



Effect environmental performance, financial ratio, and company size on company environmental disclosures

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Abstract

This study aims to investigate the relationship between environmental performance, financial ratios and firm size with corporate environmental disclosure based on legitimacy and stakeholder theories. A total of 44 non-financial companies in the 2017-2019 period became the research sample and resulted in 86 observations after deducting outliers. Hypothesis testing is done with multiple linear regression analysis, which is preceded by the fulfilment of classical assumptions. The results showed that environmental performance and leverage have a significant positive effect on environmental disclosure as it occurs in manufacturing companies. Companies realize the importance of conducting environmental activities and informing stakeholders to obtain community legitimacy and a form of fulfilling the company's information needs to stakeholders, which is in accordance with legitimacy and stakeholder theory. Profitability, liquidity, and company size have no significant effect on environmental disclosure, which indicates a positive shift in understanding of the role of environmental performance and environmental disclosure that is no longer influenced primarily by the company's ability to generate profits and the size of the company. In addition, the results of this study answer doubt about the role of financial ratios or firm characteristics, which apparently do not cause the relationship between environmental performance and environmental disclosure to be negative.

Keywords: Environmental performance, environmental disclosure, financial ratios, firm size, non-financial firms

Introduction

Several environmental cases indicate that companies are more focused on achieving corporate profits than achieving value and fulfilling the interests of wider stakeholders. The Lapindo Brantas mud case and liquid waste disposal by PT. Pindo Delhi Pulp and Paper Mills provides a clear picture of how a short-term focus on achieving profits not only causes suffering for society, but also sacrifices the company's long-term goals. Suhardjanto (2010) ^[19] is of the view that a company that simply maximizes profits, with an orientation only to the interests of the owners of capital, can have an impact on over-exploitation of natural resources, as a result the environment and the ecosystems within it become disrupted. Yuliana, (2008) suggests that achieving high profits which is the company's expectation, should not override the social sector, namely the company's contribution to society and the environment. Environmental disclosure is one way to inform the public that the company also focuses on social and environmental aspects, as a form of corporate social responsibility.

Corporate social responsibility has become a company obligation since the issuance of Law (UU) No. 40 of 2007 concerning Limited Liability Companies. Chapter V article 74 paragraph (1) of the Law states that: "Companies that carry out their business activities in the field of and/or related to natural resources are obliged to carry out social and environmental responsibilities." Article 66 paragraph (2) of the Law also regulates annual reports which must contain reports on the implementation of Social and Environmental Responsibility. Subsequent provisions related to the Law are regulated in Government Regulation (PP) No. 47 of 2012 which requires companies, in this case limited liability companies, to provide accountability reports in the social and environmental fields and to be accounted for in the GMS. With the issuance of these laws and

regulations, it is expected to reduce social environmental cases that occur and improve the company's environmental performance.

Environmental performance in Indonesia is measured by the PROPER rating, which is a public disclosure program for environmental compliance (Public Disclosure Program for Environmental Compliance), which is a Company Performance Rating Assessment Program in Environmental Management. This program was launched by the government through the Ministry of Environment and Forestry (KLHK) to improve environmental quality and management. The importance of improving the quality of the environment and its information for stakeholders must be part of a company's strategy that provides benefits for both parties, namely the company and the environment in which the company operates. Therefore, environmental performance must be informed to stakeholders through disclosure, especially in the annual report as mandated in the Company Law.

Many researches have been done on corporate environmental performance and disclosure. According to Clarkson et al. (2008) ^[7] companies will disclose environmental information when they have performed environmental performance with good results. This means that good environmental performance will encourage companies to make environmental disclosures. Research that focuses on PROPER ratings as a measure of environmental performance in Indonesia is still inconsistent. Julianto & Sjarief (2016) ^[13], Afifah & Rosdiana (2018) ^[2], Adriana & Dewi (2019) ^[1], and Armansyah (2018) ^[5] found a positive relationship between environmental performance as a proxy for PROPER ratings and environmental disclosures. On the other hand, Akmalia (2017) ^[4] documents different results, namely that there is no relationship between environmental performance and

environmental disclosure. This difference in results is thought to be due to differences in research objects, for example, Julianto & Sjarief (2016)^[13], Afifah & Rosdiana (2018)^[2] use manufacturing companies, which have many sub-sectors, while Akmalia (2017)^[4] specifically uses mining companies. These results are also different from Portella & Borba (2020)^[16] with research objects of companies in Brazil and the United States (US), which found environmental performance to be negatively related to environmental disclosure. According to them, the negative relationship might be contaminated by firm characteristics that were not considered in their model.

