Available online at www.sciencedirect.com

ScienceDirect

Procedia - Social and Behavioral Sciences 211 (2015) 348 – 355

Procedia
Social and Behavioral Sciences

2nd Global Conference on Business and Social Science-2015, GCBSS-2015, 17-18 September 2015, Bali, Indonesia

The Effect of Environmental Performance And Corporate Social Responsibility Disclosure Towards Financial Performance (Case Study to Manufacture, Infrastructure, And Service Companies That Listed At Indonesia Stock Exchange)

Dessy Angelia[a], Rosita Suryaningsih[b]*

[a] *Universitas Multimedia Nusantara, Scientia Garden, Jl Boulevard Gading Serpong, 15811, Tangerang, Indonesia,*
[b] *Faculty, Universitas Multimedia Nusantara, Scientia Garden, Jl Boulevard Gading Serpong, 15811, Tangerang, Indonesia,*

Abstract

The objective of this research was to examine the effect of environmental performance and CSR disclosure towards financial performance. The object in this research was companies that take part in PROPER and were listed at Indonesia Stock Exchange (IDX). In total, there were 17 companies that fulfill the requirements.
The results of this research were environmental performance had significant effect on both ROA and ROE for gold ratings. CSR disclosure had significant effect on ROE, but had no effect on ROA. Environmental performance and Corporate Social Responsibility (CSR) disclosure simultaneously had significant effect on ROA and ROE.

Peer-review under responsibility of the Organizing Committee of the 2nd GCBSS-2015

Keywords: Environmental Performance; CSR Disclosure; Financial Performance; Return on Asset; Return on Equity.

1. Introduction

A company is a form of organization where the operations and all the factors that support operational activities gathered. The company’s goal to make profit must be supported with sufficient funds to run company’s operational

* Corresponding author. Tel.: 08111098639, Fax: (021) 54220800,
E-mail address: rosita@umn.ac.id

Peer-review under responsibility of the Organizing Committee of the 2nd GCBSS-2015
doi:10.1016/j.sbspro.2015.11.045

activities. For go-public companies, one of the many ways to obtain funds is to trade its shares on Stock Exchange. Increasing competition in the business world push companies, especially go-public companies, to further demonstrate their competitive advantages that the investors are interested to invest in these companies. Financial statements are the source of company's financial performance measurement. The type of financial statement analysis that will be used in this research is the analysis of financial ratio which is proxied by Return on Assets (ROA) and Return on Equity (ROE).

Wisner, et.al. (2009) defines ROA as financial ratio of the company's net profit in relation to total assets of the company. Sugiono (2009) stated that the ROE is the ratio that measures rate of return of business over the whole existing capital.

Given the importance of financial performance to company, this research described the factors that have an impact to financial performance and emphasis in non-monetary factors which is environmental performance and corporate social responsibility (CSR). Environmental performance is the work done by company in creating a good or green environment. Environment performance can be measured using the PROPER (Program Penilaian Peringkat Kinerja Perusahaan dalam Pengelolaan Lingkungan Hidup) which produce rank that represent by colours: gold, green, blue, red, and black. Companies rated gold in Environmental Performance is the companies that showed Environmental Excellency. Companies that rated gold color of Environmental Performance will gain a higher appreciation of the community. Increasing in public appreciation and loyalty bring an increase in sales of the product and/or service produced by the company. From the other side, the company received a gold ranking in environmental performance have applied the concept of ecoefficiency. Ecoefficiency is the concept of creating more goods and services by using fewer resources and create fewer waste and pollution as possible. The increase in sales followed by cost efficiency will increase the company's net profit. Subsequent impact of the increasing in the net profit of the company is increased Return on Assets (ROA). Aside from consumers, investors also judge a company based on environmental performance carried out. Companies that have environmental performance with a gold and green ratings will be appreciated more by people. Increased public appreciation and loyalty result in increased sales of products and/or services of the company. With increasing sales, along with the application of the concept of ecoefficiency, the company's net profit would have increased. Along with the increasing company's profits, retained earnings also increased. An increased in retained earnings the company can increase the ownership of the company (shareholders' equity) in the future. Retained earnings at most companies used to be reinvested in the segment that potentially generate profits for the company. Retained earnings that are used to be reinvested in that section, will then generate returns from the increasing of income or rising revenue. The next impact is the revenue that constantly increase. Thus increasing the company's net profit will have an impact on increasing ROE.

Companies that perform and disclose CSR in its financial statements will get a better response from the public. One indicator of CSR assessment is the safety and health of consumers in the use of the product. CSR disclosure convinced public that the company produce a quality product and perform operations with ethical and responsible attitude. Along with increased in trust from the public, company's sales levels will increase. In terms of the cost, the company can perform CSR by employing local labour as a form of expansion of jobs in the community. This form of CSR indirectly reduces labour costs to be incurred by the company because of the local workforce is cheaper compared to foreign labour. The increased level of sales along with a decreased in costs will increase the company's net profit and positive effect on ROA.

Investors can also look at the performance of an enterprise from social performance conducted by company. With the disclosure of CSR, shareholders learned that the company's employees are trained and educated through a training program that has been designed by the company. In addition, shareholders also received the understanding that the company continues to conduct a review of the performance and career development of its employees. This type of CSR disclosure would then lead to a sense of confidence of the various parties that the company producing the goods and/or services with good quality workers. Along with the increasing stakeholder confidence, level of sales will increase. In terms of costs, companies do CSR with their energy savings through conservation and improved efficiency, can be an indicator of a decrease in expenses to be incurred by the company. Increased sales of the company accompanied by decreasing operating costs will increase the company's net profit. Increased corporate profits will have an impact on the company's equity by means of increasing retained earnings. An increase in retained earnings, the company can increase the ownership of the company (shareholders' equity) in the future. Retained earnings at most companies used to be reinvested in the segment that potentially generate profits for the company. Retained