

Environmental Performance and Environmental Disclosure in Mining Companies and Agricultural Companies

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Abstrak

Perusahaan dalam menjalankan operasinya tentunya memiliki dampak terhadap lingkungan. Oleh karena itu, perusahaan harus ikut serta dalam menjaga lingkungan. Tujuan dari penelitian ini adalah untuk menguji kinerja lingkungan dan pengungkapan lingkungan dalam memediasi profitabilitas terhadap nilai perusahaan. Perusahaan pertambangan dan perusahaan pertanian yang terdaftar di Bursa Efek Indonesia (BEI) tahun 2018 hingga 2020 menjadi sampel dalam penelitian ini. Pemantauan lingkungan sebagaimana diukur oleh *Global Reporting Initiative*. Program Peringkat Kinerja Perusahaan dalam Pengelolaan Lingkungan (PROPER) digunakan untuk mengukur kinerja lingkungan. Data sekunder yang digunakan dalam penelitian ini dan data yang diperoleh dari *website* resmi BEI dan dari *website* resmi perusahaan. Metode analisis data yang digunakan dalam penelitian ini adalah metode Partial Least Square (PLS) dengan menggunakan WarpPLS 8.0.

Penelitian memberikan hasil bahwa profitabilitas berpengaruh positif terhadap nilai perusahaan, pengungkapan lingkungan dan kinerja lingkungan. Hasil lainnya, pengungkapan lingkungan dan kinerja lingkungan tidak dapat memediasi pengaruh profitabilitas terhadap nilai perusahaan.

Kata Kunci: Nilai Perusahaan, Kinerja Lingkungan, Profitabilitas, Pengungkapan Lingkungan, JATAM

Abstract

Companies in carrying out their operations certainly have an impact on the environment. Therefore, companies must participate in protecting the environment. The objective of this study is to examine environmental performance and environmental disclosure in mediating profitability on firm value. Mining companies and agricultural companies listed on the

Indonesia Stock Exchange (IDX) from 2018 to 2020 are the samples in this study. Environmental monitoring as measured by the Global Reporting Initiative. The Corporate Performance Rating Program in Environmental Management (PROPER) is used to measure environmental performance. Secondary data used in this study and the data obtained from the official IDX website and from the company's official website. The data analysis method used in this study is the Partial Least Square (PLS) method using WarpPLS 8.0.

Research gives the result that profitability has a positive effect on firm value, environmental disclosure and environmental performance. Other results, environmental disclosure and environmental performance can't mediate the effect of profitability on firm value.

Keywords: Firm Value, Environmental Performance, Profitability, Environmental Disclosure, JATAM

Introduction

At the end of 2020, JATAM (Mining Advocacy Network) recorded 45 cases of mining conflicts. The cases consisted of 2 cases of termination of employment, 8 cases concerning the criminalization of residents refusing to mine, 13 cases concerning land grabbing, and 22 cases of pollution and environmental destruction. In general, the company has a goal to make a profit from the activities carried out. Along with the development of globalization and industrialization, companies in running their business must implement a triple bottom line consisting of social, environmental, and economic aspects (Widarsono and Hadiyanti 2015).

Currently, the Government of Indonesia has implemented a green economy or often referred to as a green economy which is considered as an economic transformation strategy. Green economy is an economic condition that seeks to maintain a balance between social and environmental benefits for many people (Kennet 2007). One of the supporters of the green economy in Indonesia, namely the Financial Services Authority (OJK). Wimboh Santoso as Chairman of the OJK Board of Commissioners explained that OJK will provide incentives to business actors who are committed to a green economy. Incentives

that will be provided include credit financing facilities with lower interest rates.

In responding to environmental issues, companies are required to pay more attention to aspects related to the environment. This is because the company has a great possibility to pollute the environment. Environmental problems not only attract attention from the government but also from community institutions, environmentalists, creditors, and shareholders. In order to realize sustainable economic development and improve the quality of the environment and life that benefits many parties, there are regulations contained in the Government Regulation of the Republic of Indonesia Number 47 of 2012 concerning the Social and Environmental Responsibility of Limited Liability Companies. In addition, in Law No. RI. 32 of 2009 concerning Environmental Protection and Management, companies in carrying out their operational activities are required to maintain and protect the environment. According to Habbash (2016), disclosure can be used by companies to show concern for social values and can reduce the negative impact of company activities on the environment.

