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WHY MANAGERIAL OWNERSHIP, FIRM SIZE, DOES NOT AFFECT CORPORATE ENVIRONMENTAL DISCLOSURE AS A SOCIAL RESPONSIBILITY

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ABSTRACT

This study aims at to examine the Influence of manajerial ownership, firm size, and ROA on corporate enviromental disclosure A reviu of previous studies showed inconsistencies that are refer in diversity of results.

The samples in this study were determined by using purpose sampling method of 67 companies listed on Iondonesian Government Company Enviromental Perfomance Rating Program and The Indonesian Stock Exchange. From these samples, 42 Companies meet the criteria.The data taken from annual reports of the company over four years ranging from 2014 till 2017.

The study that is conducted consists of 168 observation. The extent of panel regression was then performed on the data to validate the impactof corporate social responsibility on the financial performance of firms.

The results revealed that there was nosignificant influence of manajerial ownership and firm size on Corporate Enviromental Disclosure , while financial perfomance as measured by ROA shows a significant influence.

KEY WORDS: *Corporate Enviromental Disclosure, Manajerial Ownership,Firm Size, ROA,*

INTRODUCTION

Standing industry in the midst of society has an impact on the life of the community itself,. Economically, the existence of industry enhances people's welfare through providing employment opportunities., Socially, the existence of industry has an impact on changes in social values.. Ecologically, the industry can change community infrastructure to cause environmental pollution.. To suppress environmental problems so as not to become more complex, the government has actually attempted to issue legal rules, Its Undang-undang Perseroan Terbatas No. 40 Pasal 74 tahun 2007. The article explains "Companies that carry out their business activities in the field of and / or related to natural resources must carry out social and environmental responsibilities".

At present the implementation of sustainable reporting in Indonesia is supported by a number of rules such as UU No. 40/2007, PP47/2012 regarding environmental management and rules issued by OJK regarding listing procedures and requirements as well as financial report standards (PSAK).

Various major accounting institutions in the world state that environmental disclosures can be reported separately or become a unity in social disclosure. But in reality, disclosure of information about the environment is less when compared to disclosures about social information (Gray, 2001). Secretary General of the Ministry of Environment and Forestry (KLHK) Bambang Hendroyono asked the company for Industrial Plantation Forests (HTI), of which 40% of their concessions were designated as protected functionsto immediately take care of the replacement area. KLHK offers a land swap scheme to the company.

Protected zones must not be cultivated in exchange for mineral land. As a substitute, KLHK provides 800,000 ha of inactive reserves of production forest and HTI concessions.

The current Corporate Environmental Disclosure is still voluntary, this led to their mutual accusations and throwing the responsibility of governments, companies and communities against environmental damage and some factors that influence in the disclosure.

Corporate Environmental Disclosure has also received a lot of criticism, not only in Indonesia even in the world. Such disclosures are considered self-serving and not thorough in reporting environmental performance. Companies must have readiness to tackle pollution in the waters, especially oil pollution and toxic hazardous chemicals, as well as other problems that occur a lot not only in the sea, in the forest, in the air, companies must make every effort to pay attention to the environment.

Research conducted by Anggraini (2006) and Tarmizi (2012) states that there is a positive influence in managerial ownership of disclosure of environmental information. However, research by Suaryana (2012) provides different results where there is no significant influence between managerial ownership and disclosure of environmental information, where "the presence or absence of managerial ownership does not affect the disclosure of environmental information.

Tarmizi (2012), large companies will disclose their responsibilities or more information than small companies. Research conducted by Robert (1992) states that firm size does not significantly influence the disclosure and reporting of environmental information, in contrast to research conducted by Patten (1991), Gray (2001), Suaryana (2012), Bowrin (2013), Diana (2014) give results that the size of the company significantly influences the disclosure and reporting of environmental information.

This study aims to reexamine how the influence of managerial ownership, company size on the level of disclosure and reporting of environmental information in the annualally environmentally sensitive company registered in PROPER in 2014-2017 and has published financial reports.

LITERATURE REVIEW

Stakeholder Theory

Stakeholders. This is important to do to help the company's analysis of interests can be grouped into several groups based on the type and extent of the group's interests in the company's actions and what attention is needed by each stakeholder.

