

ENVIRONMENTAL FACTORS AFFECTING FINANCIAL PERFORMANCE DURING THE COVID-19 PANDEMIC IN ASEAN: SOCIAL DISCLOSURE AS MODERATING

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Abstract

This study discusses the factors of environmental performance, environmental disclosure, and corporate social disclosure that affect corporate financial performance. The current global warming is worrying enough that the country's leaders are committed to reducing the level of carbon emissions in each country. Environmental disclosures and social disclosures that must exist during the COVID-19 pandemic have not been implemented due to large-scale social restriction regulations from the government, so they cannot be disclosed. The research subject is a mining company in one of the largest ASEAN countries, namely Indonesia. Meanwhile, the object of this research is the Annual and Sustainability report for the period 2018-2021 published on each ASEAN country's Stock Exchanges website. The study results show that Environmental Disclosure significantly influences the Financial Performance of mining companies listed on the IDX in 2018-2020

Keywords: *Environmental Disclosure, Social Disclosure, Financial Performance*

1. Introduction

In the era of globalization, increasingly sophisticated technological developments impact the very rapid progress of the business world, thus triggering a very competitive competition between companies to achieve their goals. (Widhiastuti et al., 2017) This competition causes companies to do whatever it takes, one

of which is by exploiting the environment as much as possible. These exploitation activities can result in environmental damage and pollution. This environmental factor should be an important guideline for companies considering that many companies ignore the environment to increase profits.

One of the triggers for companies to disclose social and environmental responsibility is the

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widespread issue of global warming. The company sector whose operational activities are most vulnerable to environmental damage is the mining company. Mining activities are becoming increasingly uncontrollable, which have various impacts on the community and life around the mine, including; environmental damage, high levels of pollution (soil, water, and air), also disruption of the wider community in the form of damage to houses and public facilities, especially due to dynamite blasting activities to open mine sites (Listiyani, 2017).

Therefore, we should be able to manage mining activities properly to avoid a bad impact. It attracts attention to discover the extent of damage or adverse impacts caused by mining activities that are not managed properly. Various efforts have been made by the company, including mining sector companies, to improve image of company. The government also accommodates this social and environmental disclosure through the existing Environmental Law and

Financial Services Authority (POJK) Regulations.

Based on the PROPER results up to 2018, as many as 1906 met the requirements to become participants, 16 companies were not announced their ranking results because they were undergoing a legal process, and 18 companies were not designated as participants because they were closed and not operating. Distribution of PROPER ratings in 2018 that 20 companies got a gold rating, 155 companies got a green rating, 1454 got a blue rating, 241 got a red rating, and 2 got a black rating (Kementerian Lingkungan Hidup dan Kehutanan, 2018).

A lack of environmental disclosure (ED) also causes problems that occur related to environmental performance (EF) problems. ED explains how much a company cares about the environment. Environmental disclosure is required to provide an overview of the company based on financial statements for a certain period so that the data obtained is relevant. Disclosure of environmental, social, and

economic performance in annual or separate reports aims to reflect the level of accountability, responsibility, and transparency carried out by corporations to shareholders and stakeholders (Rahmawati & Subardjo, 2017). Environmental disclosures can be seen through the Global-Reporting-Initiative (GRI), where the GRI provides the Sustainability Report Guides. GRI is a report to provide information on corporate environmental and social responsibility, which until now has reached the 4th version or the modified G4. Sustainability reports have disclosure standards that reflect the company's overall social activities (Manisa & Defung, 2018).

This research, which analyzes annual report data and corporate sustainability reports, has an urgency to assist and support existing investors and shareholders as major investors in the company to implement disclosures for reporting activities related to the environment. Economic problems are not the only problems that concern companies in this era of globalization, but problems to the environment are

also problems that need to be considered by companies to maintain their sustainability. Many companies still ignore environmental factors as an important guide and prefer to increase profits. People still question the environmental empowerment of companies that use natural resources as the main element of their operations. It is what makes this research interesting to do, especially to see how much influence environmental factors have on financial performance

The research conducted by (Angelia & Suryaningsih, 2015) (Earnhart, 2018), (Manrique & Martí-Ballester, 2017), (Haninun et al., 2019), and (Küçükbay & Arpazlı Fazlılar, 2016) by using environmental performance variables to examine the effect on financial performance (FP) resulted in the conclusion that environmental performance (EP) has a significant effect. In contrast, research from (Meiyana & Aisyah, 2019) and (Putra, 2018) shows that EP does not significantly affect financial performance. The research conducted by (Tahu, 2019) and (Nor et al., 2016)

researched the effect of ED on FP, resulting in no significant effect on financial performance. It is not in line with research from (Sudaryanti & Riana, 2017) which shows that environmental disclosure significantly affects financial performance. Research with this theme still needs to be developed and continued.