In order for companies to be encouraged to improve environmental management, the Ministry of Environment (KLH) conducts a Company Performance Rating Program in Environmental Management which is often called PROPER.

According to Kelvin, Daromes, and Ng (2017), the success of a company in an effort to reduce adverse impacts on the environment can be kenneseen from its environmental performance. The establishment of PROPER can help the community to distinguish between companies with good reputation and companies with less good reputation in terms of caring for the environment (Meiyana and Aisyah 2019). Environmental performance ranking in assessing a company is measured using five colors.

Profitability is an important condition for maintaining a company to survive because profitability shows good prospects (Adeyinka and Olalekan 2013). The existence of good prospects can increase investor interest in investing in the company. Profitability provides opportunities for companies to further expand. For example, PT Semen Indonesia has the status of a multinational company which in 2012 acquired the Thang Long Cement company in Vietnam. This has resulted in the expansion of PT Semen Indonesia's target market, especially in ASEAN and South Asia. The company's performance and growth prospects can be seen from the company's value as measured by the reaction of investors to the company's stock price. A high firm value can indicate that shareholder prosperity is also high. Therefore, high corporate value is always wanted and sough by company owners. According Ayuba et al., (2019), a high company value can be a signal and guide for investors to trust and invest their money in the company.

Indonesia is still one of the major players in the international mining industry. This happens because the production of minerals such as copper, coal, tin, gold, nickel, and bauxite in Indonesia is still very active. Indonesia still relies on the mining sector to support economic growth and the mining sector can absorb labor. This statement is proven by the fact that the Covid-19 pandemic has not reduced the resistance of

the mining sector in Indonesia so that the economy in the Eastern Indonesia region remains resilient. In addition to the mining sector, Indonesia's agricultural sector has also received international attention. Syahrul, as Minister of Agriculture, emphasized that many countries have felt the impact of the Covid-19 pandemic that has attacked food security, but the food supply in Indonesia is not too affected. Coordinating Minister for Economic Affairs Airlangga Hartanto appreciated the agricultural sector because during the Covid-19 pandemic it continued to experience positive growth.

Previously, Robert (2019) had conducted research on the effect of profitability on firm value with CSR as a mediating variable. In this study, researchers used environmental disclosure and environmental performance variables as mediating variables.

The previous above underlies researchers to conduct research on the effect of profitability on environmental disclosure and environmental performance in mining companies and agricultural companies in Indonesia. Researchers also want to test the effect of environmental performance and environmental disclosure on firm value. So, the title proposed by the researcher is "The Effect of Profitability on Firm Value with Environmental Disclosure and Environmental Performance as Mediation Variables".

Theoretical Framework and Hypotheses

Theoretical Framework Legitimacy Theory

This theory provides an explanation of the corporate behavior in dealing with various demands of interest groups. This theory refers to the principle that a "social contract" exists between business and society (Branco and Rodrigues 2006). In order to obtain legitimacy from various parties, the company must pay attention to the impact of the company's operating activities.

According to Janang et al., (2020), when a company does not fulfill the wishes of the community, a legitimacy gap will arise. The existence of a legitimacy gap can lead to resistance against the company so that it will have an impact on maintaining the company's life.

One of the things that can reduce the legitimacy gap is the distribution of social benefits to the surrounding groups where the company is located. The image and legitimacy of corporate responsibility can be created by disclosing information related to the environment. According to P. Sari & Prihandini (2019), the disclosure was also made to reduce public doubts and confirm that the company cares about the environment. In order for a company to carry out operational activities in a sustainable manner, the company must comply with the norms and values that exist in society.

Stakeholder Theory

According to Vitolla et al., (2019), the basis in stakeholder theory is that the survival of a company's business depends on the success of relationships with stakeholders. Stakeholders are a group of people who can influence or be influenced in the company's operating activities. This group of people includes the community, shareholders, government, creditors and suppliers. These stakeholders are the company's reason for disclosing information in company reports.

Corporate Social Responsibility (CSR) is carried out based on stakeholder theory, so that companies can carry out their operations in a sustainable manner. (Mumtazah and Purwanto, 2020). Environmental management is carried out so that stakeholders always support the company so that it will increase the value of the company. Therefore, obtaining information and actualizing corporate social responsibility is an important thing that must be considered by companies. According to Meiyana & Aisyah (2019), the company's efforts in carrying out its responsibilities in order to control negative impacts on the environment

can be reflected in environmental performance.