Legitimacy Theory

Legitimacy theory states that legitimacy is an important factor for companies in order to develop the company in the future. Matters relating to business ethics, care and development of employee performance, the impact on the environment and corporate social responsibility contribute to the increase of legitimacy. Thus the company's concern for the environment which is then shown through environmental disclosures, is expected to increase legitimacy and have a good impact on the company's long term. What underlies the legitimacy theory is the "social contract" between the company and the community where the company operates and uses economic resources (Ghozali and Chariri in Diana 2014)

The Concept of Triple Bottom Line

Diana Elkington in 2014, If the company wants to survive, then it must pay attention to "3P". In addition to the pursuit of profit, the company must also pay attention and be involved in the fulfillment of public welfare and contribute actively to protecting the environment.

Corporate Environmental Disclosure as Corporate Responsibility

The desired disclosure is in the form of environmental performance information carried out by the company, covering pollution prevention, rehabilitation, reclamation and environmental conservation activities better known as environmental disclosure. Environmental disclosure is one of the voluntary disclosure that is part of the corporate social reporting.

Responsibility is an obligation that must be fulfilled. not only to provide goods and services that are good for society, but also maintain good social relationships and minimizing the environmental impact of the products being marketed. Tarmizi (2012), the company does not regard profit as the one - the only goal of the company but there are other objectives that the company's concern for the environment, because companies have a responsibility more.

Downes and Goodman (1999) managerial ownership are shareholders who also mean in this case as owners in the company of management who actively participate in decision making at a company concerned. Managerial ownership is the proportion of ordinary shares held by management (directors and commissioners) as measured by the percentage of management shares.

Diana oktafianti and Amalia Rizki (2014) conducted a study of the effect of managerial ownership, firm size, financial performance on corporate environmental disclosure as a form of social responsibility in the annual report of the results of research on managerial ownership that has a significant effect on corporate environmental disclosure.

Riana, Diah Iskandar (2017) Effect of Company size, corporate governance and capital structure on Corporate values.

Niresh (2014: 57) "firm size is the main factor to determine the profitability of a company with a concept commonly known as economies of scale". The point scale economies to the advantages of lower costs gained by large companies because it can produce products with a low price per unit.

Diana oktafianti and Amalia Rizki (2014) conducted a study of the effect of managerial ownership, firm size, financial performance on corporate environmental disclosure as a form of social responsibility in the annual report of the results of the research that firm size had a significant effect on corporate environmental disclosure. Dicko (2015) influences company size, profitability, leverage, and environmental performance on environmental disclosure, with significant results.

Muhammad R, Harnovinsah (2017) conducted a study analysis of factors - factors that affect pengukapan Corporate Social resposibility, with the results of company size significantly influence the disclosure of corporate social responsibility.

Lyndia (2017) conducted a study the effect of the financial performance and characteristics of the company on the quantity and quality of disclosure Suistainability Report, the results do not affect the size of the company's sustainability disclosure

Conceptual Framework

The thinking frame can be seen in Figure 1 below :

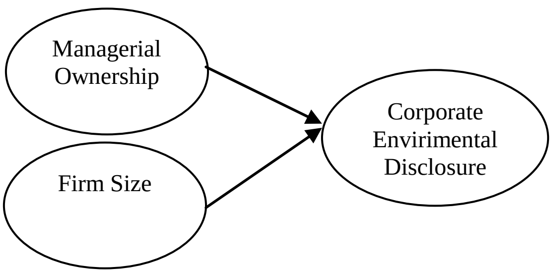

Figure 1
Conceptual Framework

Hypothesis Development

Based on the study of the theory and the results of previous studies, the researchers can decipher logically thinking, flowing from the research problem, the theory used and the relationship between variables is a reflection of the fact / phenomenon. The authors draw the research hypothesis as follows:

Ha1 :Managerial ownership has a positive effect on Corporate Environmental Disclosure

Ha2 : Firm size has positive influence on Corporate Environmental Disclosure.

RESEARCH METHODS

The sampling technique is generally done at random, using a data collection instrument of research, quantitative data analysis / statistics with the aim to test the hypothesis that has been set. The population in this study were companies listed on the Stock Exchange during the period 2014-2017 and proper participating companies. Causality research which examines the effect of independent variables namely managerial ownership, firm size on disclosure of environmental information.

