

THE EFFECT OF ENVIRONMENTAL PERFORMANCE, ENVIRONMENTAL COST, ISO 14001 AND GOOD CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE IN MINING COMPANIES IN THE INDONESIA STOCK EXCHANGE

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Abstract : This study attempts to melihat how reporting the environmental costs , environmental performance ,ISO 1400 and good corporate governance can give a large contribution to the measurement company financial performance and will impact on improving the financially and non financial . In agency theory that information is the one to one party in an organization , where there are parties directly knows activities in terms of companies called the agent and the have an interest in the company called the principles .Hence in an organization should all the information concerned with the development and company growth to be delivered were reported so there is no disparities in information Method in this research is use sampling purposive, where sample determinant use on a number of criteria in the company proper assessment, and than companies that had or issuing the environmental costs in the form of community development for the program, 11 company of mining is fulfilled the criteria sample. The result of this research is that there are some independent variable that influence the dependent variable

Keywords: Environmental Performance, Cost Performance, ISO 1400, Good Corporate Governance and Financial Performance

1. Introduction

At this time, an organization such as a company is an institution that is assumed to have a good impact or benefit the community, where the company provides many opportunities to work for the surrounding community, make donations, the company pays taxes, thus, the company can freely manage natural resources around it. their operations. With this opportunity, sometimes a company ignores the impact that occurs on operational activities, the company always prioritizes profit only (Profit Oriented). so that over time it will have an impact on society. There is climate change, forest fires, disasters caused by some irresponsible companies. An example of what has happened is the Lapindo mudflow which drowned 24 sub-districts With the occurrence of external impacts that have been felt by the community, and how these impacts can be minimized by a company, the concept of environmental accounting has actually begun to develop since the 1970s in Europe. As a result of pressure from non-governmental institutions and increasing environmental awareness among the community, which is pressing for companies to implement environmental management, not only industrial activities for business purposes.

Many of the world's major industrial and service companies are now implementing environmental accounting. The aim is to improve the efficiency of environmental management by assessing environmental activities from the standpoint of environmental costs and economic benefits. Environmental accounting is applied by various companies to produce quantitative assessments of the costs and effects of environmental protection.

How about Indonesia? There is not much information or discussion related to environmental accounting as one of the terms or a specific environmental assessment system. There is one step initiated by the Ministry of Environment and Bank Indonesia which is contained in a memorandum of understanding (MoU) between KLH and Bank Indonesia (BI) which was signed in 2005.

Tabel 1. Proper Rankings

| Scale | 2016 | 2017 | 2018 |
|-------|---------------|---------------|---------------|
| Black | 5 | 1 | 2 |
| Red | 284 | 130 | 241 |
| Blue | 1.422 | 1.486 | 1.454 |
| Green | 172 | 150 | 155 |
| Gold | 12 | 19 | 12 |
| Total | 1.930 Company | 1.807 Company | 1.906 Company |

Sources : KLH Proper

From the table above, it can be seen that there are still some companies that intentionally and ignore notifications about environmental performance reporting and intentionally commit acts of negligence and cause environmental pollution, in 2018 alone there were still 2 companies that deliberately did not report and did not participate in the assessment program. the company's performance rating in environmental management, namely PT. Barawaja in the metal processing sector located in the Makassar Region and the second company is PT. Dwinad Nusa Sejahtera Mineral Mining sub-sector located in Musi Rawas City, South Sumatra

2. Literature Review

Before understanding the meaning of financial performance, it is necessary to first understand what performance is. The term performance is often associated with the company's financial condition. Performance is an important thing that must be achieved by the community, because performance is the company's ability to manage its resources. Financial performance itself is an achievement achieved by the company in a certain period regarding the company's health level (Sukhemi, 2007).

Company performance can be said as a formal effort carried out by the company to evaluate the efficiency and effectiveness of the company's activities that have been carried out in a certain period of time. According to Sucipto (2003:6) the notion of financial performance is "the determination of certain measures that can measure the success of an organization or company in generating profits

Performance measurement is defined as "performing measurement", namely the qualifications and efficiency and effectiveness of the company in operating the business during the accounting period. Thus the notion of performance is a formal effort carried out by the company to evaluate the efficiency and effectiveness of the company's activities that have been carried out in a certain period of time (Hanafi, 2007:69).

Company Performance Rating Program in Environmental Management (PROPER)

The Company Performance Rating Program (PROPER) is one of the efforts of the State Ministry of the Environment to encourage company compliance in environmental management

through information instruments since 2015. It is carried out through various activities aimed at :

1. Encouraging companies to comply with laws and regulations through reputation incentives and disincentives
2. Encouraging companies that have good environmental performance to implement (cleaner production)

From the proper assessment, the company will get an image/reputation according to how it manages its environment. The image is rated in gold, green, blue, red and black colors. Gold property is the best property, meaning that the company has implemented comprehensive and sustainable environmental management. If a company gets two blacks in a row, the company can be sued and the business will be terminated

Environmental Cost

According to Susenohaji (2003), environmental costs are costs incurred by the company due to a poor environmental management system as a result of the company's production process. Environmental costs include costs associated with reducing production processes that have an impact on the environment (internal) and costs associated with repairing damage caused by waste generated (external).

