PalArch's Journal of Archaeology of Egypt / Egyptology

MECHANISM CORPORATE GOVERNANCE, ENVIRONMENTAL COST, ENVIRONMENTAL PERFORMANCE ON FINANCIAL PERFORMANCE MEDIATED CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE

Roulina Br Saragih S[1], Senioga Aloisius Purba[1], Daniel T H Manurung[2]

[1]Undergraduate, Faculty of Economic, University of Widyatama, Indonesia.

[2]Lecturer, Faculty of Economic, University of Widyatama, Indonesia.

Roulina Br Saragih S , Senioga Aloisius Purba , Daniel T H Manurung , Mechanism Corporate Governance, Environmental Cost, Environmental Performance On Financial Performance Mediated Corporate Social Responsibility Disclosure , Palarch's Journal Of Archaeology Of Egypt/Egyptology 18(4). ISSN 1567-214x.

Keywords: Corporate Governance, Environmental Cost, Environmental Performance, Financial Performance, CSR Disclosure.

ABSTRACT:

Research on corporate governance mechanisms, environmental costs, environmental performance, and financial performance in the mediation of Corporate social responsibility disclosure. Data analysis techniques using SEM with AMOS software, a sample of 52 manufacturing companies in 2016 - 2018. The results of the study of the Relationship of Corporate Governance (GCG) have a positive and significant effect on financial performance, Environmental cost has a positive and significant relationship to financial performance through corporate social responsibility disclosure, Environmental performance has no significant and positive effect on financial performance, Corporate governance has a positive and significant relationship to financial performance through corporate social disclosure, Environmental performance has no significant and positive effect on financial performance.

INTRODUCTION:

(Husnan, Pamudji 2013) conducted research on the effect of Corporate Social Responsibility (CSR Disclosure) on Company Financial Performance, and the test results showed that CSR had a significant effect on ROA in a positive direction. This means that the more extensive CSR disclosure by the company will be able to provide greater ROA to the company in the financial condition for the next year. The fundamental reason for the positive and significant influence of CSR variables on ROA is because CSR disclosure in the form of social activities by companies is what can provide trust to external parties. The results of this study are consistent with research conducted by (Nita Dwi Aryati, 2017) that Corporate Social Responsibility (CSR) has a significant effect on Return On Assets (ROA) in manufacturing companies listed on the Indonesia Stock Exchange in 2013-2016.

Corporate governance is a mechanism used by companies to organize, control, supervise, and manage the company and the company's internal stakeholders. Corporate governance mechanisms in the study include independent commissioners, directors, and committees. Nofianti et al. (2015), which states that the weak and strong supervision and control of corporate governance in the company affect the disclosure of the corporate environment. (Rahmawati, Rikumahu, and Dillak, 2017) who used the Fixed Effect model, variables of the board of directors, a board of commissioners, audit committee and Corporate Social Responsibility (CSR) have a significant simultaneous effect on financial performance which is proxied by Return on Assets in companies sub-sector coal mining which was listed on the Indonesia Stock Exchange in 2013-2015. Partially the size of the board of directors and the size of the board of commissioners have a positive and significant effect on ROA in coal mining sub-sector companies listed on the Indonesia Stock Exchange in 2013-2015.

Meanwhile, the audit and CSR committee partially had no effect on financial performance that was proxied by ROA in the coal mining sub-sector companies listed on the Indonesia Stock Exchange in 2013-2015. (Widyati, 2013) The results of the study stated that the board of directors, independent commissioners, audit committees, managerial ownership, and institutional ownership simultaneously affected financial performance. Partially independent commissioners and institutional ownership have a positive effect on the company's financial performance. However, the board of directors, audit committee, and managerial ownership do not affect the company's financial performance.

(Tunggal and Fachrurrozie 2014) shows that Environmental Cost does not have a positive and significant influence on CSR disclosure. So it can be concluded that the costs allocated by the company in social and environmental care do not guarantee the extent of disclosure it does. While the CSR disclosure variable provides positive support for the indirect relationship between the Environmental Cost variable and Financial Performance. Whereas (Velando and Arvin 2017) get the results that environmental costs negatively affect financial performance. Significant environmental expenditure also has consequences that will have an impact on the company's financial performance because environmental costs require significant funds.