Table 1. Companies that meet the population criteria, panel data regression is used for 4 periods namely 2014 to 2017 so the number of observations in this study is 168.

RESEACH DESIGN

Corporate Environmental Diclosure

Corporate Environmental Disclosure is the disclosure of the information - information relating to the environment in the company's annual report. Indicators used to measure the environmental disclosure in this study is the environmental disclosure standards on the Global Reporting Initiative (GRI). Measurement of environmental disclosure index formula described in 3.1

Environmental disclosure index = $\frac{n}{k}$ .. (3.1)

Managerial ownership

Managerial ownership indicates how big proportion of shares held by the management in a company. The managerial ownership can be seen in the financial statements issued by the company or by the calculation formula .... 3.2 (Jensen and Meckling, 1976).

Managerial ownership =

$$\frac{\text{the number of shares owned by managers}}{\text{total number of shares}} \times 100\% \quad ..(3.2)$$

Firm Size

Company size shows the size of a company that can be measured through market capitalization, total capital, total assets and total sales. In this study, company size is expressed by natural total asset logarithms owned by PROPER participating companies listed on the Indonesia Stock Exchange 2014-2017. Calculation of company size can be indicated by formula 3.3 (Yahya, 2007).

Size t = Ln (Tat) ....(3.3)

Research model

To answer the research hypothesis, we used regression analysis tool eviews version 9: fixed effect models

$CEDit = \alpha 2 + \alpha 2MO2i + ... + \alpha nDni + \beta 2X2it + ... + \beta nXnit + eit$

Before doing the regression panel, the classical assumption test is done, multicollinearity test, heteroscedasticity test (Basuki 2015: 72)

RESULTS AND DISCUSSION

RESULTS

Descriptive Statistics Analysis Descriptive statistics of research variables are summarized in Table 2. That the result show Classical Assumption Test

Multicollinearity testing by looking at the value of the variance inflation factor. a regression contains multicolourearity if the VIF is more than 10. In Table 3 The above matrix does not have a value> 0.90 so there is no multicollinearity in the model, Gozali (2013: 83)

Heteroscedasticity Test Result, The heteroscedasticity test is carried out by a linear test by regressing the absolute residual value on the independent variables (Suliyanto, 2011: 98). . Criteria in this test if the probability value (Sig.> Α (0.05)), then we can be sure the model does not contain symptoms of heteroscedasticity. The test results are significant levels of 0.143 to 0.692. shown on table 4.

Hypothesis testing

Table 5.Based on the results of the F-statistic tests that have been carried out, it is known that the probability value F < 0.05. This data shows that Ho, which states that the pooled least square (PLS) model is rejected, thus accepting H1 which states that the data regression model that is better used in research is the Fixed Effect Model (FEM).

Table 6. showed The Hausmen Test that has been done, it is known that the Chi-Square value is calculated at 0.915036. The probability value is greater than 0.05, which means H1 is rejected and H0 is accepted. The selection of the estimation model Random Effect Model (REM) in panel data regression.

But according to Damodar N. Gujarati in the Basics of Econometrics (2006) states several fundamental choices to determine. Fixed effect models with random effects, including if t (the number of time series data) is greater than n (number of unit cross sections), there will likely be a slight difference in parameter values estimated by both models, and the fixed effect model is preferred and more appropriate .The results of hypothesis testing using the FEM model regression panel technique Table 7 Results of Panel Data Regression with the FEM

Regression Equations from the results of panel data with the FEM estimation model are as follows:

CED = 0.389093 – 0.147570MO+0,005007Fsize

Table 7 shows that managerial ownership variables have a coefficient of - 0.147570 with a significance of 0.0657. At the level of significance of the 5 percent level, the significance value is greater than that which means the hypothesis is rejected.

Firm size variable has a coefficient value of 0.005007 with a significant value of 0.1549 greater than the specified significance level which means the hypothesis is rejected.

