on all company activities. Corporate social responsibility has a positive and significant effect on the company's financial performance. Companies that always care about the interests of the surrounding community will also make the community give a good response, so that, it can have a positive impact on the company's financial performance.

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