The Effect of Environmental Performance, Political Visibility, Environmental Cost on Corporate Social Responsibility Disclosure

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ABSTRACT

The aim of this research is to analyze and obtain empirical facts regarding Environmental Performance, Political Visibility, and Environmental Costs on Corporate Social Responsibility Disclosure. The population in this study consists of annual reports and financial statements of 18 manufacturing companies in the Textile and Garment Sub-Sector listed on the Indonesia Stock Exchange from 2014 to 2018. The sampling technique used is non-probability sampling in the form of quota sampling. Therefore, the sample in this study consists of 16 companies with a total of 80 observation data. The method used is descriptive and verificative with quantitative data. The analysis techniques used in this study are descriptive analysis, classical assumption tests, panel data regression analysis, coefficient of determination, and hypothesis testing using the Eviews ver.9.0 application program. The results show that Environmental Performance partially has a significant positive effect on Corporate Social Responsibility Disclosure. Political Visibility partially has a significant positive effect on Corporate Social Responsibility Disclosure. Environmental Costs partially have a significant positive effect on Corporate Social Responsibility Disclosure.

Keywords: Environmental Performance, Political Visibility, Environmental Costs, Corporate Social Responsibility Disclosure

Introduction

The increasingly rapid business development requires companies to compete in maintaining their business, so that time companies are also competing to provide information relating to all of their company’s activities. Information is a basic need for investors and potential investors for decision making. The existence of complete and accurate information can help investors to make the right decision. Information obtained by investors from company management is in the form of financial reports and annual reports. The view in the business world where companies only aim to get the highest profit without regard to the impacts that arise in their business activities is no longer acceptable. Because the development of the business world today requires companies to increase their attention to the social environment. Companies are expected not only to prioritize the interests of management and
owners of capital (investors and creditors) but also employees, consumers, society and the environment. Environmental sustainability is highlighted by many parties due to the frequent neglect of environmental conditions by companies. The environment for the company also has an important influence not only on the company's internal environment but also externally. One form of social and environmental responsibility carried out by the company is through the disclosure of social responsibility.

The CSR (Corporate Social Responsibility) program is one of the obligations that must be carried out by companies in accordance with the contents of article 74 of Law no. 40 of 2007 concerning Limited Liability Companies, social responsibility and the environment which apply to companies that manage or have an impact on natural resources and are not limited in their contributions and are included in the financial statements. In the process of the CSR journey, he faced many problems, including: (1) CSR programs have not been well socialized in the community; (2) There are still differences of opinion between the departments of law and human rights and the department of industry regarding CSR among companies and industries. (3) The absence of clear rules in the implementation of CSR among companies. The standard used in preparing sustainability reports is the Global Reporting Initiative (GRI). The GRI standard used is the GRI-G4 standard which consists of three categories, namely economic, environmental and social covering labor practices and comfortable work, human rights, society, responsibility for products with a total of 91 performance indicators.

Based on the analysis, the implementation of social responsibility disclosure in textile and garment sub-sector companies is still of low quality and is still below the disclosure standard of 70%, the disclosure of corporate social responsibility has not been fully disclosed of the 91 items the company only discloses a few items. The company has not complied with clear laws and regulations in regulating the disclosure of corporate social responsibility in its annual report. And there are still companies that do not view corporate social responsibility programs as important to the community or the surrounding environment.

According to Firda and Setiawan (2019:4) there are several factors that influence the disclosure of corporate social responsibility including environmental performance, political visibility, environmental costs, profitability, board size. Here the variables used to explain the disclosure of corporate social responsibility are environmental performance, political visibility, and environmental costs.

The first factor that influences the disclosure of corporate social responsibility is Environmental Performance. According to Zabetha et al (2018:5) environmental performance is the company's performance in creating a good (green) environment. Environmental performance is a form of corporate social responsibility towards external parties, both for stakeholders and the surrounding community. Efforts by the government to support the implementation of environmental social responsibility by companies in Indonesia began in 2002. The Ministry of Environment launched the Corporate Environmental Performance Rating Program (PROPER) which is a program regarding the implementation of corporate environmental responsibility. According to Devita (2015:2) environmental performance measurement in PROPER is through color indicators ranging from the best, namely gold, green, blue, and red to the worst, namely black. The results of research conducted by Asmetri et al and Nurfita (2017) obtained the result that environmental performance affects the disclosure of corporate social responsibility. Agustami and Hidayat (2015) found a positive influence between environmental performance on disclosure of corporate social responsibility. Research conducted by Agung Nusema (2018) shows that environmental performance has a significant effect on social responsibility disclosure. Rudi Setiawan (2014) who also stated that environmental performance assessed through PROPER has a significant influence on...
the disclosure of corporate social responsibility. Meanwhile, according to Maharesti (2018), environmental performance does not affect the disclosure of corporate social responsibility. According to Anna et al (2017) environmental performance has no effect on disclosure of corporate social responsibility.