DISCUSSION

Managerial ownership does not affect corporate environmental disclosure. This means that the number of shares owned by management in a company does not affect the broad disclosure of the company to the environment. Management and companies are aware that if the company does not comply with government regulations it will have a bad effect on the company's image and also the credibility of the company. It is an obligation to conduct environmental disclosures as a form of compliance. The results of this study are in accordance with Aji Mardiayatnolo (2016), Amriza, Julaeha, Eka Setiawati (2016)

This shows that the size of the company does not affect corporate environmental disclosure. In accordance with the research conducted

This is supported by the legitimacy theory which states that large companies will not always disclose social information, much more for the influence of internal and external parties of the company. Large companies have not realized that corporate environmental disclosure is an effective policy to gain future profits.

Table and Figure

Table 1
The sampling process

No	Keterangan	Jumlah
1	opulation: Proper company registered on the Indonesia Stock Exchange 2014 -2017	62
2	The company that has just become a PROPER participant in 2014 - 2017	*(7)*
3	PROPER participating companies listed on the Stock Exchange after 1 January 2011	(8)
4	Companies that do not publish annual reports respectively - participated during the period 2014-2017	(8)
5	Companies that do not publish annual reports respectively - participated during the period 2014-2017	(1)
	Companies that meet the criteria	42

Table 2.
Descriptive Statistics of Analysis

	ED	MO	FSize
Mean	0.398259	0.673488	20.37780
Median	0.400000	0.650001	18.25500
Maximum	1.000000	0.981786	30.44000
Minimum	0.060000	0.377891	12.27000
Std. Dev.	0.200592	0.163782	4.945848
Skewness	0.937748	0.236295	0.614011
Kurtosis	3.958972	1.871110	2.146739

Source : data processing with Eviews9

Table 3.
Multicolourearity Test Results

	MO	Fsize
MO	1.000000	-0.029421
Fsize	-0.029421	1.000000

Source : data processing with Eviews9

Tabel 4.
Heteroscedasticity Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.091293	0.039605	2.305100	0.0224
MO	-0.060016	0.040625	-1.477306	0.1415
Fsize	-0.000533	0.001345	-0.396171	0.6925

Source : data processing with Eviews9

Table 5
F- Chow Test Result

Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	10.198.688	-41,12	0.0000
Cross-section Chi-square	248.892.859	41	0.0000

Source : data processing with Eviews9

Table 6.
Hausmen Test Result

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.915036	3	0.8218

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
KM	-0.147570	0.111431	0.180732	0.5424
PU	0.005007	-0.001311	0.000089	0.5029

Source : data processing with Eviews9

Table 7
Panel Regression Fixed effect Models

Dependent Variable: ED
Method: Panel Least Squares
Date: 01/31/19 Time: 03:27
Sample: 2014 2017
Periods included: 4
Cross-sections included: 42
Total panel (balanced) observations: 168

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.389093	0.383897	1.013.534	0.3128
MO	-0.147570	0.455153	-0.324222	0.0657
Fsize	0.005007	0.010722	0.466982	0.1549

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.777940	Mean dependent var	0.398259
Adjusted R-squared	0.698504	S.D. dependent var	0.200592
S.E. of regression	0.110143	Akaike info criterion	-1.350.147
Sum squared resid	1.492.161	Schwarz criterion	-0.513371
Log likelihood	1.584.123	Hannan-Quinn criter.	-1.010.542
F-statistic	9.793.276	Durbin-Watson stat	1.766.249
Prob(F-statistic)	0.000000		

Source : data processing with Eviews9

CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the results of the study with panel data regression analysis using the estimation. The conclusions of this study are :

a. Managerial ownership has no significant effect on corporate environmental disclosure, which means that the more managerial ownership increases, the lower the environmental disclosure carried. This can happen because managers are not too profit oriented but are more likely to seek personal benefits.
b. The size of the company does not have a significant effect on corporate environmental disclosure, which means that the greater the size of the company, the higher the environmental disclosure.

Suggestion

In this research, there are still some limitations and suggested :

a. For further research, to investigate all companies listed on the Stock Exchange and add years of observation. By doing a longer observation would provide an opportunity to get better results
b. For the company, it is expected that in the future it can increase the disclosure of environmental information so that the company will have a good image and image of the public. Care that the environment is a legacy for the next generation and the survival of many people.
c. For stakeholders, if you want to see the environmental performance carried out by the

company can be identified through company size (total assets).

d. Disclosure of environmental information currently still voluntary disclosure can be changed to mandatory disclosure with the adapted sector companies. The existence of a firm policy of the government will increase awareness and observance of the company in managing the environment.

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