

The Influence of Environmental Performance and Disclosure Corporate Social Responsibility on Financial Performance in Public Companies

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Abstract. This study aims to examine the influence of corporate social responsibility (CSR) disclosure, environmental performance, and financial performance. Utilizing quantitative methods and relying on secondary data, the research centers on a sample of 67 companies listed on the LQ45 stock index spanning from 2018 to 2022. The selection process involved a purposive sampling method, leading to a sample size of 11 companies with 55 sets of company data that meet the specified criteria. Multiple regression analysis was used to test the research hypotheses, and data processing was carried out using Microsoft Excel, with tests conducted using the IBM SPSS 25 program. The findings reveal that financial performance is unaffected by environmental performance, while Corporate Social Responsibility (CSR) exhibits a positive and significant impact on financial performance.

Keywords: Environmental Performance, Corporate Social Responsibility, Financial Performance.

1. Introduction

Financial performance encompasses the assessment of a company's assets, costs, equity, liabilities, revenues, and overall profitability. From a financial standpoint, it reflects the favorable or unfavorable condition of the company [1]. Favorable financial performance entails achieving business objectives, generating robust profits, and meeting both financial and social responsibilities. Nevertheless, it's crucial to acknowledge that financial performance constitutes just one facet of a company's comprehensive performance and may not always be the primary indicator of overall success. The emphasis placed on financial performance in the corporate landscape prompts businesses to vie for optimal financial results. Yet, the broader societal and environmental impacts, whether positive or negative, resulting from such pursuits remain uncertain. [2]

In the contemporary business landscape, corporate social responsibility (CSR) and environmental performance stand out as crucial elements in company operations. Heightened public awareness and mounting pressure from diverse stakeholders concerning environmental

and social issues compel companies to prioritize their influence on society and the surrounding environment. Moreover, corporate governance plays a substantial role in directing the actions and policies of companies in this context.

The quantifiable outcome of the environmental management system, known as environmental performance, is closely connected with the management and regulation of factors related to environmental conservation. In Indonesia, the Ministry of the Environment conducts environmental performance assessments through the Company Environmental Management Rating Program (PROPER). Previous research suggests a positive and significant correlation between environmental performance and Return on Equity (ROE). [3] However, contrasting research suggests that environmental performance outcomes do not influence financial performance. [4] Companies vary in their approach to Corporate Social Responsibility (CSR), with some incorporating it broadly into all facets of their business, while others limit it to specific projects or initiatives. Regardless of the approach, the overarching goal of CSR is to create a positive and sustainable impact on society, the environment, and the economy. Implementing CSR poses challenges such as ensuring compliance with relevant norms and regulations, measuring the impact of CSR programs, and maintaining transparency and accountability in reports and communications related to the company's CSR initiatives. Earlier research highlights that corporate social responsibility disclosure positively and significantly affects financial performance [5]. However, contradictory findings indicate that the disclosure of corporate social responsibility has a negative and significant impact on financial performance. [6]

In the period spanning from 2018 to 2022, characterized by a widespread corporate dedication to sustainability across diverse operational aspects, there is an increased focus on environmental performance and Corporate Social Responsibility (CSR) disclosure. An essential inquiry arises: to what extent can CSR disclosure and environmental performance impact the financial performance of public companies, and does corporate governance play a moderating role in this dynamic? This research aims to unravel the influence of CSR disclosure and environmental performance on the financial performance of public companies within this timeframe. Additionally, the study will explore the corporate governance index's role as a moderating factor in shaping the relationship between these variables. The anticipated outcome of this research is to offer a more profound understanding of how CSR practices and environmental performance contribute to the financial dimensions of companies, all while acknowledging the pivotal role of effective corporate management.

2. Method

Stewardship theory is characterized by a scenario in which managers prioritize the interests of the principal over their personal interests. In the context of this research, stewardship theory posits that managers function as stewards of shareholder interests, striving to optimize company performance. According to this perspective, the disclosure of Corporate Social Responsibility (CSR) and environmental performance is viewed as a means to enhance the financial performance of the company. The underlying reasoning for this trend is rooted in the belief that managers, serving as stewards, are expected to be mindful of the societal and

environmental repercussions of the company's operations, thus potentially enhancing the overall performance of the company.

