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THE FIRM CHARACTERISTICS AND ENVIRONMENTAL DISCLOSURE OF SOUTH EAST ASIAN COUNTRIES

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ABSTRACT

This study examine the influence of firm characteristics on environmental disclosures. Environmental disclosure is a disclosure of information that relating to the environment presented by the company's financial statements which includes prevention or improvement of environmental damage, and other disclosures related to the environment. The firm characteristics in this research include of profitability, company size, and leverage.

This research is quantitative research on non-financial listed companies in the year of 2017. The sampling method is purposive sampling. The final sample consist of 27 listed companies from Indonesia, 17 companies from Malaysia, and 49 companies from Singapore. Multiple regression analysis is performed to analyze the data. The result shows that firm profitability and size positively influence environmental disclosure, leverage shows insignificant relation.

KEYWORDS: ***Profitability, Company Size, Leverage, and Environmental Disclosure***

1. INTRODUCTION

Every industrial activity undertaken by companies in various countries causes a change in environmental balance. This is marked by changes in weather and climate change weather or climate change is known as global warming. In Indonesia, Malaysia and Singapore, industrial activities still need attention by the government. Because there are still many companies that have not shown concern for the environment. Hutomo (1996) in Paramitha and Rohman (2014) noted three environmental problems related to business activities. First, environmental problems, especially in big cities, are at a dangerous level. Secondly, in free trade the product is required to be environmentally friendly, forcing companies to develop comprehensive business strategies. Third, the lack of science and technology and the increasing welfare of the community have raised awareness of a clean and healthy environment.

Environmental problems are a concern for investors, the public and the government. One way as a form of corporate concern for the environment is to provide information about environmental responsibility in the annual report instrument or can be called the Environmental Disclosure. Environmental disclosure in the annual report is still voluntary causing environmental information by the company is still governed by the policies of each company (Paramitha and Rohman, 2014). Research conducted by Mecedes and Sri (2016) with the title of the study is the effect of company characteristics and foreign share ownership on environmental disclosure shows the influence between company characteristics and Foreign Stock Ownership on environmental disclosure. This research is different from previous studies. This research is focused on companies in Indonesia, Malaysia and Singapore.

2. TEORI *STAKEHOLDER*

Freeman (1984) defines stakeholders as a group or individual that can impact or be affected by the results of the company's goals. Stakeholder theory is a theory that describes which parties the company is responsible for. The company must maintain relationships with its stakeholders by accommodating the desires and needs of its stakeholders, especially stakeholders who have the power to the availability of resources used for operational activities of the company, for example labor, markets for company products and others (Chariri and Ghozali, 2007).

Environmental Disclosure

Environmental disclosure is the disclosure of information relating to the environment presented in the company's annual report. Information contained in environmental disclosures such as discussion of regulations and requirements for environmental impacts, environmental policies or corporate concern for the environment, recycling efforts, expenses incurred by companies related to environmental management, legal aspects of cases related to the environmental impacts caused by the company (Wiseman 1982).

Company Characteristics

The characteristics of companies that produce high environmental impacts demand high fulfillment of environmental responsibilities (Paramitha and Rohman, 2014). In this study the characteristics of the company are proxied into three namely profitability, company size, and leverage

Profitability

Profitability is a company indicator that is used to see the company's ability to earn profits (Paramitha and Rohman, 2014). According to Hackston and Milne (1996) in Suhardjanto (2010) states that the relationship between profitability and disclosure is a reflection that shows that a social response is needed to make a company profit. Thus disclosure of environmental responsibility is believed to be a management approach to reducing social pressure and responding to social needs. Research conducted by Suhardjanto and Miranti (2007) found evidence that profitability has a significant effect on environmental disclosure. Based on the explanation above, this research forms the following hypothesis:

Ha_1: Profitability has a significant positive effect on environmental disclosure.

Company Size

Company size is a variable that can explain how much the disclosure is in the financial statements. Company size is measured by log (total assets). Research conducted by Suhardjanto (2010) found evidence that company size has a significant effect on environmental disclosure. In line with the theory of legitimacy and stakeholders, the activities of large companies will be more visible compared to small companies so that the demands and pressures from stakeholders and the community become even greater. Based on the explanation above, this research forms the following hypothesis:

Ha_2: Company size has a significant positive effect on environmental disclosure.

Leverage

According to Syamsudin (2001: 89) leverage is the ability of companies to use assets or funds that have a fixed cost (fixed cost assets or funds) to increase the level of income (return) for company owners. The leverage ratio is proxied by Debt to Equity Ratio (DER) by comparing the amount of debt with the company's equity. Research conducted by Mecedes and Sri (2016) found evidence that leverage has an influence on the extent of corporate environmental disclosure. Based on the explanation above, this research forms the following hypothesis:

Ha_3: Leverage has a significant negative effect on environmental disclosure.

Country

Variable control is a variable that controls the relationship between the dependent variable and the independent variable. In this study the control variable used is the state. The indicator used is the number 1 if the company is an Indonesian company and the number 0 if the company is a company other than Indonesia.