(Vivianita and Nafasati, 2018) show that there is no influence between environmental performance on financial performance. This shows that there are still many companies that do not care about the environment around the company, let alone participate in managing and treating the waste so as not to harm the surrounding community. This statement is proven that only a few companies have passed the Company Performance Rating Assessment Program in Environmental Management (PROPER). Although there are still many companies that do not care about the environment, the company's financial performance is still improving. (Tunggal and Fachrurrozie 2014) said that CSR disclosure did not provide positive support for the indirect relationship between Environmental Performance variables and Financial Performance. The CSR disclosure variable provides positive support of 0.001 for the indirect relationship between Environmental Cost variables and Financial Performance. Sarumpaet (2005), in his research, examined the relationship between environmental performance and financial performance in 252 companies (1996-1998). His research found that there is no significant relationship between environmental performance and financial performance of the company, but the size of the company is significantly related to environmental performance. Sarumpaet stated that environmentally friendly companies in Indonesia still did not get a good response, which is why the environmental performance of a company did not have too much impact on its financial performance.

(Djamilah and Surenggono, 2017) show that corporate social responsibility functions as a mediating variable, the effect of good corporate governance in the form of public ownership, institutional ownership and the size of the board of commissioners on return on assets (ROA) and return on equity (ROE) of banking companies in period 2010 to 2014. GCG has a positive and significant effect on CSR, and CSR has a positive and significant effect on ROA and ROE. That means, if GCG is high, then CSR is also high, and if CSR is high, then ROA and ROE are also high. It can be said that if banks want high ROA and ROE, banks must improve good corporate governance and corporate social responsibility.

Some related understanding that has been explained, research is conducted to increase investor confidence in the company and to improve the performance of the company's environment so that the environment around the company can be better maintained. So this study aims to determine the mechanism of corporate governance, environment cost, environmental performance, and financial performance in mediating corporate social responsibility disclosure.

LITERATURE REVIEW:

Corporate Governance on financial performance:

Arifani (2013) examined the effect of corporate governance on financial performance by using variables of the number of audit committees, the proportion of managerial ownership, the proportion of institutional ownership, the proportion of the board of commissioners, and ROE. The results of the study indicate that there is an influence between the audit committee, institutional ownership, and independent commissioners on financial performance. While not found that managerial ownership influences financial performance. Laksana (2015) also examined the effect of corporate governance on financial performance. Laksana's research (2015) is almost the same as the research conducted by Arifani (2013), which distinguishes is an indicator for financial performance where Laksana (2015) uses ROA for indicators of financial performance.

Environmental Cost on Financial Performance mediated by CSR Disclosure:

The purpose of budgeting for environmental costs by companies is to support corporate social responsibility (CSR) activities carried out by companies. A high environmental cost budget is expected to support corporate social responsibility disclosure to provide investors with a good view of the company's sustainability. Some of the results of research conducted by Buana and Nuzula (2017) with a statistically significant test are just a simple result, which is a very significant ROI. The result of this research is that it is located in an institution by Sundari (2012). However, the research conducted by Sundari (2012) on the destruction of the illiteracy of the terrains in BEI, there are different results, namely where environmental costs have a positive effect on company profitability. This means that the higher the environmental cost, the profitability of companies that are proxied by ROA will also increase.

Environmental performance on financial performance:
Research conducted Sarumpaet (2005) proves that there is no significant relationship between environmental performance and corporate financial performance (ROA and ROE). This study also proves that the PROPER rating, which is provided by the Indonesian government, is quite reliable as a measure of the company's environmental performance, because of its conformity with international certification in the environmental field, ISO 14001. In accordance with Rahma's (2010) study, the environmental performance has a positive effect on ROE. , because it is statistically concluded that the effect is negative but not significant. This shows that environmental management has not been able to run perfectly, unknown environmental performance standards that can be appreciated by the community so that the costs incurred for environmental management are still considered as a burden that reduces company profitability. (Manurung and Rachmat 2019) stated the results showed that the impact of applying ISO 14001 had a positive effect on disclosure of corporate social responsibility, financial performance variables through return on assets (ROA) had a negative and significant effect on disclosure of corporate social responsibility, and financial performance through return on equity (ROE) has a positive. Affect the disclosure of corporate social responsibility.

