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THE INFLUENCE OF ENVIROMENTAL DISCLOSURE, FIRM SIZE, MANAGERIAL OWNERSHIP, AND ENVIROMENTAL PERFORMANCE ON ECONOMIC PERFORMANCE IN MANUFACTURING

Arnetta Valencia Qoys [1], Dirvi Surya Abbas[2]
Department of Accounting, Universitas Muhammadiyah Tangerang, Indonesia

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ABSTRACT

The purpose of this study was to determine the effect of environmental disclosure, size, manajerial ownership, and environmental performance on economic performance, Researchers use quantitative research. The population in this study were all companies in manufactur sector listed on the Indonesia Stock Exchange totaling 201 companies which were always listed for 5 consecutive years. The sample was selected using purposive sampling and obtained 50 research objects. The results of the study environmental disclosure, and environmental performancehave an effect on economic performance, while size, and managerial ownership have no effect on economic performance.

Corresponding Author:
Dirvi Surya Abbas
Department of Accounting, Universitas Muhammadiyah Tangerang, Indonesia
Jl. Pioneers of Independence I No.33, Cikokol, Kec. Tangerang, Tangerang City, Banten, Indonesia
Email : abbas.dirvi@gmail.com

INTRODUCTION

In the current era of globalization, technological advances and rapid information development, competition in the economic sector is becoming increasingly fierce, companies are competing to carry out their business activities to gain profits and maintain their business activities (Dewi, 2019). Regarding this goal, a company is needed. accurate and realistic planning in accordance with the company's conditions, namely by looking at the company's economic performance which can be used as a basis for decision making for users of financial reports, both internal and external (Nurpiyah, 2020). The economic performance of the manufacturing industry in Indonesia is considered to be increasingly productive and competitive as seen from data from the Central Statistics Agency (BPS) which shows that industrial production of large and medium manufacturing companies (IBS) in the first quarter of 2019 rose 4.45% compared to the same period. 2018 (ekbis.sindonews.com). As the business world develops, competition between one company and another company increases and becomes tighter. Economic performance is a description of the relative performance of companies in an industrial group which is characterized by the size of the company's returns (Eksandy, 2020). Good company economic performance indicates that the company operates effectively, can generate maximum profits, and can increase company value every year (Ihsan, 2017). Good economic performance can attract investors to invest their capital in companies because companies have good performance, and investors are interested in the high returns they get (Kusna, 2018). On the other hand, low economic performance indicates that the company's performance was less than optimal in one period, and the value of the company experienced a decline, which resulted in a decrease in annual returns, and investors lost interest in investing their capital in the company (Eksandy, 2021). Economic performance which can be seen from the position of a company's shares is much influenced by factors such as the size of a company, and share ownership by managers, and also by social, political and environmental issues that are uncertain, thus making a company's economic performance companies often do not run optimally (Dinoyu, 2020).

Concern and corporate responsibility for the environment is a new trend nowadays, where companies are competing to gain legitimacy from the local community where the company operates, consumers and investors for the sustainability of the company's business (Apip, 2019). Companies that have a good environmental responsibility will gain the trust of the public, and also investors who will increase their sales, and also increase capital investment, this will encourage an increase in the economic performance of a company (Fauzi, 2021). On the other hand, a company that is affected by issues of environmental destruction will cause the company's image to decline in the eyes of investors, and also consumers, which can encourage a company's economic performance to decline (Widodo, 2020). An example of this case occurred at PT Ultra Milk Industri (ULTJ) in August 2017, PT Ultra Milk Industry was hit by a case of environmental damage due to waste generated, this caused the local community to be affected by the unpleasant smell of the company's waste, and itching. the itching that arose, giving rise to a long conflict between the company and the surrounding community which resulted in a decline in the company's share price on the capital market from IDR 5,000 to IDR 1,000 per share (Quoted from: Sindonews.com on April 10 2022). This phenomenon indicates that the perception is negative the public towards industrial companies began to grow and have an impact. Society is increasingly critical and views industrial activities as the main contributor to environmental problems. Currently, the public demands that the problem of environmental damage resulting from industrial activities must be the responsibility of the industry itself and all decisions related to handling and maintaining the environment should be given more consideration because it can affect the economic performance of a company (Dinoyu, 2021).