3. RESEARCH METHODS

Research variable

In this study the dependent variable used is Environmental Disclosure. This variable is denoted by ED. Environmental disclosure is measured using the environmental disclosure index, the disclosure index used is the disclosure index issued by the Global Reporting Initiative (GRI) in Sustainability Reporting and in the company's annual report. Profitability is the company's ability to make a profit. Profitability is measured by comparing the company's profits with assets (ROA). leverage shows the proportion of the use of debt to finance its investment (Sartono, 2008). The leverage ratio is proxied by Debt to Equity Ratio (DER) by comparing the amount of debt with the company's equity.

Population and Sample

Determination of the company's sample using the purposive sampling method, namely the determination of samples from existing populations based on criteria. The criteria used in sampling are as follows:

1. Companies registered in Indonesia and Malaysia butsa securities other than the 2017 financial services company.
2. Companies that disclose environmental disclosure through sustainability reporting inside and outside the 2017 annual report.
3. Companies that disclose environmental disclosure through sustainability reporting using the GRI Standard 2017 period.
4. Companies that during the 2017 period had a positive ROA

This study uses descriptive statistics, classic assumption tests, multiple regression analysis, and hypothesis testing. Statistical analysis was performed using SPSS Version 23 program assistance.

4. RESULT AND DISCUSSION

Result

Penelitian ini menggunakan sampel seluruh perusahaan selain perusahaan keuangan yang terdaftar di bursa efek masing-masing negara yaitu Bursa Efek Indonesia, Bursa Efek Malaysia dan Bursa Efek Singapura selama tahun 2017. Setelah dilakukan pengambilan sampel berdasarkan kriteria yang sudah ditentukan pada bab sebelumnya didapat hasil sampel yang digunakan yaitu sebesar 93 sampel

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yang terdiri dari 27 perusahaan Indonesia, 17 perusahaan Malaysia dan 49 perusahaan Singapura. Adapun perincian dari jumlah sampel perusahaan yang menjadi sampel penelitian adalag sebagai berikut:

Table 1 Sample perusahaan

No	Keterangan	Number of companies		
		Indonesia	Malaysia	Singapura
1	Listed in stock exchange	645	887	816
2	Financial companies	(93)	(36)	(66)
3	Does not disclose *social disclosure* or *sustainability reporting* in 2017 annual report	(504)	(634)	(530)
4	Non GRI Standard disclosure	(17)	(198)	(158)
5	Non positive povitability	(4)	(2)	(13)
	Sample fit to criteria	27	17	49

Descriptive statistics are used to provide a description / description of the data seen based on the average (mean), standard deviation, maximum, minimum. Because this study uses a sample of three companies with different countries, namely Indonesia, Malaysia and Singapore, a descriptive statistical analysis was carried out based on each country. Based on the results of descriptive statistical tests it is known that the study used 27 Indonesian company data, 17 Malaysian companies and 49 Singapore companies. Environmental disclosure as the dependent variable seen in the 2017 financial report and sustainability report with the GRI Standard guidelines consisting of 44 items. Based on descriptive statistical tests the average owned by Indonesian companies amounted to 0.2879, the highest value was 0.84 and the lowest value was 0.07 and the standard deviation value was 0.15847. For Malaysian companies, the average value is 0.3623, the highest value is 0.89, the lowest value is 0.09, and the standard deviation is 0.23897. While Singapore companies have an average value of 0.1753 the highest value of 0.59 and the lowest value of 0.02 and a standard deviation value of 0.14722.

Profitability as an independent variable measured by ROA (return on assets) that can be seen in the company's 2017 financial statements, the average value owned by Indonesian companies is 0.715, the highest value is 0.37 and the lowest value is 0.00 and the standard value deviation of 0.07368. For Malaysian companies, the average value is 0.0848, the highest value is 0.29, the lowest value is 0.01, and the standard deviation is 0.07949. While Singapore companies have an average value of 0.1536 the highest value of 0.94 and the lowest value of 0.00 and a standard deviation value of 0.17982.

Company size as an independent variable measured using logs (total assets) that can be seen in the company's financial report in 2017, the average value owned by Indonesian companies is 22.7938, the highest value is 29.59 and the lowest is 14.12 and standard deviation of 3.22850. For Malaysian companies, the average value is 13.9013, the highest value is 21.55, the lowest value is 9.12, and the standard deviation is 3.13273. While Singapore companies have an average value of 19.5812, the highest value is 26.89 and the lowest value is 16.08 and the standard deviation value is 2.45673.

Leverage as an independent variable measured by DER (debt equity ratio) which can be seen in the company's 2017 financial statements, the average value of Indonesian companies is 1.3440, the highest value is 5.42 and the lowest value is 0.18 and standard deviation of 1.19354. For Malaysian companies, the average value is 0.76902, the highest value is 3.32, the lowest value is 0.00, and the standard deviation is 0.87851. While Singapore companies have an average value of 0.4231, the highest value is 3.45, the lowest value is 0.00 and the standard deviation value is 0.63640.

The coefficient of determination (R ^ 2) shows how big the role of the independent variable is in determining the dependent variable. The value of determination is getting closer to 100%, the better the determination of the regression equation. The results of the coefficient of determination of 0.183 or 18.3%, which means the independent variables are able to explain the dependent variable by 18.3% while the remaining 81.7% is influenced by other variables outside this study.

