Factor Affecting Manufacturing Company Value on Indonesia Stock Exchange:an Environmental Disclosure View Point

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Abstract: PROPER has become a mandatory instrument for companies as a form of government oversight to those responsible for a business in the framework of compliance with laws and regulations in the field of environmental management in Indonesia. This study aims to examine the effect environmental performance disclosure, economic performance disclosure, and environmental performance toward company value. The type of research is quantitative research that uses secondary data with the objects of research are environmental performance disclosure, economic performance disclosure, environmental performance, and company value. The population in this study are 205 manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019. The sample of this study is 32 manufacturing companies using purposive sampling. The data analysis technique is Multiple Linear Regression. The results of this study indicate that environmental performance disclosur, economic performance, and environmental performance has a positive effect toward company value.

Keywords: Environmental Performance Disclosure; Economic Performance Disclosure; Environmental Performance; Company Value

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1. Introduction

1.1. Background

Entering the era of free trade, business competition among companies is getting tougher, including companies in manufacturing. In order to face increasingly fierce competition, companies need to develop an appropriate strategy and optimize the

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performance of the company to get big profits in order to maintain the existence and sustainability of the company going forward. However, there are several companies that do not pay attention to the impact on the environment in an effort to achieve their goal.

This time, PROPER has become a mandatory instrument for companies as a form of government oversight to those responsible for a business in the framework of compliance with laws and regulations in the field of environmental management.

With the development of the economy in Indonesia, the competition between companies is getting tougher. Therefore, the company will certainly disclose all necessary and relevant information in its annual report. One of them is information about the company's concern for the environment. Because additional information like that is needed to convince potential investors. The company will compete to attract investors to invest in the company. This certainly will increase the value of the company. Company value is a reflection of stock prices. Based on Ardila Isna (2017) the higher the stock price, the higher the value of the company.

Environmental disclosures explain how the company is responsible for addressing environmental issues around the company in operation. According to Sawitri (2017), companies that focus on environmental performance will enhance the company's image in the future so that it will affect the improvement of economic performance.

Economic performance disclosure reflects how companies generate profits during a period. According to Sejati and Prastiwi (2015), stakeholders can provide perceptions of the company with the transparency of economic performance. This can affect the company's investment decisions. Investors will certainly choose companies that are profitable from an economic standpoint.

According to Tjahjono (2013), the company's environmental performance is a company's performance in creating a green environment. The Ministry of Environment has also conducted a Corporate Performance Rating Program in Environmental Management (PROPER) designed to encourage companies to better manage the environment. The better the PROPER rating of a company will certainly give a good reputation to the company. This can provide added value to the company so that investors are more interested in the company

The research conducted by Sawitri (2017) and Qiu et al (2016) stating that environmental disclosure influences company value. But the research conducted by Yanti (2015) states that environmental disclosure has a negative effect on firm value. While research conducted by Iqbal et al (2013) and Lingga (2017) states that environmental performance has a positive influence on firm value. Meanwhile, research conducted by Ardilla (2017) states that this study has a negative impact on firm value.

Because there are still many differences of opinion, the researchers are interested in conducting research with the title The Effect of Environmental Performance Disclosure, Economic Performance Disclosure, and Environmental Performance toward the Manufacturing Company Value on the Indonesian Stock Exchange. Based on the explanation above, the researchers chose manufacturing companies as the object of research because manufacturing companies were directly in contact with the environment, and manufacturing companies were the most listed categories on the Indonesian Stock Exchange.

The objectives of this study are to analyze the effect of environmental performance disclosure, economic performance disclosure, and environmental performance on company value. The study is designed to test and analyze the effect environmental performance disclosure, economic performance disclosure, and environmental performance on company value. The study conducted at manufacturing companies in the Indonesia Stock Exchange (IDX) in 2015-2019.

2. Literature Review and Hypothesis Development

2.1. Literature Review

Reverte (2009) states that legitimacy theory is an idea of social contracts between companies and communities. This social contract is used to represent community expectations about how the company carries out its operational activities to suit the wishes of the community. Company activities are within the norms and regulations that exist in the community.

In addition, to be accepted by the community, the company must disclose the company’s social activities so that it will ensure the survival of the company. Companies must implement and disclose information about environmental accounting to the maximum extent possible so that company activities can be accepted by the public. According to Branco and Rodrigues (2008) this disclosure is used to legitimize company activities in the eyes of the public because disclosure of environmental accounting will show the level of compliance of a company.

Meanwhile, stakeholder theory states that a company is not an entity that only operates for its own sake, but the company must also provide benefits to stakeholders (Scoot, 2003). Therefore, the sustainability of the company is strongly influenced by the support provided by stakeholders to the company.