These environmental costs can be seen in the allocation of funds for the Community Development Program listed in the company's financial statements or annual reports. This environmental cost is calculated by comparing the environmental development program funds with the net profit generated by the company

The treatment of environmental costs that have been incurred, the company records it as a general and administrative expense in the company's income statement. General and administrative expenses means the costs used in the company's administrative office as well as other costs that must be incurred in the interest of the smooth running of the company as a whole.

General and administrative expenses include: (a) salaries, wages, employee benefits and bonuses; (b) partnership and community development programs; (c) maintenance of professional services; (d) promotions and entertainment; (e) taxes, insurance and rent; (f) business trips; (g) depreciation and amortization; (h) office needs; (i) education, training and development; (j) use of materials, electricity, water and telephone. The environmental cost mechanism is divided into four components

3. Method

There are 29 mining companies listed on the IDX, consisting of 10 Mining Companies in the Coal Mining sub-sector, 7 Mining Companies in the Gas and Oil Mining sub-sector, 10 Mining Companies in the Metal and Mineral Mining sub-sector and 2 Mining Companies in the Rock Mining sub-sector. The method used in sampling is purposive random sampling method. Purposive random sampling is a sampling method that is adjusted to certain criteria so that the selected sample is more representative.

The following are the criteria for sampling using the purposive random sampling method in this study:

- a. Mining Companies listed on the Indonesia Stock Exchange 2015-2018
- b. Mining Companies that present complete Financial Statements consecutively from 2015-2018
- c. Mining Companies that are included in the category of Corporate Performance Rating Program in Environmental Management (Proper) 2015-2018.

- d. Mining companies that include the allocation of funds for the environmental development program for the 2015-2018 period

Variable Identification

Indicators of Financial Performance Variables in this study are using the Profitability Ratio, namely Return on Assets, where the formula is $\text{Sales} : \text{Asset total} \times 100\%$, and Indicators of Environmental Performance is Environmental performance in this study is an independent variable, where the measuring instrument uses Proper, namely: Company Performance Rating Program (PROPER) is one of the efforts of the State Ministry of the Environment to encourage company compliance in environmental management through information instruments since 2015, and than indicators of Environmental cost in this study are using the Community Development Program : Net Profit after Tax and indicators of variable ISO 14001 is There are many reasons why an organization should take a strategic approach to improve its environmental performance. Companies that have used this standard have reported that ISO 14001 . and the last variable is Good Corporate governance using the the number of audit committees, independent commissioners who meet the categories of a company

4. Result and Discussion

Tabel 2. Mining Company Coofesient Results 2015-2018

| Model | B | Std error | Beta | t | Sig |
|-------------|-------|-----------|------|------|------|
| Env Perform | 2.553 | .415 | | .747 | .488 |
| Env cost | 1.141 | .346 | .193 | .406 | .001 |
| ISO 14001 | 1.004 | .516 | .189 | .399 | .002 |
| GCG | 1.106 | .104 | .106 | .621 | .003 |

Source : SPSS

Based on the test results in this study, environmental costs have no effect on financial performance with a significant value of 0.701 and environmental performance has a significant effect on financial performance. This is supported by the results of descriptive analysis which shows that the overall PROPER average has a safe category value (gold-blue range) which means that all companies have implemented a good environmental management system with an average ROA level of 12.8%

The results of multiple regression analysis indicate that environmental costs, ISO 14011 and GCG have an effect on financial performance with a significance value of 0.001, 0,002 and 0,003 meaning greater than 0.05.

The treatment of environmental costs that have been incurred, the company records it as a general and administrative expense in the company's income statement. General and administrative expenses means the costs used in the company's administrative office as well as other costs that must be incurred in the interest of the smooth running of the company as a whole.

The results of multiple regression analysis show that environmental performance has no effect on financial performance with a significance value of 0.001, meaning that it is greater than 0.05. The mechanism is not just an ordinary assessment, but goes through several stages of making weight categories including the implementation of a management system, resource

utilization and how the company presents CSR and Community Development, which companies do and present it so that they get the best practice (for the gold category). and green). Meanwhile, for the blue, red and black categories, the assessment mechanism is seen from the control of marine pollution, B3 waste management, air pollution control, water pollution control and the implementation of Amdal.) and disobedient (black category)

For the black category, the company has not made efforts in environmental management as required so that it has the potential to pollute the environment, so that from the ministry of the environment to make efforts to prevent environmental pollution by giving sanctions to the company, there are 4 companies that have violated it The stages of sanctions that will be carried out by the 4 companies are an investigation by the ministry of the environment, administrative sanctions set by the local BLH

5. Conclusions

In Indonesia, a small number of manufacturing companies have voluntarily disclosed their environmental costs. In the annual report, this company only discloses its social activities without recording the costs that have been incurred for these activities.

Environmental performance in this study is an independent variable, where the measuring instrument uses Proper, namely: Company Performance Rating Program (PROPER) is one of the efforts of the State Ministry of the Environment to encourage company compliance in environmental management through information instruments.

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