The second factor that influences the disclosure of corporate social responsibility is Political Visibility. Political visibility according to Subagio (2016: 5) are the costs incurred in disclosing related political aspects which are termed political visibility. These costs are external company costs such as political pressure from society, the environment, and the government from the company’s operational activities. The greater the political visibility encountered by the company, the higher the social disclosure. The results of research conducted by Firda et al (2019) found that political visibility has a significant positive effect on disclosure of corporate social responsibility. Lindorff et al (2012) stated that when companies face high political pressure, there is a tendency to disclose broader social responsibility. Rudi Setiawan (2014) who also stated that political visibility has a significant effect on the disclosure of social responsibility. Meanwhile, according to Tia and Dzaky (2013) political visibility has no effect on disclosure of corporate social responsibility. According to Ni Made (2015) political visibility has no effect on disclosure of corporate social responsibility.

The third factor that influences the disclosure of corporate social responsibility is Environmental Costs. According to Hansen (in Era 2019:5) environmental costs are the costs of the company’s social responsibility activities. Environmental costs are the monetary impact incurred by company activities that affect environmental quality. As with quality costs, environmental costs are costs incurred due to poor environmental quality that may occur. Thus environmental costs are related to prevention, detection, repair, and external failures to reduce environmental quality. The results of research conducted by Meiyana and Era Trianita (2019), Yuliana et al (2018) found that environmental costs had a significant positive effect on disclosure of social responsibility company. Meanwhile, according to Praditha (2018) environmental costs have no effect on disclosure of corporate social responsibility.

**Research Methods**

The research method used in this research is descriptive and verification method. The population in this study is the annual and financial reports of manufacturing companies in the textile and garment sub-sector listed on the Indonesia Stock Exchange for the 2014-2018 period, namely 18 companies x 5 years = 90 observational data. Where this data is obtained from secondary data sources, namely the Indonesia Stock Exchange (IDX). The samples in this study were 16 companies x 5 years = 80 observational data. Data analysis techniques for testing the hypothesis using panel data regression analysis with the initial classic assumption test, classic assumption test, model estimation test, model selection, coefficient of determination test, hypothesis testing.
Results and Discussion

Analysis Results Model Selection

Table 1. Model Random Effect

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>1.120220</td>
<td>0.131621</td>
<td>8.510966</td>
<td>0.0000</td>
</tr>
<tr>
<td>KL?</td>
<td>4.301029</td>
<td>1.739566</td>
<td>2.472472</td>
<td>0.0157</td>
</tr>
<tr>
<td>VP?</td>
<td>0.013306</td>
<td>0.004250</td>
<td>3.130793</td>
<td>0.0005</td>
</tr>
<tr>
<td>BL?</td>
<td>0.043645</td>
<td>0.037188</td>
<td>1.713640</td>
<td>0.0244</td>
</tr>
</tbody>
</table>

Random Effects (Cross)
- _ADMG—C_ = 0.166270
- _ARGO—C_ = -0.001119
- _ERTX—C_ = 0.328948
- _ESTI—C_ = -0.022397
- _HDTX—C_ = -0.323755
- _INDR—C_ = 0.293754
- _MYTX—C_ = -0.173412
- _PBRX—C_ = 0.089254
- _POLY—C_ = -0.071773
- _RICY—C_ = 0.190631
- _SRIL—C_ = 0.092407
- _SSTM—C_ = -0.453024
- _STAR—C_ = 0.084381
- _TFCO—C_ = -0.445190
- _TRIS—C_ = -0.050622
- _UNIT—C_ = 0.295648

Source: Output Eviews Version 9.0

So from the estimation results using the Random Effects model, the following equation can be obtained:

\[ Y_{CSRD} = 1.120220 + 4.301029_{KL} + 0.013306_{VP} + 0.043645_{BL} + 0.166270_{ADMG} - 0.001119_{ARGO} + 0.328948_{ERTX} - 0.022397_{ESTI} - 0.323755_{HDTX} + 0.293754_{INDR} - 0.173412_{MYTX} + 0.089254_{PBRX} - 0.071773_{POLY} + 0.190631_{RICY} + 0.092407_{SRIL} - 0.453024_{SSTM} + 0.084381_{STAR} - 0.445190_{TFCO} - 0.050622_{TRIS} + 0.295648_{UNIT} + \varepsilon \]
Based on Table 2 above, the value of the coefficient of determination (R²) indicated by the Adjusted R-squared value is 0.621236. This shows that, 62.1236% of changes in the Disclosure of Corporate Social Responsibility variable can be explained by the variables Environmental Performance, Political Visibility and Environmental Costs while the remaining 37.8764% is influenced by other variables not examined in this study which may affect Disclosure of Responsibility Corporate Social, such as profitability, institutional ownership, size of the board of commissioners and audit committee.