Hypotheses

The Effect Of Profitability On Environmental Disclosure

One of the factors that can encourage companies to make environmental disclosures is profitability. Environmental disclosure will be better if companies that have a high level of profitability can distribute more costs to the environment. High profitability also makes companies pay more attention to environmental disclosures to reduce pressure from stakeholders (Ardi, 2020). Companies should be able to convince stakeholders that high profitability will not reduce the funds allocated to the environment.

Previous research on profitability on environmental disclosure has been carried out by Nugraha & Juliarto (2015), Putra et al., (2021), and Kurniawan (2019). The research of Putra et al., (2021) found that profitability has an effect on environmental disclosure.

H1: Profitability has a positive effect on environmental disclosure.

The Effect Of Profitability On Environmental Performance

Previous research on the effect of profitability on environmental performance has not found consistent results. Widarsono & Hadiyanti (2015), have conducted research and the results show that profitability has a positive effect on environmental performance. Palupi et al., (2014) show that profitability has a positive effect on environmental performance. The high level of profitability has become a public concern, so the company is trying to improve environmental management. However, the results of research by C. W. Sari & Ulupui, (2014) show that profitability has no effect on environmental performance.

When viewed from the economic aspect, profitability is the main goal of a company because it is an attraction for

investors. Companies that generate high profitability but are still environmentally responsible are considered good companies. When the company value is higher it can indicate that the company is getting better at managing the environment. Dewi and Yasa (2017) add that companies with high profitability will spend more costs related to environmental performance.

H2: Profitability has a positive effect on environmental performance.

The Effect Of Environmental Disclosure On Firm Value

Environmental disclosure is seen as a measure to reduce pressure from existing regulations. The company tries to make environmental disclosures so that they can get investment opportunities in the future. Servaes & Tamayo (2013) added that many companies use part of the annual report as well as the company's website for environmental activities. This explains the importance of companies including activities related to the environment. The existence of environmental disclosure from companies can attract investors to buy company shares so that the demand for company shares will also increase.

Several researchers, including Fuadah, Dewi, and Arisman (2018), Ardhiyani (2020), and Setiadi & Agustina (2020) have conducted research related to environmental disclosure and corporate value. Setiadi & Agustina (2020) explained that the more environmental information disclosed would foster stakeholder trust and have an impact on increasing company value.

H3: Environmental disclosure has a positive effect on firm value.

The Effect Of Environmental Performance On Firm Value

Environmental performance is the company's real action to fulfill its responsibility to the environment and to the parties affected by the company's activities. This is in line with stakeholder theory which

states that companies must be accountable to stakeholders. According to Hasian and Suputra (2021), before making an investment decision, investors will look at the factors that can add value to the company. Environmental performance is one of the factors that can influence investors' decisions because they show concern for the environment.

In their research, Harahap et al., (2019) gave the result that environmental performance has a positive effect on firm value. The company's environmental performance can be used to get a good image and become an added value for the company. When a company has good environmental performance, it will increase stakeholder trust which will also have an impact on increasing company value. According to Jensen (2001), in an effort to maximize corporate value, companies must not ignore stakeholder interests.

H4: Environmental performance has a positive effect on firm value.

The Effect Of Profitability On Firm Value

Profitability is a factor that can attract investors because it can illustrate that the company's financial performance is good (Dewi and Abundanti, 2020). Profitability is not only an indicator of company performance but also a factor in the creation of company value. With the company's value, investors can assess the future of the company. Furthermore, Kontesa (2015) argues that companies wish to maximize investor wealth. Therefore, the value of the company becomes vital because it describes the prosperity of investors.

According to Sutrisno (2020), the company's high profitability is expected to encourage the distribution of dividends which in turn can attract investors to buy shares. The high interest of investors in a company's shares will have a good impact on the value of the company. Several researchers including Sucuahi & Cambarihan (2016), Bukit et al., (2018), and

Dewa et al., (2014) have conducted reearch on the effect of profitability on fim value.

H5: Profitability has an effect on firm value.

The Effect Of Profitability On Firm Value With Environmental Disclosure And Environmental Performance As Mediating Variables

Environmental disclosure is considered as a way for companies to communicate to stakeholders that the company is responding to concerns about the environmental impact of the company's activities (Gatimbu and Wabwire 2016). The higher the level of profitability, the more the company has a great opportunity to invest economic resources in environmental activities and has a desire to disclose this information. Companies that make environmental disclosures are companies that are able to reduce negative impacts on the environment so that they gain a competitive advantage. One of the results of the study showing that profitability has a positive effect on firm value which has been done by Putra et al., (2021).

