ENVIRONMENTAL DISCLOSURE INFORMATION: THE ROLE OF ENVIRONMENTAL CERTIFICATION AND FIRM SIZE

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6Indonesia Article Info History of Article Received: 28/6/2022 Revised: 20/9/2022 Published: 10/10/2022 Jurnal Riset Akuntansi Kontemporer Volume 14, No. 2, Oktober 2022, Page 148-156 ISSN 2088-5091 (Print) ISSN 2597-6826 (Online) Keywords: board of

directors; environmental certification; environmental disclosure; firm size; mining companies Abstract Activities disclosure reflects corporate accountability, responsibility, and transparency to investors and other stakeholders. Therefore, the objectives

3of this study are to analyze and empirically test the effect of the board of directors and the

environment certification at 36

5mining companies listed on the Indonesia Stock Exchange within 2019-2021

Parbonetti (2012) revealed that there is no relationship between the board of directors and the level of environmental disclosure. Meanwhile, Jizi (2017); Jizi et al., (2014); Khan et al., (2013); Welbeck (2017) found that

3the size of the board of directors has a positive effect on the level of environmental disclosure. Monitoring the board

is more effective, thereby encouraging increased voluntary

2disclosure. Alfraih (2016); Dienes & Velte (2016

Budiwati (2018) show that environmental certification affects

9environmental disclosure. On the other hand

Meutia (2016) stated

9that environmental certification does not affect environmental disclosure. The amount of

information presented voluntarily can be increased through corporate governance mechanisms. As part of the mechanism, the board of directors will monitor the company's policies and administration and protect the shareholders' interests (Alfraih, 2016). In addition, the board raises the company's legitimacy,

2encourages the rational use of resources, and oversees the disclosure strategy and policies for issuing company reports (Habbash, 2016

). The number of directors of issuers or public companies consists of at least two members of the Board of Directors, where one is appointed as the principal director or president director (Financial Services Authority regulations Number 33/POJK.04/2014).

2Ntim et al., (2013) proved that the higher the number of board members, the greater their experience and the

Velte, 2016). In addition,

2the number of board members can influence environmental disclosure

policies (Alfraih, 2016; Nasreem et al., 2017);

2the volume of environmental information reported voluntarily (Ntim et al., 2013

Sebastianell, 2017); determine

2the company's environmental agenda and also the type of information that should be disclosed voluntarily (Bomfim et al., 2015

Ting, 2018).

4In line with the legitimacy theory that a company with a good level of environmental management will have an ISO 14001 certificate

Yanto, 2020). The phenomena raised in this study and their gaps form the basis for further analysis. Researchers try to analyze and empirically test the effect of the board of directors and environmental certification on environmental disclosure. This research implies that mining companies are not only profit-oriented but also concerned for the environment. This is due to: firstly, the mining companies has an industrial nature and characteristic which different with other companies. Mining sectors is one of the nations economical development support, due to its role as a natural resources providers that highly required to the nations economical growth. The rich potency of natural resources will lead companies to emerge on exploit it. Secondly, stock of mining company sectors are highly interested by the investor. It can be seen on the high volume of stock trades on the mining sector, in which this will encourge the company to provide a better financial report. Board of Directors (X1) ► Environmental ► Discloasure (Y) Environmental Certification (X2) Control Variable: Firm Size Figure 1. Research Framework METHOD

5The population in this study are all companies listed on the Indonesia Stock Exchange from 2019-2021. The

determination method which used on this research is purposive sampling. The sample criteria in which became the target on the population are as follow: Table 1. Sample of Research No Criterias Total 1 2 The Mining companies active