Stakeholder Theory, initially introduced in 1963 by the Stanford Research Institute, defines stakeholders as groups capable of supporting the existence of an organization. In the context of this research, Stakeholder Theory posits that stakeholders possess the right to exert influence on management during the utilization of all potential resources within the company. The premise is that effective and optimal management of these resources is essential for the company to generate added value and achieve financial empowerment, aligning with the performance expectations of stakeholders. Consequently, stakeholders are regarded as crucial contributors to the sustainability of the company. According to Stakeholder Theory, all stakeholders are entitled to information about company activities that can impact their decision-making processes.

Financial performance is a comprehensive process involving the critical examination of a company's finances. This entails the interpretation, review, calculation, measurement, and provision of solutions related to the company's financial activities during a specific period. The measurement of financial performance allows for the identification of opportunities for progress and financial development within the company. Success is attributed to a company that achieves predetermined performance targets. The components of financial performance are those directly linked to the measurement of company performance as presented in the income statement. Net profit consistently serves as a benchmark for performance or as a foundation for other performance metrics. In summary, financial performance can be characterized as an evaluation of a company's effectiveness in resource management, assessed through financial ratios over a specified period. Environmental performance represents a company's commitment to demonstrating concern for the surrounding environment, constituting a crucial element in achieving business success. Components of environmental performance encompass raw materials, water usage, biodiversity conservation, river emissions, energy consumption, waste management, and considerations related to suppliers, shipping, and transport services. Highlighting environmental performance as a fundamental component of corporate social responsibility (CSR) holds the potential to exert a positive influence on financial performance. Companies demonstrating robust environmental performance often communicate positive social information, thereby indirectly enhancing their overall corporate quality. [3]

Corporate social responsibility is defined as a mandatory organizational commitment for businesses, involving participation in activities that strive to diminish negative impacts while simultaneously raising awareness within the broader community. The global prevalence of CSR is evident in various mediums such as print, electronic media, seminars, and conferences [7]. Companies recognize the significance of implementing CSR as a proactive response to the potential impacts of their business activities. The positive reception from the surrounding community indicates that the implementation of CSR yields benefits for the company, fostering community support and enhancing the workplace satisfaction of employees.

Corporate social responsibility (CSR) disclosure represents a company's commitment to societal engagement, where all activities undertaken are documented in the annual report. The implementation of CSR necessitates transparency through reporting, serving the purpose of informing, communicating, and being accountable to stakeholders.

Companies undertaking CSR disclosures follow guidelines to determine the content of their reports, with one prominent benchmark being the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines. The GRI guidelines are widely recognized for providing a comprehensive and dominant framework for social responsibility reporting, aiming to establish consistency in reporting practices. The research hypotheses presented are as follows:

Effect of Environmental Performance on Financial Performance

H1: Positive and significant effects on financial performance are observed when considering environmental performance.

Influence of Corporate Social Responsibility (CSR) on Financial Performance

H2: CSR has a positive and significant effect on financial performance.

This research adopts a quantitative approach, aligning with its objectives. Hypothesis testing, involving numerical data, will be employed to assess the influence of environmental performance and Corporate Social Responsibility (CSR) disclosure on financial performance. The chosen data analysis method is quantitative, and the primary analytical tool is the multiple regression analysis method, implemented using the IBM Statistical Package with the assistance of the IBM SPSS Statistics 25 program.

The study focuses on public companies listed on the LQ45 stock market index on the Indonesia Stock Exchange (BEI) that meet specific criteria during the period 2018 – 2022. The research population consists of 67 companies listed in the LQ-45 stock index, adhering to specific criteria outlined in Table 1. Utilizing a purposive sampling technique, data was gathered from the Indonesia Stock Exchange website (www.idx.co.id), leading to the selection of 11 companies as samples for this study, as elaborated in Table 2.