The research results of Utomo et al., (2020) show that environmental disclosure has an influence on company. The higher the level of environmental disclosure, the company is considered better and will have an impact on increasing the value of the company. This happens because investors receive wider information so that they will respond positively which is marked by an increase in stock prices. Companies are required to carry out activities that are beneficial to society and the environment. According to Ruroh & Latifah (2018), in order to reduce the negative impacts that occur, the company is obliged to allocate part of the profits for environmental management. One of the other efforts to reduce and prevent environmental pollution is environmental performance. The existence of environmental performance will improve the company's image and can increase investor loyalty.

H6: Environmental disclosure and environmental performance can mediate the effect of profitability on firm value.

Research Method

In this study using descriptive analysis methods and SEM (Structural Equation Modeling). While research of Robert (2019) used the Two Stage Least Square (2SLS) regression method. Data processing is done using PLS (Partial Least Square) software. The statistical testing tool in this study used a computer application program called WarpPLS version 8.0. WarpPLS displays significant values directly so that it can make it easier for researchers to find out the results of data processing directly. Quantitative data used in this study is secondary data. The data used in this study comes from annual reports obtained by researchers through the official website of the Indonesia Stock Exchange at <http://www.idx.co.id> and the websites of each company.

Mining companies and agricultural companies listed on the Indonesia Stock Exchange from 2018 to 2020 are the population in this study. Researchers chose mining companies because mining companies are one of the Indonesian economies but there are still many environmental problems related to mining. Agricultural companies were chosen because of the progress in the economy that sometimes ignores the environment. In this study, sample selection was carried out using purposive sampling technique in order to obtain a sample that was in accordance with what was needed in the study. The criteria for selecting the sample in this study are:

- 1) Mining companies and agricultural companies listed on the Indonesia Stock Exchange (IDX) since January 2018.
- 2) Mining companies and agricultural companies that publish annual reports 2018-2020 in a row.
- 3) Mining companies and agricultural companies that obtained PROPER ratings in 2018-2020.

- 4) Mining companies and agricultural companies that make environmental disclosures.

Variable Operational Definition Profitability

In measuring profitability, several measures can be used, such as Return on Equity (ROE) and Return On Assets (ROA). Profitability in this study is measured by using ROA. According to Sondank (2019), by using ROA, it can be seen how efficient a company is in managing its assets to gain profits over a certain period of time.

$$ROA = \frac{\text{Net profit}}{\text{Total assets}}$$

Environmental Disclosure

Measurement of environmental disclosure is carried out using a score that is in accordance with the disclosure criteria. The environmental CSR index guidelines issued by the Global Reporting Initiative (GRI) are used as the basis for environmental disclosure criteria. In this study, using environmental category items consisting of 34 items. In this study, a check list was carried out on items containing statements relating to environmental disclosure items.

Environmental Performance

According to Asjuwita and Agustin (2020), environmental performance is the company's participation in maintaining and protecting the environment, especially the environment in which the company operates. In this study, environmental performance is measured based on PROPER issued by the Indonesian Ministry of Environment. The PROPER program aims to encourage and enhance the company's role in managing the environment. In PROPER there are five color levels, namely black gets a score of 1, red gets a score of 2, blue gets a score of 3, green gets a score of 4, and gold gets a score of 5.

Firm Value

There are several ways to assess a company, namely Price Book Value (PBV), Price

Earning Ratio (PER) and Tobin's Q. But what is used to calculated the value of the company in this study is Tobin's Q. Tobin's ratio is considered better than other ratios because it includes all assets owned by the company and includes elements of debt and share capital. Therefore, the Tobin's Q formula is:

$$Tobin's\ Q = \frac{(\text{price per share} \times \text{number of shares}) + \text{total debt}}{\text{total assets}}$$

Research Result And Discussion

This study uses agricultural and mining companies listed on the Indonesia Stock Exchange (IDX). From the data obtained, it is known that there are 16 (sixteen) mining companies and 14 (fourteen) agricultural companies. Below is a summary of the sample used in the study based on certain criteria.