Based on this analysis, this research follows up on previous research by using non-financial company objects whose results are expected to lead to a positive relationship such as in manufacturing companies. In addition, this study also includes company characteristic variables as suggested by Portella & Borba (2020)^[16] in the form of financial ratios, namely profitability, leverage, liquidity and company size. This research will provide a contribution regarding the relationship between environmental performance and environmental disclosure in non-financial companies and provide answers about whether the company characteristics as suspected in Portella & Borba (2020)^[16] research cause a negative relationship between performance and environmental disclosure.

Theoretical Framework and Hypothesis Development

This study uses two theories, that is legitimacy theory and stakeholder theory. Legitimacy theory is a social contract between an organization or company and the society in which it operates (Deegan & Unerman, 2011)^[9]. If a company wants to succeed in its operations, then it must act within the limits and norms that society calls socially responsible behaviour (O'Donovan, 2002)^[15]. The company must be able to give confidence to the community that its activities and performance are in line with the expectations of the community. Environmental disclosure as a manifestation of corporate social responsibility is a tool to gain legitimacy from society. Extensive environmental disclosure will inform the public as stakeholders that the company operates within the boundaries or norms that apply in society. Thus, it is hoped that the company can convince the community that all of its activities or operations are always within the applicable rules where the company operates so that all of their activities can be accepted by the community (Deegan, 2002)^[8].

Stakeholder theory is an idea that explains the responsibility of a company to its stakeholders (Freeman & McVea, 2001)^[11]. The importance of stakeholders can be seen from the ethics branch, which describes that all stakeholders have the right to know about the social and environmental implications of organizational operations at any time (Deegan, 2013). Meeting the company's information needs to stakeholders is a manifestation of corporate responsibility. With social and environmental disclosures in the annual report, it can illustrate the image of the company's environmental responsibility and reduce the effects of events that are considered unfavourable, which can damage the company's image. Corporate image is very important for companies to gain ongoing support for the development of the company.

1. Effect of Environmental Performance on Environmental Disclosure

Environmental performance is an act of corporate responsibility to create a good corporate environment, by trying to maintain natural resources for future generations (Akmalia, 2017)^[4]. This performance is shown by the PROPER rating from the Ministry of Environment (KLHK). The higher the PROPER rating, the better the environmental performance. From the perspective of stakeholder theory, the effort to obtain the highest PROPER rating is a form of corporate social responsibility towards its stakeholders (Moid, 2017; Freeman & McVea (2001)^[11]). This effort is made to balance the interests of investors and creditors as the main stakeholders and to meet the interests of other stakeholders. In the perspective of legitimacy, these efforts are ended to give confidence to the public that their activities and performance are in accordance with the expectations of the community. Shonhadji (2018) states that good corporate environmental performance has an incentive to disclose the achievements to the public. Research conducted by Julianto & Sjarief (2016)^[13] and Ahmadi & Bouri (2017)^[3] documents that environmental performance as measured using PROPER has a positive effect on environmental disclosure. Based on the theory and empirical evidence that has been described, the first hypothesis is formulated as follows:

H1: Environmental performance has a positive effect on environmental disclosure

2. Effect of Profitability on Environmental Disclosure

Profitability is a measure used to determine a company's ability to generate profits or profits. Profitability is also an important factor that makes management accountable to stakeholders Shonhadji (2018). Profitability gives trust to companies to express social responsibility. The higher the level of probability, the company will be more motivated to disclose environmental disclosures to gain legitimacy and positive value from stakeholders, because companies have more resources (Hasporo & Sulistyarini, 2019)^[12]. Companies that have high profitability will have the ability to carry out more environmental activities and therefore environmental disclosure will also be high (Qiu et al., 2014)^[17]. 2014). Verrechia, (1983) also argues that companies with good performance have incentives to be more proactive in dealing with emerging environmental impacts. Research conducted by Armansyah (2018)^[5] found that profitability as measured using return on assets (ROA) has a positive effect on environmental disclosure. Hasporo & Sulistyarini (2019)^[12] also documented a positive relationship between profitability and CSR. Therefore, the formulation of the second hypothesis is as follows:

H2: Profitability has a positive effect on environmental disclosure

3. Effect of Liquidity on Environmental Disclosure

Liquidity is an indicator for measuring a company's financial performance that shows the company's ability to pay off the company's short-term obligations. According to Armansyah (2018)^[5], high liquidity indicates that the company has a good financial condition because it can fulfil its short-term or liquid obligations. Good liquidity indicates good financial capability, so that financially it can carry out environmental activities and disclose it to stakeholders to gain their legitimacy (Armansyah, 2018)^[5]. Research

conducted by Nasution (2018) [14] states that liquidity as measured using the current ratio has a positive effect on CSR. Liquidity also has a positive effect on environmental performance (Hasporo & Sulistyarini, 2019) [12]. Based on this explanation, the third hypothesis is formulated as follows:

H3: Liquidity has a positive effect on environmental disclosure

4. Effect of Leverage on Environmental Disclosure

Leverage is the amount of assets charged against the company's debt. Leverage informs the ratio that compares the number of assets owned by shareholders to assets financed by creditors. Companies that have high leverage try to provide guarantees and increase the confidence of key stakeholders, namely investors and creditors, by conducting detailed environmental disclosures (Wilangga et al., 2020) [22]. Leverage as measured by the debt to assets ratio (DAR) has a positive relationship with environmental disclosure, the higher the level of corporate leverage, the more detailed the company's environmental disclosures (Armansyah, 2018 [5]; Chiu et al., 2020 [6]; and Wilangga et al., 2020) [22]. This explanation produces the following hypothesis formulation:

H4: Leverage has a positive effect on environmental disclosure

5. Effect of Company Size on Environmental Disclosure

Company size is the determination of the size of a company. Determining the size of the company can be seen from the number of employees, total assets, and sales volume (Van de Burgwal & Vieira, 2014) [14]. The greater the total assets and sales, the greater the size of a company. The bigger the assets, the bigger the invested capital, the more sales, the more money circulation in the company (Lumbantobing,

2016). Companies that are categorized as large companies are more likely to be under public scrutiny and are expected to have a higher tendency towards environmental disclosure (Akmalia, 2017) [4]. Large companies have the potential to make good environmental disclosures, because environmental disclosures require significant resources (Julianto & Sjarief, 2016) [13]. Large companies are usually identified with the ownership of large resources as well. In the perspective of legitimacy theory, large companies have more ability to use environmental disclosure as an effort to gain legitimacy from society. So, with a large company size, the company has the potential to make broader environmental disclosures. Chiu et al. (2020) [6], Adriana & Dewi (2019) [1], Diantimala & Amril (2018) [10] dan Akmalia (2017) [4] prove that there is an influence between company size; as measured by the measurement of the natural logarithm of total assets; with environmental disclosure. Based on this explanation, the fifth hypothesis is as follows:

H5: Company size has a positive effect on environmental disclosure

Research Method

This type of research is quantitative research in the form of hypothesis testing, using secondary data, taken from the Bloomberg database from 2017 to 2019. The research model links five independent variables (environmental performance, profitability, liquidity, leverage, and company size) with one dependent variable (environmental disclosure). Table 1 presents the research variables, their definitions, and measurements. Hypothesis testing was carried out by multiple linear regression analysis preceded by the classical assumption test.

Table 1: Variables and Operational Definitions

Dependent Variable		
Variable's name	Definition	Measurement
Environmental Disclosure	Environmental disclosure is the provision of information about the company's environment that is practiced by companies to express environmental conditions of the company.	Comparison between the company's ESG score in the Bloomberg Data base and the environmental category disclosure items as many as 51 items multiplied by 100%
Independent Variable		
Environmental Performance	Act of corporate responsibility to create a good corporate environment, by trying to preserve natural resources for future generations (Akmalia, 2017) [4]	PROPER rating - Gold (score 5) Excellent - Green (score 4) Very good - Blue (score 3) Good - Red (score 2) Very bad - Black (score 1) Worst Measurement is done by comparing the company's score with the maximum score multiplied by 100%
Profitability	A potential owned by the company in generating company profits The ratio between net profit after tax and total assets	$ROA = \frac{\text{Earning after tax}}{\text{Total Assets}} \times 100\%$
Liquidity	The company's potential to pay off short-term liabilities	$CR = \frac{\text{Current assets}}{\text{Current liabilities}} \times 100\%$
Leverage	Most of the company's assets are funded by debt	$DAR = \frac{\text{Total Liabilities}}{\text{Total Assets}} \times 100\%$
Size	Parameters used in measuring the size of the company	Ln Total Assets

The research population is non-financial companies participating in the PROPER program and listed on the Indonesia Stock Exchange (IDX). Non-financial companies are the focus of research because their operations are

directly related to the utilization of natural resources, so they have a high risk of environmental damage. Based on the purposive sampling conducted, 86 sample companies were produced, as shown in Table 2.