Corporate Governance towards Financial Performance in medition CSR Disclosure:
Santoso (2013) shows that all data are proven to be normally distributed. Regression test results show that the quality of corporate governance at a significance level of 5% affects company performance expressed by ROA and ROE. Then it can be concluded that the quality of corporate governance affects the company's financial performance. Research conducted by Cythia and Devie (2017) also states that Corporate governance has a positive and significant influence on the financial performance of companies listed in LQ 45. These results show that increasing corporate governance can significantly improve financial performance.

Environmental Performance of Financial Performance in mediation CSR Disclosure:
Based on the results of an analysis of research conducted by Fitriani (2013), it is concluded that environmental performance has a positive effect on financial performance. In a study conducted by Nugraha (2008) also found that the better the environmental performance of a company, the better its financial performance because the revenue obtained and cost efficiency in companies with excellent environmental performance becomes more significant than the revenue acquisition and cost-efficiency of the company poor environmental performance.

According to Kadek, Rosiliana et al. (2014: 2), company reputation can increase public trust, and loyalty with the existence of Corporate Social Responsibility can have a positive impact on the company. Through legitimacy theory, companies that carry out CSR have more role in increasing legitimacy, which will affect consumer attitudes towards company products (Riska, 2013). The results of the study explain that there is a significant positive relationship between CSR and ROA.

METHODOLOGY:

This research is a study that uses a quantitative approach to determine the relationship between Corporate Governance, Environmental Cost, Environmental Performance, and Financial Performance Mechanisms in CSR Disclosure Mediation. The research sample of 53 manufacturing companies listed on the Indonesia Stock Exchange in 2016 - 2018. The sampling technique using nonprobability sampling. Data analysis techniques using SEM with

AMOS software to test between variables in research. SEM with AMOS software, including validity and reliability testing, descriptive statistical analysis, and hypothesis testing with regression weight.

RESULTS AND DISCUSSION:

In SEM analysis, the model evaluation model is used in the form of squared multiple correlations for the dependent variable and the value of the standardized regression weights coefficient for the independent variables, which are then assessed for significance based on the CR (t-count) for each path. To assess the significance of the model of the path between constructs in the structural model seen from the CR value of the path between constructs or by looking at the p-value. The p-value is obtained from the analysis of AMOS software
Analysis of the results of data processing at the full SEM model stage is carried out by conducting the suitability test and statistical test. Data processing for the full SEM model analysis is shown in table 1.

Table 1 : Results of the Feasibility Model Structural Equation Model

The goodness of Fit Index	Cut-off value	Hasil Penelitian	Evaluasi Model
X^2 – Chi-Square	0.679	2.324	FIT Because the value of 0.508 is smaller than 2,324
Significance Probability	≥ 0.05	0.508	
Free Degrees, DF		3	
CMIN/DF	≤ 5	2.324	Marginal
GFI	≥ 0.90	0.994	Good
AGFI	≥ 0.90	0.969	Good
TLI	≥ 0.90	1.009	Good
CFI	≥ 0.95	1.000	Good
NFI	≥ 0.90	0.991	Good
RMSEA	≤ 0.08	0.000	Good

These results indicate that the model used can be accepted, which obtained a chi-square value of 2,324 with a significance level of 0.508. Significance values higher than 0.05 indicate an excellent structural equation model. TLI, CFI, CMIN / DF, and RMSEA measurement indexes are also in the expected range of values, even though the values of GFI and AGFI are accepted marginally. This is due to variations in data. Thus the SEM model feasibility test meets the acceptance requirements.

With the fit model, parameter testing, as hypothesized, can be interpreted. If the P-value is less than 0.05, the hypothesis is accepted. The parameter test results are obtained as follows:

Table 2 : Regression Weight Structural Equational

	Estimate	S.E	C.R (t value)	P
CSR <--- EC	,013	,002	7.066	***
CSR <--- EP	,020	1.761	0.078	***
CSR <--- CG	,022	,002	10.011	***
FP <--- CSR	27,296	6.866	3.976	***

FP <--- CG	1.605	0.238	6.735	***
FP <--- EC	1.464	0.183	8.007	***
FP <--- EP	0.10	0.994	1,479	0.992

Relationship of Corporate Governance to Financial Performance:
Based on table 2, it is known that the path coefficient value of corporate governance variables on financial performance, the estimated value of 1,605, and CR of 6,735 with a p-value of 0,000. This means that there is a positive influence on financial performance, meaning that the better the performance of corporate governance, the financial performance of the company will be better.