Environmental disclosure carried out by the company is a form of transparency that can prevent conflicts from arising with the community, good environmental disclosure is an indication that the company has taken responsibility for the sustainability of natural resources which will improve the company's good image in the eyes of the community, this will encourage the community or consumers to buying the company's products will improve the company's economic performance (Apip, 2019). Good environmental disclosure also increases investor confidence in investing capital in the company, and can encourage an increase in the economic performance of a company (Ihsan, 2017). On the other hand, companies with low environmental disclosure are an indication of the company's non-transparency regarding environmental responsibilities, and poor environmental management carried out by the company which will reduce the trust of the public and investors which can influence the decline in the company's economic performance (Apip, 2019). Another factor that can influence economic performance is company size. Large companies usually have more resources and quality than small companies (Rosyadah, 2021). Large companies usually have higher quality human resources who have more effective performance at work which will encourage increased economic performance (Apip, 2019). On the other hand, small-sized companies usually do not have as many resources and quality as large companies, making the economic performance of a company less than optimal (Ihsan, 2017).

The next factor that can influence economic performance is managerial ownership. Ownership of shares by managers can encourage managers to improve company performance because they will also benefit from increased company performance which will increase the returns they receive (Septriana, 2022). The absence of managerial ownership means that management is not motivated to improve company performance, which can result in a company's economic performance not being optimal (Wibisono, 2021).

The next factor that can influence economic performance is environmental performance. Environmental performance is a company's performance in preserving the environment which will be given a rating by the Ministry of Environment (Wibisono, 2021). The high environmental performance of a company is an indication that the company has followed an environmental performance program and managed the environment well. This will increase the legitimacy that the company gets from the community and also investors who can encourage increased economic performance (Pertiwi et al., 2018). On the other hand, a company with poor environmental performance indicates that the company does not comply with environmental performance programs and environmental management carried out by the government. This has an impact on the loss of trust from the public and also investors, which can affect the decline in a company's economic performance (Apip, 2019).

Research on economic performance has been carried out by many previous researchers which has produced various results, such as on the environmental disclosure variable, research conducted by Apip (2019) proves that environmental disclosure has no effect on economic performance, while research conducted by Rizkan (2017) who succeeded in proving that environmental disclosure has an effect on economic performance. The difference in the results of further research is in the company size variable. Wufron (2019) succeeded in proving that company size influences economic performance, while Fauzi's (2021) research shows that company size does not influence economic performance. The difference in the results of further research is in the managerial ownership variable. Kusumardana (2022) in his research succeeded in proving that managerial ownership has an effect on economic performance, while research conducted by Azizah (2021) shows that managerial ownership has no effect on economic performance. The difference in the results of further research is in the environmental performance variable. Research conducted by Ihsan (2017) succeeded in proving that environmental performance has an effect on economic performance, while research conducted by Septriana (2022) shows that environmental performance has no effect on economic performance.

THEORY AND HYPOTHESIS DEVELOPMENT

1. *The Influence of Environmental Performance on Economic Performance*

   Environmental performance is the company's performance in creating a good environment, and is part of the environmental management system (Widodo, 2020). Companies spend money on environmental aspects, this automatically encourages better disclosure of information about the environment, and the good image of the company in the eyes of the public, and investors increases, marked by fluctuations in the company's share price (Ihsan, 2017). Based on the results of several previous studies and existing theories, the author proposed a hypothesis in this research.

   H1 = Environmental performance influences economic performance.

2. The Influence of Firm Size on Economic Performance

   Company size is a measure of the size of a company based on the total assets it owns, the more assets a company has, the bigger the company (Tobing, 2019). The size of the company is assessed by total assets (total assets) and total sales (total sales) calculated using the natural logarithm of the size of the total assets and total sales owned by the company (Wufron, 2019).

   H2 = Company size influences economic performance.

3. *The Influence of Managerial Ownership on Economic Performance*

   Managerial ownership is a condition where the manager takes part in the company's capital structure or in other words the manager simultaneously plays a dual role as manager and shareholder of the company (Azizah, 2021). Meanwhile, according to Kusumardana (2022), managerial ownership is the total share ownership by management of the entire share capital of a managed company. Managerial is a system that regulates the relationship between managers and subordinates and other organizational resources.

   H3 = Managerial ownership influences economic performance.

4. The influence of environmental performance on economic performance

   Environmental performance is the company's performance in creating a good environment, and is part of the environmental management system (Widodo, 2020). Companies spend money on environmental aspects, this automatically encourages better disclosure of information about the environment, and the good image of the company in the eyes of the public, and investors increases, marked by fluctuations in the company's share price (Ihsan, 2017).