Table 2: Sampling Process

Sample Criteria	
Non-financial companies listed on the IDX for the 2017-2019 period	613
Companies that do not disclose ESG score data in the environmental category at the Bloomberg terminal for the 2017-2019 period	(543)
Non-financial companies that do not have complete data	(26)
Total up to non-financial companies that can be used	44
Total observations for the 2017-2019 period	132
Outlier data (2017-2019)	46
The total observations after the outliers are removed	86

Results

1. Descriptive Statistical Analysis

Table 3 presents descriptive statistics for all research variables. Environmental disclosure proxied by the environmental score on the ESG score shows a low level of disclosure because the maximum disclosure score is still at 55.040 with an average value of 19.7912, far below 100. Environmental performance is one of the independent variables having a minimum value of 0.60 and a maximum value of 0.80. Environmental performance has an average of 0.6372, slightly above the minimum value. This data is still not encouraging because there are no companies that have a rating of 5 with a gold label. The maximum value is still at

0.80 or the maximum environmental performance of non-financial companies which are the object of this research has a rating of 4 with a green label. The average profitability value of 4.1189 is quite low, which is between a negative minimum value of -4.390 and a maximum of 12.550. Liquidity has an average value of 1.6329, with a minimum value of 0.27 and a maximum value of 3.14. Leverage has an average value of 26.6324. Firm size has an average value of 28.2235 which is quite high, because this figure is close to the maximum value of 28.2235. Overall, the distribution of data for all variables is quite good, as indicated by the standard deviation values for all variables below the mean.

Table 3: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std Deviation Statistic
Environmental disclosure	86	1.550	55.040	19.7912	13.9095
Environmental performance	86	0.600	0.800	0.6372	0.0783
Profitability	86	-4.390	12.550	4.1189	3.6461
Liquidity	86	0.270	3.140	1.6329	0.5933
Leverage	86	0.420	57.700	26.6324	14.1771
Size	86	19.290	33.490	28.2235	4.3275

Table 4 shows that the classical assumption test is a prerequisite for multiple regression analysis. The results of the classic assumption test for normality are shown by the KS value of 0.091, which is significant at an alpha value of 0.075. The Chi-square value is 10.992 which is smaller than the Chi-square table, which is 18.3070 indicating no symptoms of heteroscedasticity. The results of the autocorrelation test are shown by the Z value on the Run Test with a negative coefficient of 0.434, not significant (alpha 0.664).

The goodness of fit model is shown from two indicators. First, the adjusted R-square value is 15.1%, the result is quite small, but the goodness of fit model is fulfilled by the second indicator, namely the value of the F test result of 4.032 with a significance level below 0.05. Therefore, the results of the regression test deserve to be interpreted. Table 4 also shows the results of the hypothesis test (t test). The results and discussion of the t test are explained in the next section.

Table 4: Results of Multiple Regression Analysis

Model	Collinearity Statistics		Standardized Coefficients	t	Sig.
	Tolerance	VIF	Beta		
(Constant)				-1.342	0.183
1 Environmental disclosure	0.973	1.028	0.205	2.019	0.047
Environmental performance	0.769	1.300	-0.047	-0.414	0.680
Profitability	0.830	1.204	-0.108	-0.982	0.329
Liquidity	0.830	1.205	0.311	2.838	0.006
Leverage	0.886	1.128	0.166	1.561	0.122
	Coeff	Sig.			
R-Square (Adj. R-Square)	0.201	0.151			
F	4.032	0.003			
Z (run Test)	-0.434	0.664			
Kolmogorov-Smirnov (KS)	0.091	0.075			
Chi-square value	10.992				
Chi-square table	18.3070				

2. Discussion

2.1 The Effect of Environmental Performance on Corporate Environmental Disclosures

Testing the first hypothesis shows that environmental performance has a significant positive effect on environmental disclosure as hypothesized, as indicated by the positive variable coefficient of 0.205 with a significance level of 0.047, significant at alpha below 0.05 (see Table 4). This means that the better the PROPER rating as a measure of environmental performance encourages companies to make broader disclosures. Julianto & Sjarief (2016)^[13] states that corporate environmental disclosure reflects the company's performance in managing its environment. Good corporate environmental performance will produce good quality environmental disclosures as well. Armansyah (2018)^[5] states that a measurable measurement of a company's environmental performance comes from the environmental management system implemented by the company.