The results of this study are in line with research conducted by Laksana (2015), which shows that there is an influence between the audit committee, institutional ownership, and independent commissioners on financial performance using the ROA indicator. The results of the study indicate that there is an influence between the audit committee, institutional ownership, and independent commissioners on financial performance. While not found that managerial ownership influences financial performance. Corporate governance conducted by the company by employing an independent board of commissioners to oversee operational activities can strengthen the relationship between the company's environmental performance on financial performance. The results of this study are supported by previous research, which states that the weak and strong supervision and control of corporate governance in the company affect the disclosure of the company's environment (Nofianti, 2015).

Relationship between Environmental Cost and Financial Performance through corporate social responsibility disclosure:
Based on table 2, it is known that the path coefficient value of the environmental cost variable to financial performance is 1,464 and CR is 0183 and the p-value is 0,000, while the relationship of environmental cost to financial performance through corporate social responsibility disclosure has a value of 27,296 and CR of 3,976 and p-value of 0,000. This means that the value of environmental cost on financial performance through corporate social responsibility disclosure has a positive and significant effect.

The results of this study are in line with research conducted by Sundari (2012) on the destruction of the illustrious architecture of BEI, where environmental costs have a positive effect on company profitability. This means that the higher the environmental cost, the profitability of companies that are proxied by ROA will also increase. However, some results differ from studies conducted by Buana and Nuzula (2017) with statistically significant tests, based on results that are very different from the environmental costs of RO. This study is not in line with research conducted by Velando and Arvin (2017), which states that environmental costs negatively affect financial performance. Large environmental expenditure also has consequences that will have an impact on the company's financial performance because environmental costs require large funds.

Relationship between Environmental Performance and Financial Performance:
Based on table 2, it is known that the path coefficient value of the environmental performance variable on financial performance is 0.10, and CR is 1,479, and the p-value is 0.992. This states that Environmental performance does not affect financial performance. This is due to the high value of environmental performance, which is very influential in the financial performance issued by the company.

The results of this study are in line with research conducted by Sarumpaet (2005), proving that there is no significant relationship between environmental performance and corporate financial performance (ROA, and ROE). Also, in line with research conducted by (Manurung and Rachmat 2019) states the results of the study indicate that financial performance variables through return on assets have a negative and significant effect on disclosure of corporate social responsibility and financial performance. This study is not in line with the results obtained by Al Tuwaijri et al. (2003), which shows that excellent environmental performance has a relationship with good financial performance.

Relationship of Corporate Governance to Financial Performance through CSR Disclosure:

Based on table 2, it is known that the path coefficient value of corporate governance variables on financial performance, the estimated value of 1,605, and CR of 6,735 with a p-value of 0,000. This means that there is a positive influence on financial performance. While the relationship of corporate governance through corporate social responsibility disclosure has a value of 27,296, CR of 3,976, and a p-value of 0,000, meaning that there is a positive and significant relationship. This shows that the relationship between corporate governance and financial performance through corporate social responsibility disclosure has a positive and significant relationship.

The results of this study are in line with research conducted by Djamilah and Surenggono (2017), showing that corporate governance has a positive and significant effect on CSR, and CSR has a positive and significant effect on ROA. That means, if GCG is high, CSR is also high, and if CSR is high, then ROA is also high. It can be concluded that if the company wants high ROA, the company must improve corporate governance and corporate social responsibility.

Relationship between Environmental Performance and Financial Performance through CSR Disclosure:

Based on table 2, it is known that the path coefficient value of environmental performance variables on financial performance is 0.10, and CR is 1.479, and the p-value is 0.992, which has no significant and positive effect. While the relationship of environmental performance through corporate social responsibility disclosure has a value of 1,761 and CR of 0.078 and a p-value of 0.00. This shows the existence of a positive and significant relationship.