2. Literature Review

Legitimacy Theory is used to explain the research concept. Legitimacy theory places public perception and recognition as the main driving force (Ikhsan dan Muharam, 2016). Social responsibility has a cost that must be paid, which will later sacrifice money, both from the side of consumer stockholders and company employees. The environmental performance will be in line with legitimacy theory. Therefore, in the theory of legitimacy, to gain trust from the public for the activities carried out, the company must carry out its activities following the norms and values that apply in the surrounding environment. In addition, companies that carry out

Corporate Social Responsibility and maintain the surrounding environment that can provide benefits to the community, so the company's efforts can be legitimized (Meiyana & Aisyah, 2019).

There are several performance indicators and benchmarks used by the research: AMDAL, PROPER, ISO (ie, ISO-14001) for environmental management systems, and ISO 17025 for environmental test certification from independent institutions and GRI (Global Reporting Initiative).

Disclosure of social responsibility has four themes, namely: the theme of community involvement, the theme of human resources, the theme of the environment and physical resources, and the theme of products or services. Disclosure of information in the annual financial statements to the public regarding social responsibility is a way for the company to show the company's contribution. Disclosure of social and environmental responsibilities aims to show the public the activities that have been carried out

by the company and the impact that will arise on the environment and society. Legitimacy from the community is one of the things that motivates managers to make social and environmental disclosures.

The company tries to meet stakeholders' expectations by making social-environmental disclosures to gain legitimacy—indicators of social disclosure in this study using the Global Reporting Initiative (GRI). By reporting on social and environmental responsibility activities, internal decision-making and stakeholder relationships will improve and create higher financial returns. The company gains the trust of the parties related to the company's activities

The measurement of environmental disclosure used in this research are: Global Report Initiative (GRI). The Global Report Initiative

(GRI) is a guideline to measure the extent to which each company has made environmental disclosures in the sustainability report. In the fourth generation of GRI, there are 34 items of environmental disclosure indicators. While in the GRI standard, there are 32 items of environmental disclosure indicators. This measurement comes from book literature (Gümrah *et al.*, 2019) adopted on research (Meiyana & Aisyah, 2019) that was measured by using the Environmental Disclosure Index (EDI).

3. Research Methods

The data used is the annual report of companies listed on the Indonesia Stock Exchange (IDX) for 2018 - 2020. In determining the research sample, the researcher uses a purposive sampling technique of companies in the mining sector listed on the Indonesia Stock Exchange (IDX). The samples taken were then processed with descriptive statistics to get the following results.

Table 1
Determination of Samples by Purposive Sampling

No.	Criteria	Amount
1	The mining companies that are listed on the capital market in 2018-2020	49
2	The mining companies company that was delisted in 2018-2020	(7)
3	The mining companies that do not publish complete financial statements for 2018-2020	(8)
4	The mining companies that experience a loss in 2018-2020	5
5	The mining companies that use foreign currency 2018-2020	5
Total samples per year		24
Total sample in 3 (three) years		72

Source: developed in this research (2022)

Tabel 2
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ENV PER	72	.10989	.75824	.3707267	.17855908
ENV DCL	72	.08000	.28000	.1752778	.06408560
COR SOC	72	.02000	.98000	.3798611	.20459849
FIN PER	72	.00100	.46000	.1006250	.09729807
Valid N (listwise)	72				

Source: developed in this research (2022)

Then from the data, classical assumption testing is also carried out with the following results showing no classical assumption problems found in the research data.

Tabel 3
One-Sample Kolmogorov-Smirnov Test

	Unstandardized Residual
N	72
Test Statistic	.129
Asymp. Sig. (2-tailed)	.331 ^a

Source: developed in this research (2022)

Tabel 4
Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ENV PER	.982	1.018

	ENV DCL	.996	1.004
	COR SOC	.978	1.022

Source: developed in this research (2022)

Tabel 5
Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.353 ^a	.318	.379	.093	1.217
a. Predictors: (Constant), COR SOC, ENV DCL, ENV PER					
b. Dependent Variable: FIN PER					

Source: developed in this research (2022)

Tabel 6
Heteroscedasticity Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.015	.027		.582	.563
	ENV PER	.005	.039	.015	.125	.901
	ENV DCL	.291	.108	.313	2.708	.809
	COR SOC	.001	.034	.004	.036	.971
a. Dependent Variable: Abs RES						

Source: developed in this research (2022)

The research data sample used has passed the classic assumption test, so it can be stated that the regression equation obtained has estimation accuracy, is not biased, and is consistent. Before the regression analysis, the classical assumption was tested first.

The multiple regression model used to test the hypothesis and described in the form of two regression equation models as follows.