These results indicate that companies understand the importance of environmental information for stakeholders. These results support the stakeholder theory that companies in operation must be able to balance the interests of stakeholders, not only investors and creditors as providers of funds, but also other stakeholders with an interest in social and environmental issues. In addition, the company is also indicated to realize that environmental disclosure has a strategic function, namely to gain legitimacy from the community in which the company operates. This finding reinforces the legitimacy theory, which states that environmental disclosure is important for companies to meet the social expectations of their stakeholders.

The results of this study support the results of research conducted by Afifah & Rosdiana (2018)^[2], Ardi & Yulianto (2020), Armansyah (2018)^[5], Julianto & Sjarief (2016)^[13] and Ahmadi & Bouri (2017)^[3]. On the other hand, these results are different from the findings of Portella & Borba (2020)^[16] who found evidence to the contrary, that is, environmental performance has a negative effect on corporate environmental disclosures. The results are also different from the findings that document high environmental performance cannot affect corporate environmental disclosures.

2.2 The Effect of Profitability on Corporate Environmental Disclosures

Testing the second hypothesis shows that there is no effect of profitability on corporate environmental disclosure, unlike that hypothesized with a negative coefficient of 0.047 with a significance level of 0.680, significant at alpha above 0.1. Environmental disclosure is not affected by the size of the company's profit. These results do not support stakeholder theory, nor legitimacy. Companies do not disclose the environment to fulfil the interests of stakeholders or to gain community legitimacy, but it is possible because it simply complies with regulations. This can be seen from the low level of environmental disclosure. Statistical data also shows a small average profit and there are companies that have negative profits. Maybe this is one explanation why this result is not as expected. Another explanation is the possibility that environmental disclosures are made to comply with the provisions of the applicable laws or regulations. As mandated in several laws, for example the Limited Liability Company Law (UUPT) No.

40 of 2007 article 66, that every company must submit an annual report which contains the implementation of corporate social responsibility and the environment. So profitability is not a factor that causes companies to carry out environmental disclosures. Julianto & Sjarief (2016)^[13] provide an argument that expenses for carrying out environmental activities are based on a predetermined budget by the company, not based on the size of the company's profitability.

These results support the findings from Julianto & Sjarief (2016)^[13], Shonhadji, (2018), and Verawaty et al. (2020)^[21] but not in line with the findings of Ahmadi & Bouri (2017)^[3], Chiu et al. (2020)^[6] and Armansyah (2018)^[5] who found a positive relationship between profitability and corporate environmental disclosure. Even though the findings have a negative direction as in the research of Diantimala & Amril (2018)^[10] and Ardi & Yulianto (2020), they are different because in this study the effect was not significant.

2.3 The Effect of Liquidity on Corporate Environmental Disclosures

The effect of liquidity on corporate environmental disclosure is not proven to have a positive relationship, contrary to hypothesis 3. In Table 4 the negative liquidity coefficient is 0.108 with a significance level of 0.329 above an alpha of 0.1. The insignificant relationship may be due to the low average company liquidity. The negative direction indicates that there is a trade-off between the need to fulfil short-term debt and the fulfilment of environmental activities. The liquidity ratio does not mean having excess resources to fulfil other activities. The concept of cash management, liquidity is a priority whose amount has been budgeted, so it does not always reflect excess resources.

Liquidity as well as profitability is not the variable that determines environmental disclosure. Meeting the information needs of stakeholders and efforts to gain legitimacy are not based on this ratio. Therefore, the results of this study do not support stakeholder theory or legitimacy. This finding is in accordance with the results of research by Hasporo & Sulistyarini (2019)^[12], Sekarwigati & Effendi (2019)^[18], and Verawaty et al. (2020)^[21] They document that liquidity has no effect on environmental disclosures. This finding is not in line with the research by Nasution (2018)^[14], who found a positive relationship between liquidity and CSR. Environmental disclosure may not be identified with CSR, so the results are different.