The results of this study are inversely proportional to the research conducted by Nugraha (2008) which concluded that the better the environmental performance of a company, the better its financial performance because the revenue obtained and cost efficiency in companies that have excellent environmental performance is greater than revenue acquisition and cost efficiency of companies with poor environmental performance. Likewise, with research conducted by Fitriani (2013) and (Riska 2013) which explains that there is a significant positive relationship between CSR and ROA.

CONCLUSIONS:

Corporate governance, environmental cost, environmental performance, and financial performance mechanisms mediated by corporate social responsibility in manufacturing companies on the Indonesia Stock Exchange from 2016 to 2018. The relationship of Corporate Governance (GCG) has a positive and significant effect on the financial performance of manufacturing companies listed on the Indonesia Stock Exchange from 2016 to 2018. The environmental cost of financial performance through corporate social responsibility disclosure has a positive and significant relationship in manufacturing companies listed on the Indonesia Stock Exchange from 2016 to 2018. Environmental performance has no significant and positive effect on financial performance on manufacturing companies listed on the Indonesia Stock Exchange in the 2016-2018 period. Corporate governance to financial performance through corporate social disclosure has a positive and significant relationship with manufacturing companies listed on the Indonesia Stock Exchange in the period 2016-2018. Environmental performance has no significant and positive effect on financial performance on manufacturing companies listed on the Indonesia Stock Exchange in the 2016-2018 period.

The study states the importance of implementing corporate governance mechanisms in running corporate social responsibility disclosure to reduce environmental costs and corporate environmental performance. The implementation of corporate social responsibility disclosures can also increase the assessment of the company's environmental performance, which aims to reduce environmental costs and forms of corporate concern for the environment.

REFERENCE:

Arifani, R. (2017). PENGARUH GOOD CORPORATE GOVERNANCE TERHADAP KINERJA KEUANGAN PERUSAHAAN .

Aryati, N. D. (2017). PENGARUH CORPORATE SOCIAL RESPONSIBILITY TERHADAP KINERJA KEUANGAN PERUSAHAAN. SURAKARTA.

Cythia, A. F., & Devie, D. D. (2017). Pengaruh Corporate Governance Terhadap Financial Performance Dengan Earning Management Sebagai Variabel Intervening Pada Perusahaan Yang Terdaftar Di LQ45. 14 Business Accounting Review, Vol. 5.

Djamilah, S. (2017). CORPORATE SOCIAL RESPONSIBILITY SEBAGAI VARIABEL PEMEDIASI PENGARUH GOOD CORPORATE GOVERNANCE TERHADAP KINERJA KEUANGAN. AKRUAL:Jurnal Akuntansi.

Gantino, R. (2016). Pengaruh Corporate Social Responsibility Terhadap Kinerja Keuangan Perusahaan Manufaktur Yang Terdaftar di BEI Periode 2008-2014. 14 Business Accounting Review, Vol. 5.

Hartini, & Rahayu, D. H. (2018). Pelaksanaan CSR dan Kinerja Perusahaan Manufaktur di Indonesia. Media Riset Bisnis dan Manajemen, Vol 18 No.1 April 2018.

Husnan, A., & Pamudji, S. (2013). PENGARUH CORPORATE SOCIAL RESPONSIBILITY (CSR. DIPONEGORO JOURNAL OF ACCOUNTING .

Mulyadi, R. (2016). PENGARUH CORPORATE GOVERNANCE TERHADAP KINERJA KEUANGAN. Jurnal Akuntansi. Vol. 3. No.1 Januari 2016.

Nurfaza, B. D., Gustyana, T. T., & Iradianty, A. (2017). PENGARUH GOOD CORPORATE GOVERNANCE TERHADAP NILAI PERUSAHAAN (Studi Pada Sektor Perbankan yang Terdaftar di Bursa Efek Indonesia (BEI) Tahun 2011-2015) . e-Proceeding of Management : Vol.4, No.3 Desember 2017 , 2261.

Putra, A. S., & Nuzula, N. F. (2017). Pengaruh Corporate Governance Terhadap Profitabilitas. Jurnal Administrasi Bisnis (JAB)|Vol. 47 No.1 Juni 2017|.