3on the Indonesia Stock Exchange during the observation period The mining companies which has not

published their annual report, financial report and sustainability report over observation period 3 4 The mining companies which did not publish their financial report in rupiah currency The mining companies which has no complete data regarding to the variables used in this research 47 (7) (4) (0) The mining companies which are being used as a sample within 1 year 36 The mining companies which are being used as a sample within 3 years 108 Source: Processed Secondary Data, 2022 The variables of this research consist of 3 types of variables, which include: independent variables (boards of directors and environmental certification), control variables (firm size), and the dependent variable (environmental disclosure). The board of directors variable is responsible for monitoring the company's administration, policies, and guidelines and protecting the interests of shareholders to increase the number of voluntary disclosures (Alfraih, 2016). The measurement of boards

2of directors uses the number of influential board members

Budiwati, 2018). To communicate with interested parties, environmental disclosures are used so that information about environmental investments and their activities can be properly disseminated (Cormier et al., 2015). Measurement of environmental disclosure uses the formula (Ong et al., 2016) as follows: (Total items disclosed) ED : (GRI total item) All hypotheses

12in this study were processed using multiple linear regression analysis (Ghozali, 2016), with the following equation: $ED = \alpha + \beta 1BD + \beta 2EC + \beta 3FS + e$

In which ED is environmental disclosure, α is constant, β 1– β3 are regression coefficient, BD is board of directors, EC is environmental certification, FS is firm size, e is error RESULTS Descriptive statistics

6The results of descriptive statistical tests for the board of

directors variable, firm size, and environmental disclosure

11can be seen in table 1. While the results of

dummy variable descriptive statistical tests for environmental certification can be seen in table 2. Table 2. Descriptive Statistic N Minimum Maximum Mean Std. Deviation Board of Directors 108 Environmental Certification 108 Firm Size 108 Environmental Disclosure 108 Valid N (listwise) 108 2 4 0 1 18.50 22.70 0.07 0.75 3.25 0.54 20.83 0.27 0.44 0.509 1.20 0.18 Source: Processed Secondary Data, 2022

1The mean value of the dependent variable of the study, the extent of environmental disclosure (ED) is 0.27 with a range of 0.07 to 0.75. Based on the available data, it can be concluded that there

is a significant variation in the company's annual reports

1in the volume of environmental disclosures of the sample companies

.

1With regard to the independent variables, Table 2 shows that the mean value of board of directors ranges from a minimum of 2 to a maximum of 4 with a mean of 3.25, about 3 members. On the other hand, the mean value of

1size that is measured by the natural logarithm of total assets at the end of year 2019-2021 is 18.50, implying that the

value of the firm size ratio is above the average number of 60 companies and the increase in firm size is below the average number of 48 companies from the total sample of 108 companies. Table 3. Dummy Variable Descriptive Statistics Results Variable Dummy 0 Dummy 1 Observation Total Percentage Total Percentage Total Percentage Environmental 50 46% 58 54% 108 100% Certificaion Source: Processed Secondary Data, 2022

5Mining companies listed on the Indonesia Stock Exchange in 2019-2021

show that 58 companies have environmental certification or 54%, and 50 companies or 46% do not have environmental certification from 108 companies. Classic Assumption Test Results The results of the normality test (Kolmogrov-Smirnov) in table 4 show a value of 0.520 (sig. value > 5%). It indicates that the data is normally distributed. The results of the multicollinearity test show that the board of directors, environmental certification, and firm size variables have a tolerance value of 0.10 and the value of variance inflation factor (VIF) of 10. Thus

8the regression model in this study does not

have multicollinearity between independent variables. The heteroscedasticity (Glejser test) showed a significant value above 5%. In conclusion, the regression model did not find heteroscedasticity. The results of the autocorrelation test (runs test) show a significance value of 0.158 (sig. > 5%). Hence

8regression model in this study does not occur

autocorrelation. Table 4. Resume of Asumption Classic Test

12Dependent Variable Variable Normality Test Multicollinearity Test Heteroscedasticity Test Autocorrelation Test

Sig Tolerance VIF t Sig Runs Test

10E n v i r o n m e n t a l Disclosure

Independent: Board of Directors

10E n v i r o n m e n t a l

Certification Control: Firm Size 0.860 0.520 0.854 0.748 1.456 1.670 1.300 1.141 1.365 1.255 0.407 0.158 0.804 0.229 Source: Processed Secondary Data, 2022