**Table 1
Research Sample**

Information	Total
Mining and agricultural companies listed on the IDX	69
Mining and agricultural companies that do not meet the sample criteria	39
Mining and agricultural companies that meet the sample criteria	30
Research sample data (3 years)	90
Outlier data	4
Amount of sample data used	86

Table 2
Descriptive Statistics

	N	Min	Max	Mean	Std. deviasi
PRO	86	-0.138	2.510	0.05845	0.276376
ED	86	0.000	0.618	0.27120	0.169617
EP	86	2	5	3.34	0.696
FV	86	0.221	7.451	1.31163	1.009029
Valid N (listwise)	86				

Source: WrapPLS 8

Table 3
Value of Goodness of Fit Model

Results	P-Value	Criteria	Information
APC = 0.296	P = 0,001	Good If P<0,05	Supported
ARS = 0.200	P = 0,013	Good If P<0,05	Supported
AVIF = 1.014		P<5	Supported

Source: WrapPLS 8

Partial Least Square analysis is used to calculate the value of the goodness of fit model, which is calculated by looking at the data from the Q-square predictive relevance. Based on these calculations, obtained Q-square predictive relevance and Average R-S-Square, to see the fit of the model, Average Path Coefficient (APC) to see the magnitude of the relationship or attachment between variables, and Average Variance Inflation Factor (AVIF) to see the magnitude of the correlation between variables, endogenous or multicollinearity. The value of the fit model in PLS which is calculated by looking at the Q-square predictive relevance is 0.54.

Figure 1
Hypothesis Testing Results

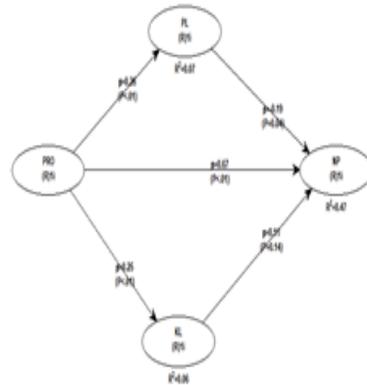


Table 4
Summary of Direct Effect Hypothesis Test Results

Hypothesis	Path Coefficient	P-value
H1	0.26	<0.01
H2	0.25	<0.01
H3	-0.19	0.04
H4	0.11	0.14
H5	0.67	<0.01

Table 5
Sixth Hypothesis Testing Results

	Direct Effect		Indirect Effect	
	Path Coefficient	P-Value	Path Coefficient	P-Value
PRO-ED	0.26	< 0.01		
ED-EP	0.19	0.04		
PRO-FV	0.67	< 0.01	-0.021	0.422
PRO-ED	0.25	< 0.01		
EP-FV	0.11	0.14		
PRO-FV	0.67	< 0.01	-0.021	0.422

The Effect Of Profitability On Environmental Disclosure

Companies that have high profitability, the available funds are also large, this makes it easier for companies to make environmental disclosures. People who live around the company expect the company to pay attention to the environment. Therefore, companies that have high profitability, which incidentally will have more funds, are more likely to meet this requirement because these companies have more resources to make environmental disclosures. This can happen because basically the company needs a lot of funds to make environmental disclosures. Detailed measurements related to the environment require a lot of costs.

The results of testing the first hypothesis in this study are supported. High profitability makes companies more flexible in making environmental disclosure. The existence of high profitability makes companies tend to convey good news so that companies can establish good relationships with stakeholders. The good news can be in the form of environmental disclosure. The results of testing the first hypothesis are in accordance with the results of research Aulia & Agustina (2015), Putra et al., (2021), and Maulana & Baroroh, (2022) which state that profitability has a positive effect on environmental disclosure.

The Effect Of Profitability On Environmental Performance

Companies that have high profitability have easy access to funds for the environment. Companies that have high profitability make management improve environmental management because companies with high profitability attract public attention (Palupi et al. 2014). High profitability is inseparable from the legitimacy of the community around the company, the company will try to improve environmental performance.

The results of testing the second hypothesis in this study are supported. This result strengthens the findings of Tanjung (2020) that profitability has a positive effect on environmental performance. Increased

profitability will improve environmental performance. Companies that have high profitability are able to make a greater contribution to environmental performance than companies with low profitability.