The success of a business from a company is also determined by the company’s management in fostering a relationship between the company and its stakeholders. Wang (2015) his research argues that management decisions must pay attention to stakeholders to increase company value. Thus, company management must also fulfill the needs and welfare of stakeholders not only to interpret the needs and welfare of shareholders

Because the company must also fulfill stakeholder needs, the company’s focus is not only based on economic motives but also social motives. This is also explained by Hadi (2014) that measuring company performance is not only based on economic recognition where managers are more reminiscent of the company’s financial performance in the form of dividends and profits but rather by paying attention to social responsibility.

Social responsibility can be interpreted as a long-term investment that can support the company’s competitive advantage. Companies need to provide information to stakeholders about the position, efforts and achievements of their social and environmental responsibilities through social and environmental disclosures. Company management, shareholders, and stakeholders are also expected to understand the disclosure of environmental information carried out by the company for decision making.

In a company’s financial statements, it is very important to provide a general description of the condition of a company for a certain period. Therefore, clear disclosure of accounting data and other relevant information is needed. Disclosure is divided into two characters, namely mandatory and voluntary disclosures. The company will disclose all information needed in the context of the functioning of the capital market. If information is not disclosed this is because the information is not relevant to investors.

Arfan (2008) states that there are four basic frameworks for preparing financial statements, namely understandability, relevance, reliability, and comparability. Therefore, information disclosed by the company to external parties must be clear and understandable so as not to cause information asymmetry between management and external parties. This is in line with the opinion of Connelly et al (2011) that the sender (management) must choose how the information is conveyed to the receiving party (stakeholders) as a signal, and the recipient must interpret the signal he receives. Thus, all company information, whether financial information or non-financial information, must be clearly disclosed. One such information is about environmental activities carried out by the company which are disclosed in the company’s annual report.

3. Research Methods

3.1. Research Design

The type of research is quantitative research that uses secondary data with the objects of research are environmental performance disclosure, economic performance disclosure, environmental performance, and company value. The population in this study are 205 manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019. The sample of this study is 32 manufacturing companies using purposive sampling. The data analysis technique is Multiple Linear Regression Analysis.

Variable

Environmental Performance Disclosure

Environmental performance disclosure is the disclosure of environmental accounting data information from the point of view of the internal function of environmental accounting itself, namely in the form of environmental accounting reports (Arfan, 2008). This variable is measured by GRI environmental content index which is number of environmental items disclosed by the company divided by number of environmental items expected.

Economic Performance Disclosure

Information about economic performance is needed by shareholders. Companies need capital from shareholders for the continuity of their company's business, while shareholders invest in the company to get investment returns (Puspitandari and Septiani, 2017). Financial report give implication to financial performance (Putri, 2019). This variable is measured by GRI economic content index which is number of economic items disclosed by the company divided by number of economic items expected.

Environmental Performance

The company's environmental performance is the company's performance in creating a good environment (Suratno, 2006). This variable is measured by PROPER rank.

Company Value

Company value is a variety of policies taken by management in an effort to increase value through increasing the prosperity of owners and shareholders reflected in the value of shares. This variable is measured by Tobin's Q Ratio.

4. Result and Discussion

4.1. Research Overview

The population in this study are all manufacturing companies listed on the Indonesia Stock Exchange during the period 2015 – 2019. Based on data obtained from the Indonesia Stock Exchange website, there are 205 manufacturing companies in 2015 – 2019. Determination of samples used in this study using a purposive sampling method as a condition that must be met to become a sample. Companies that match the sample criteria can be seen in Table 1.

Table 1. Sample Selection with Purposing Sampling

No	Criteria	Total
1	Manufacturing companies listed on Indonesia Stock Exchange during the 2015-2019 period	205
2	IPO companies in the 2016-2019 period Delisting companies during 2015-2019 period	(37)
3	Companies did not participate in PROPER during 2015-2019	(89)
6	Companies did not get the same rank in PROPER during 2015-2019	(56)
	Total sample of the research	23

Source: Processed secondary data, 2020

There are 23 samples of manufacturing companies in the Indonesia Stock Exchange that meet the criteria. The period in this study is 5 years (2015-2019), thus the number of the data in this study are 115-panel data.

Classic Assumption Test

a.Normality Test

Based on the output of the normality test data using SPSS, the asymp. sig. value (2-tailed) from the Kolmogorov-Smirnov Z test for the standardized residual variable is 0.203 greater than the value α (0.05), therefore, it indicates that the data used are normally distributed. A summary of the results of the normality test can be seen in Table 2.