10Multiple Linear Regression Analysis The multiple linear regression analysis

5%). Accordingly, the variables of boards of directors, environmental certification, and firm size affect environmental disclosure. The results of the coefficient of determination test show a value of 0.187. it means that the variables of boards of directors, environmental certification, and company size can explain the dependent variable (environmental disclosure) by 18.7%, and the remaining 81.3%

4is explained by other factors outside the model in this study. The results of the

t-test indicate that the boards of directors do not affect environmental disclosure. Meanwhile, environmental certification and firm size positively affect environmental disclosure. Table 5. Multiple Linier Regression D e p e n d e n t Variable B t Sig Decision Variable Unstandardized Environmental Independent: Board of Directors Disclosure Environmental Certification Control: Firm Size -0.043 -0.770 0.116 2.102 0.042 2.304 0.272 0.000 0.002 Rejected Accepted Accepted F count 2.784 0.001 Adj. R square 0.187 Source: Regression Output, 2022 DISCUSSION The findings show that the board of directors have no effect on environmental disclosure. It means the board of directors at

5mining companies listed on the Indonesia Stock Exchange in 2019-2021

do not guarantee that these companies make environmental disclosures. The hypothesis which states

4that the size of the board of directors has a positive effect on environmental disclosure is not supported by

the data generated in the testing of this study. This is caused by the bigger the size of the board of director then its getting harder to perform the good coordination among them. The more members on the board of directors may generate a potential conflic in term of decision making, especialy that related to the environtmental disclosure activities. It shows that the bigger the size of the board of directors will result to ineffectiveness of coordination, communication, decicion making and control form the CEO. On the contrary the smaller the size of the board of directors will result ot positif impact of participation in doing monitoring function toward environtmental disclosure information. This

4result is not in line with the legitimacy theory, where the number of board of

directors in mining companies is less effective in monitoring and protecting the amount of environmental disclosure information. Consequently, cannot improve the image and recognition from the public.

3The findings of this study are in line with

&

2Velte (2016); Fuente et al., (2017

Djajadikerta (2016); Welbeck (2017)

3that the size of the board of directors has a positive effect on the level of environmental disclosure. The environmental certification variable has a significant positive effect on

9environmental disclosure. Mining companies listed on the Indonesia Stock Exchange in

Meutia (2016), that environmental certification does not affect environmental disclosure. It means that companies with environmental certifications do not always make extensive environmental disclosures, so there is no difference in the level of environmental disclosure issued by companies that have environmental certifications with companies that do not have environmental certifications. Firm size,

11the control variable, has a significant positive effect on

9environmental disclosure. Mining companies listed on the Indonesia Stock Exchange in

Eboigbe (2017) asserted that large companies require more outstanding external financing. Additionally, to boost investor confidence, these companies increase the amount of voluntary disclosure of information.

3The results of this study are in line with research by Adriana & Uswati Dewi (2019

Meutia (2016) found that company size does not affect environmental disclosure. It indicates that the firm size does not determine the high or low environmental disclosure because the company views the environmental disclosure policy as advantageous. Faizah and Ediraras (2021) believed that firm value no effected by economic, environmental, and social performance. CONCLUSION Test results gained from 36

5mining companies listed on the Indonesia Stock Exchange within 2019-2021

with 108 annual reports show that board of directors have an insignificant negative effect on environmental disclosure. On the other hand, environmental certification and firm size significantly and positively

9affect environmental disclosure. The implications of this

Brodhag, C. 2017. Detecting Unsustainable Pressures Exerted on Biodiversity by a Company. Application to the food portfolio of a retailer. Journal of Cleaner Production, 166, 784–797. https://doi.org/10.1016/j.jclepro.2017.08.057 Environmental Disclosure Information... 149 150

7Jurnal Riset Akuntansi Kontemporer Volume 14, No. 2, Oktober 2022, Page. 148-156 Indriastuti, et al

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