F test is performed to determine whether the independent variables simultaneously have an influence on the dependent variable. The independent variable is said to have simultaneous effect on the dependent variable if the significant value ≤ 0.05. The results of the simultaneous F test of 0,000 are smaller than the significance value of 0.05 so it can be said that simultaneously the independent variable has a significant effect on the dependent variable.

T test was conducted to determine the level of significance of each independent variable significantly influence the dependent variable. This test is performed using a significance level of 0.05, if the significant value ≤ 0.05, partially the independent variable has a significant influence on the dependent variable.

Tabel 2 Result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,825	,102		8,072	,000
	ROA	-,298	,110	-,266	-2,695	,008
	STA	-,017	,005	-,381	-3,428	,001
	LEV	,023	,041	,061	,553	,582
	COUNT	,132	,048	,327	2,738	,007

The results of testing the hypotheses in table 4.6 can be explained as follows:

1. The significance value (sig.) Of the ROA variable is 0.008, the value is ≤ 0.05 so it can be said that the profitability variable which is proxied by the ROA variable influences the environmental disclosure variable.
2. The significance value (sig.) Of the STA variable is 0.001, the value is ≤ 0.05 so it can be said that the size of the company size which is proxied by log (total assets) influences the environmental disclosure variable.
3. The significance value (sig.) Of the LEV variable is 0.582,> 0.05 so that it can be said that the leverage variable which is proxied by the DER variable has no effect on the environmental disclosure variable.
4. The significance value (sig.) Of the COUNT control variable is 0.007, the value is ≤ 0.05 so it can be said that the state control variable influences the environmental disclosure variable.

Regression analysis in this study uses multiple regression analysis. Multiple regression analysis is performed to see the effect of independent variables on the dependent variable in a study. From this table, the results of the regression equation obtained in the regression model of this study are as follows:

$$ED = 0{,}825 - 0{,}298\ ROA - 0{,}017\ STA + 0{,}023\ LEV + 0{,}132\ COUNT + e$$

The meaning of the regression model above is as follows:

1. A constant of 0.825 means that the variables ROA, STA, LEV, and COUNT are considered constant or zero, then the ED value is 0.825.
2. Regression coefficient of -0.298 shows that if ROA increases by 1%, the ED will decrease by -0.298.
3. Regression coefficient of -0.017 shows that if STA increases by 1%, the ED will decrease by -0.017.
4. Regression coefficient of 0.023 indicates that if the LEV increases by 1%, the ED will increase by 0.023.
5. Regression coefficient of 0.132 indicates that if COUNT increases by 1%, the ED will increase by 0.132.

Discussion

1. Effect of Profitability on Environmental Disclosure

The first hypothesis testing (Ha1) in this study is profitability measured using return on assets (ROA) with a significance value (Sig.) Of 0.008 smaller than 0.05, the results of B on unstandardized coeficients are negative so that it can be concluded that profitability has an effect negative to environmental disclosure. This result is in line with previous research conducted by Sari, Yuniarta, and Wahyuni (2019) which states that profitability has a negative effect on environmental disclosure. Companies with a high level of profitability believe that there is no need for environmental disclosure.

2. Effect of Company Size on Environmental Disclosure

Testing the second hypothesis of Ha2 in this study is company size. The results showed that the significance value (Sig.) Of 0.01 was smaller than 0.05, but the results of the value of B on unstandardized coefficients were negative, so it can be concluded that company size had a significant negative effect on environmental disclosure. The results of this study are in line with previous studies conducted by Purnama (2018). The larger the company, the company believes it does not need to do environmental disclosure

3. Effect of Leverage on Environmental Disclosure

Testing the third hypothesis of Ha3 in this study is leverage. The results showed that the significance value (Sig.) 0582 was greater than 0.05 so it could be concluded that leverage had no effect on

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environmental disclosure. This result is in line with previous research conducted by Purnama (2018) and Juhairiyah, Afifudin, and Junaidi (2018) which states that leverage has no effect on environmental disclosure. Companies with high levels of leverage do not necessarily increase environmental disclosure.

5. CONCLUSION

This research was conducted to determine whether profitability, company size, and leverage affect the environmental disclosure of companies listed on the Indonesia Stock Exchange, Malaysia Stock Exchange and Singapore Stock Exchange in 2017. Then each hypothesis is compiled to prove it. Based on the results of testing and discussion, it can be concluded as follows:

1. The results of testing the first hypothesis show that profitability has a significant negative effect on environmental disclosure.
2. The results of the second hypothesis testing show that the size has a significant negative effect on environmental disclosure.
3. The results of testing the third hypothesis show that leverage has no effect on environmental disclosure.

6. SUGGESTIONS

Suggestions that can be given by researchers for the next research are: Adjusted R Square value in this study is still relatively low at only 18.3%, so researchers can then add other variables related to environmental disclosure. This study uses aspects of GRI Standards, researchers can then use other aspects so that it can produce differences between aspects of standard GRI with other aspects.

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