Table 1. Research Sample Criteria

| Sample Criteria | Does not meet criteria | Amount |
|---|------------------------|--------|
| Total Companies on LQ-45 Index (2018-2022) | | 67 |
| Consistently Listed on LQ-45 Index (2018-2022) | (42) | 25 |
| Financial Reports Stated in Rupiah (Rp) during the Observation Period | (6) | 19 |
| Companies Included in the PROPER Rating | (7) | 12 |
| Exclusion of Companies as Data Outliers/Extreme Data | (1) | 11 |

Source: Processed Secondary Data, (2023)

Ultimately, the number of companies selected as research samples is 11, meeting specific criteria outlined in the selection process. These companies will be the focus of the empirical data analysis using quantitative methods, particularly employing multiple regression analysis with the IBM SPSS Statistics 25 program. samples in this study can be seen in Table 2

Table 2. Research Sample

| No. | Company name | stock code |
|-----|---------------------------------|------------|
| 1 | Aneka Tambang (Persero) Tbk. | ANTM |
| 2 | Astra International Tbk. | ASII |
| 3 | H.M. Sampoerna Tbk. | HMSP |
| 4 | Indofood CBP Sukses Makmur Tbk | ICBP |
| 5 | Indofood Sukses Makmur Tbk. | INDF |
| 6 | Indocement Tungal Prakarsa Tbk. | INTP |
| 7 | Kalbe Tarma Tbk. | KLBF |

| | | |
|----|---------------------------------|------|
| 8 | Tambang Batubara Bukit Asam Tbk | PTBA |
| 9 | Semen Indonesia (Persero) Tbk. | SMGR |
| 10 | United Tractors Tbk. | UNTR |
| 11 | Wijaya Karya (Persero) Tbk. | WIKA |

Source: Processed Secondary Data, (2023)

1. The Ministry of Forestry and Environment (KKLH) employs assessment criteria to evaluate companies' environmental performance through the Company Performance Rating Assessment Program in the Field of Environmental Management (PROPER). The primary goal of the PROPER program is to assess and enhance the performance of companies concerning their environmental management practices. The PROPER rating serves as a benchmark that can be likened to a company's accreditation level for environmental sustainability. Essentially, it provides a measure of how well a company is performing in terms of environmental responsibility and sustainability.

2. Corporate Social Responsibility (CSR) encompasses the integration of environmental information into a company's annual report [8]. The assessment of such disclosures often relies on the Global Reporting Initiative (GRI) sustainability reporting standards. These standards comprise three primary categories and nine performance indicators, facilitating the evaluation of diverse aspects disclosed in a company's annual or sustainability report. The derived metric, termed the Corporate Social Responsibility Index (CSRI), quantifies the extent of CSR disclosure. The CSRI encompasses 48 social indicators (CSRI3), 34 environmental indicators (CSRI2), and economic indicators (CSRI1). Each indicator is scored with a 0 if not disclosed and 1 if disclosed. The CSRI is calculated using a formula that takes into account the disclosure status of these indicators. Unfortunately, the formula for CSRI is not provided in your message. If you have the specific formula, I would be happy to assist you further.

$$CSRI_j = \frac{\sum X_{ij}}{n_j}$$

Information:

- CSRI_j = Corporate Social Responsibility Index of company j
- $\sum X_{ij}$ = Total CSR disclosure by the company
- Score 0 = if item i is not disclosed
- Score 1 = if item i is disclosed (dummy variable)
- N_j = Total items that must be disclosed by the company (91 items)

3. Financial performance involves the analysis conducted by a business using predefined standards or targets within a specific timeframe, allowing for decision-making. This assessment includes a comparison of the company's current financial performance with established benchmarks [9]. In addition to achieving financial objectives, maintaining consistently high environmental performance is crucial for the sustainability of a company. This is essential to prevent demands from stakeholders or the community. [10] In the context of this research, the measurement of financial performance utilizes profitability ratios, with a specific focus on the ROE. ROE, serving as a measure of efficiency, calculates the net profit relative to the amount of equity capital employed by the company. It provides insights into the ability of the company's equity capital to generate profits for shareholders. Therefore, ROE is employed as the chosen profitability ratio in this research to assess financial performance.

$$\text{Return on Total Equity} = \frac{\text{Net Profit}}{\text{Total Equity}}$$

The traditional assumption testing in this research serves the goal of confirming and evaluating the feasibility of the regression model. This is crucial to ensure that the model adheres to the fundamental assumptions of the statistical method employed. The traditional assumption test in this research comprises the following components:

1. Normality Test : This assessment seeks to establish whether a given set of data or variables conforms to a normal distribution. Different statistical techniques can be employed to evaluate the normality of the data.
2. Multicollinearity Test: To detect signs of multicollinearity in the regression model, an examination of Tolerance (TOL) and Variance Inflation Factor (VIF) values is conducted. The absence of multicollinearity is suggested when the TOL value is greater than 0.1, and the VIF value is less than 10.
3. Heteroscedasticity Test: This test is conducted to ascertain if the regression model exhibits non-constant variation. One method involves creating a scatter plot between the residual and the predicted values of the dependent variable.
4. Autocorrelation Test: The Durbin-Watson technique is utilized for the autocorrelation test in this study. It helps assess whether there is any systematic pattern in the residuals.

The multiple regression analysis in this research is facilitated through a regression equation model. However, the specific details of the regression equation model are not provided in your message. If you have additional information or specific details about the regression equation, I can provide more targeted assistance:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

In the regression model you've outlined, where financial performance is the dependent variable and disclosure of corporate social responsibility (CSR) and environmental performance are the independent variables, the equation can be expressed as:

$$\text{Financial Performance} = \beta_0 + \beta_1 \times \text{CSR Disclosure} + \beta_2 \times \text{Environmental Performance} + e$$

a. F-Test:

- When the calculated or observed F-statistic yields a significance value (p-value) below 0.05 ($\alpha=5\%$), it signifies the statistical significance of the overall model. In such instances, the null hypothesis (H0) is rejected, and the alternative hypothesis (H1) is accepted. This indicates that at least one of the independent variables has a significant impact on the dependent variable.
- If the p-value associated with the F-statistic exceeds 0.05, the acceptance of H0 suggests that the model, in its entirety, lacks statistical significance. In this scenario, it implies that none of the independent variables have a significant influence on the dependent variable.

b. t-Test:

- For each independent variable, a t-test is conducted. If the calculated t-statistic has a significance level (p-value) greater than 0.05 ($\alpha=5\%$) or if the absolute value of the t-statistic is less than the critical t-value from the t-table, then H0 is accepted, suggesting that the specific independent variable does not have a significant impact on the dependent variable.

- Conversely, if the p-value of the t-statistic is less than 0.05 or if the absolute value of the t-statistic is greater than the critical t-value, H0 is rejected. This implies that the specific independent variable has a significant influence on the dependent variable. These tests help in assessing the overall significance of the regression model (F-test) and the individual significance of each independent variable (t-tests). The significance level ($\alpha=5\%$) is commonly used as a threshold to determine the statistical significance of the tests.

3. Results and Discussion

Descriptive statistical analysis aims to provide a summary and a clear understanding of the main features of a dataset, including its central tendency, variability, and distribution. The goal is to describe and summarize the key characteristics of the data. IBM SPSS Statistics 25 is a statistical software program commonly used for this purpose, allowing researchers to perform various descriptive statistical analyses.

Table 3. Descriptive statistics

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---------------------------------|----|-----------|-----------|-----------|----------------|
| Environmental performance | 55 | 3 | 5 | 3.84 | 0.714 |
| Corporate Social Responsibility | 55 | 0.61538 | 0.70330 | 0.6737263 | 0.02589036 |
| Financial Performance | 55 | 0.0106903 | 0.3382007 | 0.1426786 | 0.0849306564 |
| Valid N (listwise) | 55 | | | 42 | |

Source: Processed Secondary Data, (2023)

1. Normality Test

Assessing normality is an essential step in statistical analysis, as it helps researchers understand the distribution of data.

Table 4. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

| | | unstandardied Residual |
|----------------------------------|----------------|---------------------------|
| N | | 55 |
| Normal Parameters ^{a,b} | Mean | 0.000000 |
| | Std. Deviation | 0.08015886 |
| Most Extreme Differences | Absolute | 0.113 |
| | Positive | 0.113 |
| | Negative | -0.057 |
| Test Statistics | | 0.113 |
| Asymp. Sig. (2-tailed) | | 0.080 ^c |

a. Test distribution is Normal.

b. calculated from data.

c. liliefors significance Correction.

Source: Processed Secondary Data, (2023)

According to the information provided in **Table 4.** the Kolmogorov-Smirnov test results for the regression equation reveal that the Asymp Sig value (2-tailed) is 0.080. As this value exceeds the significance level of 0.05, it can be inferred that the residual data follows a normal

distribution. Consequently, it is concluded that the research data satisfies the assumption of normality.