Hypothesis Testing

Based on the results of the t test in Table 3, then:
1. Environmental Performance Testing produces a value of t (tcount) of 2.472472. For the ttable value, look for a significance of 0.05 and degrees of freedom df = n-k or 80-3 = 77. The results obtained for the ttable are 1.66488. Because the value of tcount > ttable (2.472472 > 1.66488), then H0 is rejected and Ha is accepted, with a significance level of 0.0157 <0.05 meaning that the level of Environmental Performance has a positive and significant effect on Disclosure of Corporate Social Responsibility. (Hypothesis 1 accepted)

2. The Political Visibility Test produces a t (tcount) value of 3.130793. For the ttable value, look for a significance of 0.05 and degrees of freedom df = n-k or 80-4 = 76. The results obtained for the ttable are 1.66488. Because the value of tcount > ttable (3.130793 > 1.66488), then H0 is rejected and Ha is accepted, with a significance level of 0.0005 <0.05 meaning that the level of Political Visibility has a positive and significant effect on Disclosure of Corporate Social Responsibility. (Hypothesis 2 is accepted)

3. The Environmental Cost Test yields a t (tcount) value of 1.713640. For the value of ttable, look for a significance of 0.05 and degrees of freedom df = n-k or 80-4 = 76. The results obtained for the ttable are 1.66488. Because the value of tcount > ttable (1.713640 > 1.66488), then H0 is rejected and Ha is accepted, with a significance level of 0.0244 <0.05 meaning that the level of Environmental Costs has a positive and significant effect on Disclosure of Corporate Social Responsibility. (Hypothesis 3 is accepted)

The Effect of Environmental Performance on Disclosure of Corporate Social Responsibility
Based on the results of the t-count test (Partial Test) it says that Environmental Performance partially has a positive and significant effect on Disclosure of Corporate Social Responsibility, meaning that an increase in environmental performance will also affect the increasing number of disclosures of corporate social responsibility and is significant, meaning that this research can be generalized to all Manufacturing Companies in the Textile and Garment Sub-sector listed on the Indonesia Stock Exchange for the 2014-2018 period.

The success of a company in managing the environment will result in good environmental performance for the company. When a company has good environmental performance, the company will voluntarily disclose it in its annual report. When a company has good environmental performance and carries out high disclosure, the environmental activities carried out by the company will lead to increased trust in the eyes of investors.

Companies with good environmental performance do not only reveal the company’s concern for the environment but also regarding product quality, product safety, corporate social responsibility towards the surrounding community, to the company’s concern for the safety and welfare of its workforce. This can reflect the transparency of the company that the company is also responsible for what it does so that people will know how big the responsibility of the company is.

Environmental performance calculated through PROPER will encourage companies to always carry out improvements to the company’s environmental performance by disclosing all forms of activity regarding broader social and environmental responsibility, so that if it has been carried out in accordance with applicable regulations, the government will be given an award in accordance with the extent of disclosure, and the impact of the responsibilities implemented, and this award can have a positive impact on the sustainability of the company. In addition, companies whose environmental performance is not in the good category will be more motivated to disclose social responsibility.

This is in accordance with stakeholder theory which discusses the relationship between environmental performance and disclosure of corporate social responsibility. The better the company’s environmental performance and making a positive contribution to its environment, the greater the disclosure of corporate social responsibility disclosed by the company. Stakeholder theory encourages companies to ensure that their activities and performance are acceptable to society. Companies use their annual reports to describe the impression of environmental responsibility, so that they are accepted by society and the environmental activities carried out by companies will lead to increased trust in the eyes of investors. In addition, it is also supported by research conducted by Rifani (2020), Rafidah (2019), Hendra (2018), Kusumawati and Fauziah (2017), Zaini (2015), Tia et al (2013) and Permana (2012), which states that Environmental Performance partially has a positive effect on Disclosure of Corporate Social Responsibility.

The Effect of Political Visibility on Disclosure of Corporate Social Responsibility

Based on the results of the t-count test (Partial Test) says that Political Visibility has a positive and significant effect on Disclosure of Corporate Social Responsibility, meaning that the more political visibility encountered by companies, the more disclosure of social information and significant meaning this research can be generalized to all Manufacturing Companies in the Textile and Garment Sub-sector listed on the Indonesia Stock Exchange for the 2014-2018 period.