   H4 = Environmental performance influences economic performance.

RESEARCH METHOD

Based on the data used, this type of research includes research on the Influence of Environmental Disclosure, Company Size, Managerial Ownership, and Environmental Performance on Quantitative Economic Performance. Quantitative methods are a scientific approach to managerial and economic decision making. (Kuncoro, 2018).

Place and Time of Research

This research was conducted on companies listed on the Indonesia Stock Exchange (BEI) for the 2018-2021 period. which is accessed via the sites www.idx.co.id, and www.idnfinancial.com, as well as other references.

Population and Sample

The population in this research is manufacturing sector companies listed on the Indonesia Stock Exchange for the 2019-2021 period. The sample was selected using a purposive sampling technique.

Method of collecting data

The data collection method in this research uses library study techniques and documentation.

Data Analysis Method

The data analysis method in this research uses multiple linear analysis.

1. **Operationalization of Research Variables**
   a. **Dependent Variable**
      Economic performance
      In this research is calculated using the following formula:
      $Ecp = (P_1\text{-}P_0)\text{+}Div) – Ri/P0$
      Ecp = Economic performance
      P_1 = End of year stock price
      P_0 = Stock price at the beginning of the year
      Div = Dividend
      Ri = Industry return
   b. **Independent Variable**
      1. Environmental disclosure
         In this research environmental disclosure is calculated using the following formula : Number of items reported/Total Standard GRI Environmental Indicators
      2. Firm Size
         In this research, company size is calculated using the following formula :
         Company size = Ln Total assets
      3. Managerial Ownership
         In this research, managerial ownership is calculated using the following formula : Number of managerial shares/Total number of shares outstanding
      4. Environmental Performance
         In this research, environmental performance is calculated using the PROPER value given by the Ministry of Environment to companies, the following is the PROPER value ranking:
         Gold = 5
         Green = 4
         Blue = 3
         Red = 2
         Black = 1

RESULTS AND DISCUSSION

Sample Criteria

The following are sample criteria using purposive sampling technique:

No	Criteria	Amount
1	Manufacturing sector companies listed on the IDX	(201)
2	Manufacturing sector companies that are inconsistently listed on the Indonesian Stock Exchange and publish their financial reports for the period 2017-2021 and ending 31 December	(53)
3	Manufacturing sector companies that do not consistently publish environmental disclosure disclosures with the GRI Standard for the 2017-2021 period and ending December 31	(145)
4	Total Observations (n) per year	(10)
5	Total Observations (n x 5)	(50)

Panel Data Model

1. **Results of Descriptive Statistical Analysis**

TABLE 1
Selection of Panel Data Models

No.	Method	Testing	Result
1	Chow Test	CEM vs FEM	FEM
2	Hausman Test	REM vs FEM	FEM
3	Langrange Multiplier Test	CEM vs REM	CEM

Based on the Chow Test calculation results, the cross section F and cross section Chi – Square probability values are 0.0060 < α (0.05), it can be concluded that H1 is accepted, which means that the Fixed Effect Model (FEM) is better used in estimating panel data regression compared to Commont. Effect Model (CEM).

In the Hausman test results table, it can be seen that the random cross section probability value is 0.0261 < α (0.05), so it can be concluded that the Fixed Effect Model (FEM). more feasible to use than the Random Effect Model (REM).

Based on the results of the Lagrange Multiplier test above the Breusch–pagan Cross-section probability value (0.6389) > α (0.05), it can be concluded that the Common Effect Model (CEM) is more appropriate to use.

2. Hypothesis Test Results

Multiple Linear Regression Equation

This research uses multiple linear regression because there are more than two independent variables used in this research. In this research, multiple linear regression is used to find out the influence of environmental disclosure, company size, managerial ownership, and environmental performance on economic performance. The following are the results of multiple linear regression testing using eviews software:

Dependent Variable: ECP Method: Panel EGLS (Cross-section weights) Date: 01/02/23 Time: 02:22 Sample: 2017 2021 Periods included: 5 Cross-sections included: 10 Total panel (balanced) observations: 50 Linear estimation after one-step weighting matrix
Variable Coefficient Std. Error t-Statistic Prob.