2. Multicollinearity Test

In this research, an assessment of multicollinearity is conducted through the examination of Tolerance (TOL) and Variance Inflation Factor (VIF) values. The objective is to determine whether the regression model displays indications of multicollinearity. A model is considered free from multicollinearity when the TOL value is greater than 0.1 and the VIF value is less than 10. These criteria serve as benchmarks to evaluate the independence and reliability of the predictor variables within the regression model. If both TOL and VIF values meet these thresholds, it indicates that there is no significant multicollinearity present in the model.

Table 5. Normality Test Results

| Model | Coefficients ^a | Collinearity Statistics | |
|-------|---------------------------------|-------------------------|-------|
| | | Tolerance | VIF |
| 1 | (Constant) | | |
| | Corporate Social Responsibility | 0.866 | 1.154 |
| | Environmental Performance | 0.866 | 1.154 |

a. Dependent Variable: Financial Performance
Source: Processed Secondary Data, (2023)

Based on **Table 5**, shows that the three independent variables, namely the Environmental Performance and Corporate Social Responsibility variables, have a Tolerance value > 0.10 and a VIF value < 10 . This means that there are no cases of multicollinearity in the regression model or the non-multicollinearity assumption is met.

3. Heteroscedasticity Test

To determine if the regression model contains non-constant variation, apply the Heteroscedasticity test. Using a scatter plot between the residual and the dependent variable's predicted value is one method of testing Heteroscedasticity.

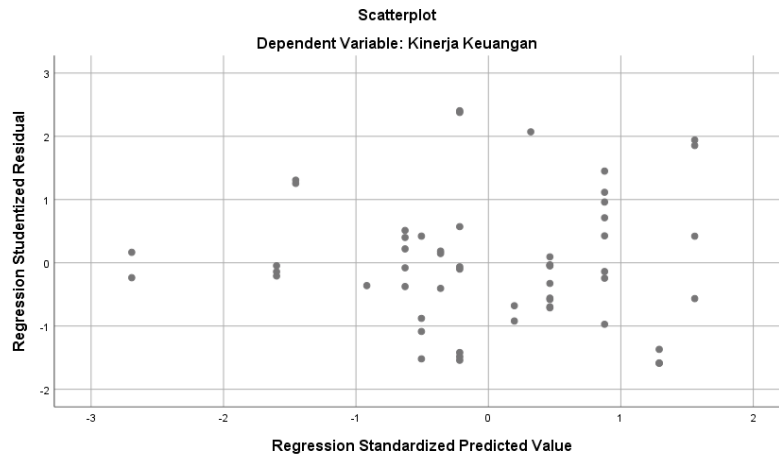


Fig. 1. Heteroscedasticity Test Results

The scatter plot in **Figure 1**, which displays the data points distributed above and below the number 0 on the Y axis without forming a specific pattern, illustrates the results of the Heteroscedasticity test. This indicates that either there are no instances of Heteroscedasticity in the regression model or the data variance is identical or homogeneous. Consequently, this presumption is true.

4. Autocorrelation Test

The Durbin Watson technique was used in this study's autocorrelation test.

Table 6. Durbin Watson "Model Summary" Test Results

| Model | R | R Square | Model Summary ^b | | Durbin-Watson |
|-------|--------------------|----------|----------------------------|----------------------------|---------------|
| | | | Adjusted R Square | Std. Error of the Estimate | |
| 1 | 0.330 ^a | 0.109 | 0.075 | 0.0816858318 | 0.802 |

a. Predictor: (Constant), Environmental Performance, Corporate Social Responsibility

b. Dependent Variable: Financial Performance

Source: Processed Secondary Data, (2023)

In **Table 6**, the Durbin-Watson (d) statistic is reported as 0.802. The interpretation involves comparing this value to the critical values, typically denoted as dL (lower critical value) and dU (upper critical value). In statement mention the range $0 < d < dL = 0 < 0.802 < 1.4903$.