2.4 Effect of Leverage on Corporate Environmental Disclosures

The results of the fourth hypothesis indicate that leverage has a positive relationship with environmental disclosure, as hypothesized, with a coefficient of 0.311 at a significance level of 0.0006. From the perspective of legitimacy theory, environmental disclosure can be used as a tool to communicate a company's commitment to the environment, which leads to a sustainable business that creditors expect. According to Armansyah (2018)^[5]. Companies that have a lot of debt will provide environmental disclosure information because environmental activities are valued by stakeholders as part of the company's performance. In addition, the company conveys to stakeholders that the company is committed to balancing various interests as mandated by law. In line with stakeholder theory which states that meeting the company's information needs of

stakeholders will give confidence about the company's potential (Armansyah, 2018) ^[5]

These results indicate at least two positive things. First, creditors may have a positive attitude towards companies that pay attention to the environment, so the focus on the environment may be one of the considerations in deciding to extend credit to debtors. Second, creditors and debtors (companies) are in the same line of interest in terms of commitment to the environment. This study supports the findings, Armansyah (2018) ^[5], Baalouch et al. (2019), Chiu et al. (2020) ^[6], but contradicts the research of Ardi & Yulianto (2020), Diantimala & Amril (2018) ^[10], Nasution (2018) ^[14].

2.5 The Effect of Company Size on Corporate Environmental Disclosures

The last or fifth hypothesis is not supported by the data. The results of the analysis show that company size does not affect environmental disclosure with a positive coefficient of 0.166 at a significance level of 0.122. Statistical data shows that the average company that is the sample has assets; as a proxy for company size; tall one. On the other hand, average environmental disclosure tends to be low. It is possible that the sample size in this study is not varied enough, because on average non-manufacturing companies have large enough assets, so that the relationship with environmental disclosure is not significant.

From the perspective of legitimacy theory, environmental disclosure for large companies may not be a tool to gain community legitimacy. Schipper (1991) states that from the perspective of legitimacy theory, large companies must be able to meet the social expectations of their stakeholders. Stakeholder expectations may not be on the fulfilment of environmental information. There is a high probability that the company itself will attract investors to invest, so they do not focus on environmental information as a basis for decision making. From the perspective of stakeholder theory, these results also do not support the theory. Fulfilment of stakeholder interests in the form of information may be provided by companies with a level of disclosure that may be similar.

This hypothesis is not supported in line with the results of research by Diantimala & Amril (2018) ^[10] and Verawaty et al. (2020) ^[21]. Verawaty et al. (2020) ^[21] argued that large companies do not necessarily carry out environmental management activities optimally, because companies consider stakeholders to pay less attention to the company's environmental conditions and focus more on company operations. On the other hand, the results of this study differ from the findings of Adriana & Dewi (2019) ^[1], Akmalia (2017) ^[4], Julianto & Sjarief (2016) ^[13] Nasution (2018) ^[14]. They document a positive influence of company size on environmental disclosure.

Conclusion

This study aims to investigate the relationship between environmental performance, financial ratios and company size with corporate environmental disclosures based on legitimacy and stakeholder theory. The results of the study show that environmental performance and leverage have a significant positive effect on environmental disclosure, as is the case in manufacturing companies. The company realizes the importance of carrying out environmental activities and informing stakeholders in order to gain community

legitimacy and a form of fulfilling the company's information needs to stakeholders, which is in accordance with legitimacy theory and stakeholders. Profitability, liquidity, and company size do not have a significant effect on environmental disclosure, which indicates a shift in understanding in a positive direction about the role of environmental performance and environmental disclosure which is no longer influenced mainly by the company's ability to generate profits and the size of the company. In addition, the results of this study answer doubt about the role of financial ratios or company characteristics, which apparently do not cause a negative relationship between environmental performance and environmental disclosure. The implication of this research is that efforts are still needed for policy makers to encourage companies to disclose ESG, which is a score that represents the level of corporate transparency.

The small number of samples in this study is a limitation that may affect the results. Only 11 percent of the population is eligible to be sampled because as many as 89% of companies in the 2017-2019 period did not disclose environmental scores. In addition, among the five independent variables, only two variables influence environmental disclosure, so the value of the adjusted R square is very small, namely only 15%. This opens opportunities for future research by adding other variables, such as the role of the board of commissioners, the role of stakeholders in encouraging companies to make environmental disclosures. In addition, to increase the number of observations, research can be conducted using unbalanced data panels.

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