Rahmawati, I. A., Rikumahu, B., & Dillak, V. J. (20017). PENGARUH DEWAN DIREKSI, DEWAN KOMISARIS, KOMITE AUDIT DAN CORPORATE SOCIAL RESPONSIBILITY TERHADAP KINERJA KEUANGAN PERUSAHAAN(Studi

Kasus pada Perusahaan Sub Sektor Pertambangan Batu Bara yang terdaftar di Bursa Efek Indonesia Tahun 2013-2015). JURNAL AKUNTANSI & EKONOMI FE. UNPGRI Kediri Vol. 2No. 2, September2017.

Rizkan, M., Islahuddin, & Nadirsyah. (2017). PENGARUH ENVIRONMENTAL PERFORMANCE DAN ENVIRONMENTAL DISCLOSURE TERHADAP FINANCIAL PERFORMANCE PERUSAHAAN PERTAMBANGAN DAN PEMEGANG HPH/HPHTI YANG TERDAFTAR DI BURSA EFEK INDONESIA . Jurnal Megister Akuntansi ISSN 2302- 0164 Pascasarjana Universitas Syiah Kuala .

Santoso, G. H. (n.d.). PENGARUH CORPORATE GOVERNANCE TERHADAP FINANCIAL PERFORMANCE PERUSAHAN.

Setiawan, A. (2016). SISTEM INFORMASI, KEUANGAN, AUDITING DAN PERPAJAKAN . SIKAP, Vol 1(No. 1), 2016, hal 1-8 p-ISSN: 2541-1691 .

Sulastri, E. M. (2017). PENGARUH GOOD CORPORATE GOVERNANCE TERHADAP KINERJA DAN NILAI PERUSAHAAN (STUDI PADA PERUSAHAAN YANG TERINDEKS OLEH CGPI). Manajerial, Vol. 2 No. 2 Januari 2017, Hal - 35 http://ejournal.upi.edu/index.php/manajerial/ , 35.

Surtiningsih, D. M., & Wijaksana, T. I. (2015). PENGARUH CORPORATE SOCIAL DISCLOSURE INDEX (CSDI) TERHADAP KINERJA KEUANGAN PADA PERUSAHAAN SEKTOR CONSUMER GOODS INDUSTRY YANG TERDAFTAR DI BURSA EFEK INDONESIA TAHUN 2007-2013 . e-Proceeding of Management : Vol.2, No.3 Desember 2015, 3940.

Syafitri, T., & Nuzula, N. F. (2018). PENGARUH GOOD CORPORATE GOVERNANCE TERHADAP NILAI PERUSAHAAN (Studi pada perusahaan industri sub sektor logam dan Sejenisnya yang terdaftar di bei periode 2012-2016). Jurnal Administrasi Bisnis (JAB)|Vol. 56 No. 1 Maret 2018| , 118.

Tunggal, W. S. (2014). PENGARUH ENVIRONMENTAL PERFORMANCE, ENVIRONMENTAL COST DAN CSR DISCLOSURE TERHADAP FINANCIAL PERFORMANCE. Accounting Analysis Journal.

Tunggal, W. S., & Fachrurrozie. (2014). PENGARUH ENVIRONMENTAL PERFORMANCE, ENVIRONMENTAL COST DAN CSR DISCLOSURE TERHADAP FINANCIAL PERFORMANCE . http://journal.unnes.ac.id/sju/index.php/aaj .

Vivianita, a., & Nafasati, F. (n.d.). PENGARUH ENVIRONMENTAL PERFORMANCE TERHADAP KINERJA KEUANGAN DENGAN CORPORATE GOVERNANCE SEBAGAI VARIABEL PEMODERASI (Studi Kasus Perusahaan Tambang yang Terdaftar di Bursa Efek Indonesia Tahun 2014-2016). Jurnal REP (Riset Ekonomi Pembangunan).

Widyati, M. F. (2013). PENGARUH DEWAN DIREKSI, KOMISARIS INDEPENDEN, KOMITE AUDIT, KEPEMILIKAN MANAJERIAL DAN KEPEMILIKAN INSTITUSIONAL TERHADAP KINERJA KEUANGAN. Jurnal Ilmu Manajemen | Volume 1 Nomor 1 Januari 2013 .