Table 2. Result of Normality Test

	Unstandardized Residual
Kolmogorov-Smirnov Z	1.708
Asymp. Sig. (2 Tailed)	0.203

Source: Processed secondary data, 2020

b. Multicollinearity Test

Based on the multicollinearity test output, the VIF value of the environmental performance disclosure (X_1), economic performance disclosure (X_2), environmental performance (X_3), and total asset (X_4) are smaller than 10 respectively so that it can be concluded that there is no multicollinearity in the regression model. A summary of the results of the multicollinearity test can be seen in Table 3.

Table 3. Result of Multicollinearity Test

Variable	Colinearity Statistics	
	Tolerance	**VIF**
Enviroment performance disc	0.278	1.324
Economic performance disc	0.325	1.223
Environmental performance	0.324	1.354
Total Assets	0.221	1.546

Source: Processed secondary data, 2020

c. Heteroscedasticity Test

Based on the heteroscedasticity test output environmental performance disclosure (X_1) and total asset (X_4) variables are each greater than α (0.05). But, economic performance disclosure (X_2) and environmental performance (X_3) variables are each lower than α (0.05). Therefore, it can be concluded that there is heteroscedasticity symptoms in the regression model. According to Tabacknick & Fidell (2001), multiple linear regression models that have problems with heteroscedasticity are not fatal. The existence of these symptoms does not mean the results obtained are invalid. A summary of the results of the heteroscedasticity test can be seen in Table 4.

Table 4. Result of Heteroscedasticity Test

Variable	Sig.
Enviroment performance disc	0.323
Economic performance disc	0.119
Environmental performance	0.126
Total Assets	0.244

Source: Processed secondary data, 2020

Multiple Linear Regression Analysis

The testing of the first, second, and third hypothesis in this study is to test the significance of the effect of environmental performance disclosure (X_1), economic performance disclosure (X_2), environmental performance (X_3) on company value (Y) using multiple linear regression analysis techniques. Based on the output of multiple linear regression analysis with the SPSS for Windows software, then obtained a summary as shown in Table 5.

Table 5. Result of Multiple Linear Regression

No.	Variable	Regression Coefficient	t_{count}	Sig.
1.	Enviroment performance disc	2.123	2.223	0.021
2.	Economic performance disc	3.324	2.115	0.022
3.	Environmental performance	1.434	2.545	0.031
4.	Total Assets	2.223	1.223	0.035
Constant = 2.342				
R Square = 0.213				
Adj. R Square = 0.077				
F_{count} = 2.432				
F Sig. = 0.046				

Source: Processed secondary data, 2020

Based on the summary of multiple regression analysis in Table 5, the value of the coefficient of determination (R^2) is 0.213, which means that the environmental performance disclosure variable, economic performance disclosure, and environmental performance are only able to explain about 21.3% of the variation of the company value variable. Meanwhile, another 78,7% can be explained by other variables not examined..

Based on the summary of multiple regression analysis in Table 5, the statistical value of F is 2.432 and F sig. 0.046 which means the value of F sig. less than 0.05. So it can be concluded that overall (simultaneous) environmental performance disclosure, economic performance disclosure, and environmental performance have a significant effect on company value or it can be stated that multiple linear regression formed an appropriate model (goodness of fit).

The t-test is used to test the significance of the effect of environmental performance disclosure, economic performance disclosure, and environmental performance on the company value of manufacturing companies listed on the Indonesia Stock Exchange during 2015-2019. Based on the summary of multiple regression analysis in Table 5, the calculated t value in the environmental performance disclosure variable is 2.223, the calculated t value of the economic performance disclosure variable is 2.115, and the t value of the environmental performance variable is 2.545.

5. Hypothesis Test

Based on the summary of multiple linear regression analysis in Table 5, the value of sig. the environmental performance disclosure variable is 0.021. Sig value is smaller than the value (α) which is 0.05. The results of statistical tests show that environmental performance disclosure has a positive effect on company value. Therefore, environmental performance disclosure has a positive effect on company value.

Based on the summary of multiple linear regression analysis in Table 5, the value of sig. the economic performance disclosure variable is 0.022. Sig value is smaller than the value (α) which is 0.05. The results of statistical tests show that economic performance disclosure has a positive effect on company value. Therefore, economic performance disclosure has a positive effect on company value.

Based on the summary of multiple linear regression analysis in Table 5, the value of sig. of the environmental performance variable is 0.031. The value of sig. is greater than the value (α) which is 0.05. The results of statistical tests show that environmental performance has a positive effect on company value. Therefore, environmental performance has a positive effect on company value.