Political visibility when associated with the function of corporate social responsibility in a company is a way of company policy in expressing corporate social responsibility more clearly to the public. Disclosure of how the company acts is implemented on the costs incurred by the company in disclosing corporate social responsibility. Disclosure of corporate social responsibility needs to be done from the time the company was founded. This is because Corporate Social Responsibility has a long term objective function.

If a company is to survive and thrive, it must find its market and provide socially innovative products and services. In the market
development process, companies need to be encouraged through corporate social responsibility disclosure actions to the public so that product brands can become market leaders. This policy can be implemented on political visibility. In the disclosure of corporate social responsibility there are usually items or types of disclosure that require high costs, so that the cost of each item or type of disclosure becomes uneven. Therefore, the more companies spend on political visibility, it is hoped that there will be more opportunities for items or types of disclosure of corporate social responsibility in a company.

Political costs include all costs that must be borne by companies related to government regulations, government subsidies, tax rates, labor demands and so on. Thus the higher the political visibility faced by the company, the more the company will spend to disclose its social information.

This is consistent with agency theory where in agent relations there are factors that influence the disclosure of corporate social responsibility, namely political visibility. Companies that disclose corporate social responsibility have the goal of building an image for the company and getting the attention of the public. Companies require a fee in order to provide social responsibility information. The greater the political visibility encountered by the company, the higher the costs required in disclosing corporate social responsibility. This is supported by research by Elmiyati (2019), Dwi and Suardana (2019), Agusti and Subagio (2016) and Dewi (2015), Kususmadewi and Suarayana (2014) and Dzaky (2013) which reveal a positive and significant influence between political visibility on the disclosure of corporate social responsibility.

**Effect of Environmental Costs on Disclosure of Corporate Social Responsibility**

Based on the results of the t-count test (Partial Test) it says that Environmental Costs have a positive and significant effect on Disclosure of Corporate Social Responsibility, meaning that the more companies spend on social information, the more disclosure of corporate social responsibility and it is significant that this research can be generalized for all Manufacturing Companies in the Textile and Garment Sub-sector listed on the Indonesia Stock Exchange for the 2014-2018 period.

Environmental costs are costs incurred by companies related to environmental damage caused and protection carried out. Disclosure of environmental costs is a form of concern to reduce negative impacts on the environment caused by the company's operating activities. These results are used by corporate leaders to make decisions related to environmental improvement. The company's policy to care for the environment is not only to comply with environmental regulations, but also to have concern for the environment.

Environmental costs refer to the costs themselves, which are allocated as prevention efforts, countermeasures to reduce environmental impacts, such as post-disaster recovery, repair or restoration of the environment, and other activities. The company will try to present environmental information as a signal to attract investors as proof that the company is environmentally responsible.

Companies can present environmental concerns in financial reports to help create a positive response to the company in the eyes of investors. The higher the disclosure of environmental costs, the higher the company's level of concern for the negative impacts on the environment, and this will have an impact on the disclosure of corporate social responsibility.

This is in accordance with stakeholder theory, companies must be able to present environmental concerns in financial reports to help create a positive response to companies in the eyes of investors the higher the disclosure of environmental costs, it is hoped that the higher the level of environmental awareness of companies for negative impacts on the environment, and this will have an impact on disclosures related to environmental activities. The disclosure is expected to increase the positive response. Apart from that, it is also supported by the results of research conducted by Setiawan (2020), Era (2019), Yuliana et al (2018), Meiyana (2017) which state that Environmental Costs partially have a positive effect on Disclosure of Corporate Social Responsibility.
Conclusion and Suggestions

Based on the test results in the study, it can be concluded that environmental performance has a positive and significant effect on corporate social responsibility disclosure. This means that the more companies disclose Environmental Performance, the more Corporate Social Responsibility Disclosures will be disclosed by companies and vice versa. Political visibility has a positive and significant effect on the disclosure of corporate social responsibility. This means that the higher the political visibility faced by the company, the Disclosure of Corporate Social Responsibility will also increase and vice versa. Environmental costs have a positive and significant effect on the disclosure of corporate social responsibility. This means that the higher the disclosure of environmental costs, the higher the Disclosure of Corporate Social Responsibility and vice versa. Based on the results of the research and conclusions above, the suggestion is that the result of the coefficient of determination is 62.1236%, meaning that changes in the variable disclosure of corporate social responsibility can be explained by the variables of environmental performance, political visibility and environmental costs while 37.8764% is influenced by other variables not examined in this study so that future researchers can add variables that affect corporate social responsibility disclosure such as profitability, board size, institutional ownership, audit committee and other variables that can affect corporate social responsibility disclosure.

References


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