C	7.76E+09	5.21E+09	1.489672	0.1450
ED	1.87E+08	74678961	2.507627	0.0168
UP	-2.07E+08	1.74E+08	-1.195298	0.2398
KM	27482.08	25041158	0.001097	0.9991
EP	3.42E+08	98586423	3.470906	0.0014
Effects Specification				
Cross-section fixed (dummy variables)				
Weighted Statistics				

0.6829 Mean
3.99E R-squared 72 dependent
var +08
Adjusted 0.5684 S.D.
2.94E R-squared 90 dependent
var +08
S.E. of 2.03E+ Sum squared
1.48E
regression 08 resid
+18
5.9657 Durbin-Watson
1.7388
F-statistic 54 stat
24
Prob(F-statisti
0.0000 c)
10

The Multiple Linear Regression equation in the table above can be seen as follows:
ECP = 7.76E+09 C + 1.87E+08ED 0.27E+08UP+ 27482.08 KM + 3.42E+08 + e

F Test Results (Simultaneous)

The Simultaneous Influence of Environmental Disclosure, Company Size, Managerial Ownership, and Environmental Performance on Economic Performance. The F test results show that the F-statistic value is 5.965754 while the temporary F table with an a level of 5%, df1 (k-1) = 4 and df2 (n – k) = 45 results in an F table value of 2.8068. Thus, the F-statistic (5.1211) > from F Table (2.57) and the prob value (F-statistic) is 0.000010 < 0.05, so it can be concluded that the hypothesis is accepted. The variables environmental disclosure, company size, managerial ownership and environmental performance simultaneously influence economic performance.

T Test Results (Partial)

The Influence of Environmental Performance on Economic Performance

Environmental disclosure (ED) has a t-statistic of (2.507) while a t-table with a level of a = 5%, df (n-k) = 50-5 = 45 gets a t-table value of (2.014). Thus the t-statistic environmental disclosure (ED) is (2.507) > t-table (2.014) and the prob value. 0.00168< 0.05. So it can be concluded that the environmental disclosure (ED) variable in this study has an effect on economic performance, the hypothesis is accepted. A high level of environmental disclosure can improve economic performance due to the company's good image in the eyes of investors, and the company's transparency in environmental responsibility and management.

The Influence of Firm Size on Economic Performance

Company size has a t-statistic of (1.195) while the t-table has a level of a = 5%, df (n-k) = 50-5 = 45, thus the t-statistic of UP company size is (1.195) < t-table (2.014) and prob value. 0.2398 > 0.05. So it can be concluded that the company size (UP) variable in this study has no effect on economic performance, the hypothesis is rejected. The large size of a company does not guarantee that the company will work effectively, which means that the large number of assets or resources owned by the company are not utilized effectively, which causes the size of the company to have no effect on economic performance.

The Influence of Managerial Ownership on Economic Performance

Managerial ownership has a t-statistic of (0.001) while a t-table with a level of a = 5%, df (n-k) = 50-5 = 45 gets a t-table value of (2.014). Thus the t-statistic for managerial ownership (KM) is (1.195) < t-table (2.014) and the prob value. 0.9991 > 0.05. So it can be concluded that the managerial ownership (KM) variable in this study has no effect on economic performance, the hypothesis is rejected. The amount of managerial share ownership does not have an influence on the company's economic performance, this is because the amount of managerial share ownership is very low so it cannot boost the company's economic performance.

The influence of environmental performance on economic performance

Environmental performance has a t-statistic of (3.470) while a t-table with a level of a = 5%, df (n-k) = 50-5 = 45 gets a t-table value of (2.014). Thus the t-statistic environmental performance (EP) is (3.407) > t-table (2.014) and the prob value. 0.0014< 0.05. So it can be concluded that the environmental performance (EP) variable in this study has an effect on economic performance, the hypothesis is accepted. The high value given by the Ministry of Environment to the environmental performance of a company can improve the company's economic performance, this is due to the increased legitimacy that the company obtains from the community, government, and also investors which encourages company sales to increase, and increases the capital invested by investors thereby increasing company economic performance.

CONCLUSION

This research aims to determine the influence of environmental disclosure, company size, managerial ownership and environmental performance on economic performance. Based on the results of data analysis, hypothesis testing, and interpretation of the results, the following conclusions are obtained :

1. Environmental disclosure affects economic performance.
2. Firm size has no effect on economic performance.
3. Managerial ownership has no effect on economic performance.
4. Environmental performance influences economic performance.
5. Simultaneously all independent variables influence economic performance.

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