The Effect Of Environmental Disclosure On Firm Value

Environmental protection practices can be seen in environmental disclosures. Environmental disclosure can be used to reduce the cost of violating government regulations on the environment. Stakeholders can monitor the company's activities in meeting the triple bottom line concept through environmental disclosure. Therefore, further environmental disclosure can be used by stakeholders as consideration when making social and economic decisions (Wardani and Haryani 2019).

The results of testing the third hypothesis in this study are not supported. This happens because investors in making decisions to invest are not only focused on environmental aspects. Most investors pay more attention to the company's financial information than the environmental disclosure aspect. In general, investors in Indonesia tend to buy and sell shares in the short term without considering the long term sustainability of the company. Environmental disclosure is a long-term strategy to maintain the company's sustainability. The results of this study are consistent with studies Nur Utomo et al., (2020) and Rinsman & Prasetyo (2020) which state that environmental disclosure has a negative effect on firm value.

The Effect Of Environmental Performance On Firm Value

Environmental performance can reflect the company's concern for the environment (Budiharjo 2020). These relationships include environmental effects on resources consumed, product recovery and processing, environmental impacts and corporate compliance. Environmental performance can also provide an overview of the good and bad environmental conditions around the company. The PROPER rating is given to

companies that care about the environment and carry out activities that have a good impact on the environment (Wirawati, Dwija Putri, and Badera 2020).

The results of testing the fourth hypothesis in this study are not supported. Environmental performance can't affect the value of the company because to meet the aspects set by PROPER requires additional costs. Information regarding the company's rating in PROPER has not been able to attract investors to invest in the company. So the environmental performance has not been able to increase the value of shares which will have an impact on the value of the company. The results of this study support the research of Khanifah et al., (2020), Retno & Wahidahwati (2017) and Mareta & Fitriyah (2017).

The Effect Of Profitability On Firm Value

Profitability in financial statements is important for management which is used as a means of communicating the company's performance to stakeholders. According to Dewi & Abundanti (2020), profitability is one of the factors for companies to attract stakeholders. Profitability can be a sign that a company is better than another company. The existence of profitability can be the company's responsibility to stakeholders so that it supports the stakeholder theory used. In addition, profitability can be used to reduce information asymmetry because it increases public trust in the company (Dewa et al. 2014).

The findings of Sutrisno (2020), Hermuningsih (2014), and Shafina & Anwar (2021) which state that profitability has a positive effect on firm value supports the results of this study. The greater the profitability indicates that the return that investors will receive is greater so that investors are interested in buying shares (Mariani & Suryani, 2018). The stock price is an illustration of the value of the company, so that an increase.

Environmental Disclosure And Environmental Performance Mediate The Effect Of Profitability On Firm Value

Based on the results of the tests that have been carried out, it shows that environmental disclosure is not able to mediate the effect of profitability on firm value. This is evidenced by the fact that the direct effect of profitability on firm value is positive and significant, while the indirect effect of profitability on firm value is negative and insignificant. According to Shafina & Anwar (2021), a company is said to have good quality if it has high profitability and continues to increase. In general, investors are more interested in companies that have high profitability so that it attracts investors to invest shares in the company.

Disclosure of the environment and environmental performance is a sign of the company's participation in preserving and protecting the environment. But when companies want to make environmental disclosures and get good environmental performance, they have to incur additional costs. The existence of additional costs for carrying out environmental management activities can cause the company's profitability to decrease. This causes investor interest in shares to decrease so that the value of the company also decreases. Environmental disclosure is still voluntary, so companies prioritize mandatory disclosures. These reasons make the level of disclosure of the company's environment vary so that it cannot be used as a comparison between companies. Thus the sixth hypothesis which states that environmental disclosure and environmental performance mediate the effect of profitability on firm value is not supported.

Conclusion and Suggestions

From the analysis that has been done, the conclusion obtained is that profitability has a positive effect on firm value. However, environmental disclosure and environmental performance cannot mediate the effect of

profitability on firm value. This study has limitations that can be taken into consideration for further research, namely the number of samples of mining and agricultural companies is limited. This is because there are still many mining and agricultural companies in Indonesia that have not yet received a national PROPER rating. Given these limitations, the suggestion given is that further research is expected to increase the sample using companies other than mining and agricultural companies in order to get a more objective picture.

This research has implications for several parties, namely companies and governments. Companies should be more concerned about the environment. This is because when a company cares about the environment it will gain legitimacy from the community and can establish good relationships with stakeholders.

The existence of this research can help companies to issue policies and rules that are more stringent related to concern for the environment.

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