First Model:

$$FIN_PER = \alpha + \beta_1 ENV_PER + \beta_2 ENV_DSC + e \dots\dots\dots (1)$$

Second Model:

$$FIN_PER = \alpha + \beta_1 ENV_PER + \beta_2 ENV_DSC + \beta_3 ENV_PER * SOC_DSC + \beta_4 ENV_DSC * SOC_DSC + e \dots\dots\dots (2)$$

Information:

- FIN_PER = Financial Performance
- ENV_PER = Environmental Performance
- ENV_DSC = Environmental Disclosure
- SOC_DSC = Social Disclosure
- α = Constant
- $\beta_1 \dots \beta_5$ = Regression Coefficient
- e = Error

4. Results and Discussions

4.1 Empirical Results

4.1.1 First Model - Multiple Linear Regression Test (without moderation)

Table 7
 Regression Test in First Model

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.103	.040		-.093	.926
ENV_PER	.922	.062	.077	.682	.398
ENV_DCL	.755	.172	.333	2.947	.001

a. Dependent Variable: FIN_PER

Source: developed in this research (2022)

Based on the test results in the image above, the calculation of multiple linear regression using the SPSS 25.00 program obtained the following results:
 $FIN_PER = 1,103 + 0,922 ENV_PER + 0,755 ENV_DCL + e$

4.1.2 Second Model - Multiple Linear Regression Test (without moderation)

Table 8
 Regression Test in Second Model

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.809	.096		-.060	.952
ENV_PER	.928	.173	-.220	-.836	.108
ENV_DCL	.887	.737	.568	1.973	.003
COR_SOC	1.788	.228	.823	.047	.002
ENVPER_CORSOC	.658	.299	.559	1.185	.231
ENV_DCL_CORSOC	.839	1.009	.376	.823	.017

a. Dependent Variable: FIN_PER

Source: developed in this research (2022)

Based on the test results in the image above, the calculation of multiple linear regression using the SPSS 25.00 program obtained the following results.

$$FIN_PER = 1,809 + 0,928 ENV_PER + 0,862 ENV_DCL + 1,788 COR_SOC + 0,658 ENV_PER * COR_SOC + 0,830 ENV_DCL * COR_SOC + e$$

Based on the results of statistical hypothesis testing, it can be concluded that Environmental Performance has no significant effect on Financial Performance. Environmental performance shows a regression coefficient value of 0.836 with 0.108 of the significance value where the value is greater than 0.05; therefore, the first hypothesis is rejected, so it can be concluded that Environmental Performance has no significant effect on Financial Performance. This result can be interpreted that if the value of Environmental Performance is higher, it will not be able to affect the company's Financial Performance. This research is in line with the research conducted by the research conducted (Meiyana & Aisyah, 2019; Putra, 2018), which states that environmental performance does

not have a significant effect on financial performance. Based on the results of statistical hypothesis testing, it can be concluded that Environmental Disclosure has a significant effect on Financial Performance. Environmental disclosure shows a regression coefficient value of 1.973 with a 0.003 significance value of < 0.050 . Therefore the first hypothesis is accepted, so it can be concluded that Environmental Disclosure has a significant and positive effect on Financial Performance. This result can be interpreted that if the value of Environmental Disclosure is higher, it will affect the company's Financial Performance. The results of this study are not in line with the results of research conducted by (Sudaryanti & Riana, 2017), which stated that Environmental Disclosure has a significant and positive effect on Financial Performance.

CSR, which acts as a moderating variable in this study, gives a significance value of 1.185, where this value is greater than 0.231, which means that the CSR variable as a moderating

variable cannot act as a moderating variable between Environmental Performance and Financial Performance during the new normal period. CSR, which acts as a moderating variable in this study, resulting in a significance value of 0.823 where this value is greater than 0.017, which means that the CSR variable as a moderating variable cannot act as a moderating variable between Environmental Disclosure on Financial Performance during the new normal period that has been running in Indonesia in the period from 2018 to 2020.

5. Conclusions

The study results show that Environmental Performance does not significantly influence the Financial Performance of mining companies listed on the IDX in 2018-2020. It is because social disclosure does not necessarily guarantee that companies that carry out social disclosures have good competence in utilizing the assets owned by the company. The study results show that Environmental

Disclosure significantly influences the Financial Performance of mining companies listed on the IDX in 2018-2020. It is because by carrying out Environmental Disclosure, the company applies the principle of transparency which can increase the reputation and value of the company and has an impact on the trust of consumers and the public. The results show that CSR Disclosure does not have a role as a moderating variable between the influence of Environmental Performance on Financial Performance. It is because social disclosures in companies are only considered company advertising activities, and companies will tend to disclose good activities and cover-up bad ones in the company. The results show that CSR Disclosure is a moderating variable between the influence of Environmental Disclosure on Financial Performance. It is because corporate social responsibility can strengthen their advertising activities, and companies will tend to reveal good activities and cover up bad ones.

Based on the conclusions that have been drawn from the results, the

authors provide some of following suggestions: For investors or potential investors who will invest in the company, it is better to consider the implementation and social and environmental disclosures that the company has carried out. For the community, they should be able to choose a good company by considering the company's social and environmental disclosures, one of which is by looking at the concern given by the company to the social community and the natural environment. For further researchers, (a) the researchers should use data with the latest year and more other variables; (b) using a larger number of samples in the study is highly recommended to increase the validity of more accurate results and stronger conclusions; (c) the sample population should use a population that has a wide population coverage, such as LQ45 companies to get much better research results than before.

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