The Effect of Environmental Performance Disclosure toward Company Value

The results of the research have shown that environmental performance disclosure effect on company value on manufacturing companies listed on the Indonesia Stock Exchange. This is consistent with the signaling theory which states that information disclosed by companies to external parties must be clear and easy to understand so that it does not cause asymmetry of information. The company must choose how the information is conveyed to stakeholders as a signal, and the recipient must interpret the signal it receives. Decisions taken by company management must pay attention to stakeholders in order to increase the value of the company. In addition, the company must also meet the needs and welfare of stakeholders. So this research is in accordance with the stakeholder theory.

This study is in line with the results of research conducted by Yanti (2015) that environmental performance disclosure variables affect to company value. Because most companies listed on the Indonesia Stock Exchange in carrying out environmental information are still low and have not guided by the established standards, namely GRI (Global Reporting Index). The results of this study are also in line with research conducted by Iqbal et al (2013) showing that environmental performance disclosure has effect on company value. Because the amount of costs incurred by companies related to the environment reflects that the company's performance on the environment is not good. Thus, investors are of the view that if costs associated with environmental activities increase, it will have an impact on future cash flows and have an impact on dividends to be shared and profits derived by the company, thereby reducing the value of the company which is reflected in stock prices. This study have same findings to the research conducted by Qiu et al (2016) that environmental performance disclosure has a positive effect on company value.

The results of the research have shown that economic performance disclosure has a positive effect on company value in manufacturing companies listed on the Indonesia Stock Exchange. The causal relationship shows that higher economic performance disclosure will be followed by the high growth of company value. This research is in accordance with stakeholder theory which states that a company operates not only in the interests of the company but must provide benefits to its stakeholders. If the company can maximize the benefits received by stakeholders, satisfaction and appreciation will arise so that the value of the company will increase. The results of this study are not in line with the results of research conducted by Sejati and Prastiwi (2015) that economic performance disclosure has no effect on firm value. This indicates that the price and the number of shares of companies in circulation as well as other accounts concerned are not affected by economic performance disclosure. According to investors, companies that publish economic performance disclosure do not have better value than companies that do not publish.

The results of the research have shown that environmental performance has effect on company value on manufacturing companies listed on the Indonesia Stock Exchange. As explained in the legitimacy theory, the company has a social contract with the community in its business activities based on the values of justice, and how the company responds to various interests to legitimize the company’s actions (Ghozali & Chariri, 2007). Thus, the company must align its economic goals and environmental objectives. If a company wants to increase its company’s value, the company must be able to improve its environmental performance because the community will put their trust in the legitimacy. For investors, a company with good environmental performance does not guarantee that the company can provide benefits for investors. In addition, environmental management investors will add costs to the company. This can affect the income received by investors (Ardilla, 2017).

Companies today must also pay attention to environmental conditions for the survival of the company. Due to the company’s performance has been attached to environmental performance and causes investors not to focus too much on the company’s environmental performance so that investor decision making is not only focused on environmental performance with PROPER. The results of this study are also in line with research conducted by Lingga and Suaryana (2017) that environmental performance has a positive effect on firm value. Due to the greater environmental management efforts that were undertaken by the company, the greater the impact on the company's value.

6. Conclusion and Implication

Based on the results of this study, can be summarized as follows:

1. Environmental performance disclosure has a positive effect toward company value.

2. Economic performance disclosure has a positive effect toward company value.

3. Environmental performance has a positive effect toward company value.

The implication of the research are:

1. Theoretical Implication

The results of this study are consistent with legitimacy theory, stakeholder theory, and signaling theory, and provide an overview of the factors that can affect company value, especially in manufacturing companies in Indonesia, and add literature for future research in the field of accounting.

2. Practical Implication

a. The management of manufacturing companies listed on the Indonesia Stock Exchange is expected to follow policies related to environmental performance disclosure, economic performance disclosure, and environmental performance. These three factors can increase the disclosure and quality of annual reports in accordance with applicable regulations. So that it can get more value from potential investors for consideration.

b. For investors, this research is expected to provide information about environmental performance disclosure factors, economic performance disclosures and environmental performance as a consideration in making investment decisions.

c. For the government, it is expected to strengthen and maintain regulations relating to efforts to protect the environment from irresponsible company operations.

The limitation and suggestion of this research are the variables used in this study are limited to environmental performance disclosure, economic performance disclosure, and environmental performance. The next study is expected to add other variables that can increase company value with a long research period. In addition, for the next study, it is expected to use more samples from sectors other than manufacturing companies, so as to get a better picture of what factors can affect company value.

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