Table 7. Multiple Linear Regression Analysis Test Results

| Model | | Coefficients ^a | | Standardized Coefficients Beta | t | Sig. |
|-------|---------------------------------|----------------------------|------------|--------------------------------|--------|-------|
| | | Unstandardized Coefficient | | | | |
| | | B | Std. Error | | | |
| 1 | (Constant) | -0.685 | 0.340 | | -2.017 | 0.049 |
| | Environmental Performance | 0.031 | 0.017 | 0.258 | 1.835 | 0.072 |
| | Corporate Social Responsibility | 1.054 | 0.461 | 0.321 | 2.285 | 0.026 |

a. Dependent Variable: Financial Performance
Source: Processed Secondary Data, (2023)

$$Y = \beta_0 + \beta_1 \text{CSR} + \beta_2 \text{EP} + e$$
$$Y = -0,685 + 1,054 \text{CSR} + 0,031 \text{EP} + e$$

The statement suggests a positive correlation between Environmental Performance and Corporate Social Responsibility (CSR) disclosure regarding Financial Performance.

T table = Df Residual (1 side 0.5 = 1,675; 2 sides 0,025 = 2,007). Based on Figure 1, the results show the significance value between environmental performance (X1) and corporate social responsibility (X2) variables on financial performance (Y) where $0.049 < 0.05$ or $2.017 > 1.675$. Conclusion: If the significance values are less than 0.05 and the test statistic is greater than the critical value from the t-table (for a two-sided test), it indicates that the null hypothesis (H0) is rejected, and the alternative hypothesis (Ha) is accepted. This implies that there is evidence to suggest a statistically significant relationship between environmental performance (X1) and corporate social responsibility (X2) variables on financial performance (Y).

Based on **Table 7**, the results show that the significance value between environmental performance variables and financial performance is $0.072 > 0.05$, where the t value is $1.835 < t$ table 2.007, meaning that environmental performance has no effect on financial performance. Thus, H1 which states that environmental performance has a positive and significant effect on financial performance is rejected. In accordance with research [11] environmental performance has no effect on financial performance. In contrast to the findings in research [12] our results indicate that environmental performance has a positive impact on financial performance.

H1: Financial performance is not impacted by environmental performance.

According to the findings in **Table 7**, the significance level associated with the impact of Corporate Social Responsibility (CSR) on Financial Performance is reported as 0.026, which is lower than the customary threshold of 0.05. Additionally, the calculated t-value (tcount) is stated as 2.285, surpassing the critical t-value of 2.007 from the t-table. These results collectively suggest that Corporate Social Responsibility (CSR) exerts a positive and statistically significant influence on Financial Performance. In conclusion, H1, which posits that corporate social responsibility has a positive and significant impact on financial performance, is accepted. This finding aligns with research [5], emphasizing the significant positive effect of Corporate Social Responsibility (CSR) disclosure on financial performance. This stands in contrast to the results of another study [13], which did not establish a proven impact of corporate social responsibility disclosure on the company's financial performance

H2: CSR has a positive and significant effect on financial performance

The significance level for testing was predetermined at 0.05 ($\alpha = 5\%$). In statistical terms, if the significance of $F > 0.05$, it implies that the independent variable does not significantly influence the dependent variable. Conversely, a significance value less than 0.05 indicates a noteworthy impact of the independent variable on the dependent variable.

Table 8. Test Results (Simultaneous)

| ANOVA ^a | | | | | | |
|--------------------|------------|----------------|----|-------------|-------|--------------------|
| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | 0.043 | 2 | 0.021 | 3.188 | 0.049 ^b |
| | Residual | 0.347 | 52 | 0.007 | | |
| | Total | 0.390 | 54 | | | |

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Environmental Performance, Corporate Social Responsibility

Source: Processed Secondary Data, (2023)

F-table Calculation: Calculating the F-table value with degrees of freedom (k, n - k) as (2, 55 - 2) results in $F(2, 53) = 2.17$. Significance Level and F-value: In **Table 8**, the calculated significance level is 0.049, and the F-value is 3.188. Comparison: Comparing the calculated significance level (0.049) with the predetermined significance level of 0.05 and comparing the F-value (3.188) with the F-table value (2.17) reveals that the calculated values surpass the threshold. Comparison: Comparing the calculated significance level (0.049) with the predetermined significance level of 0.05 and comparing the F-value (3.188) with the F-table value (2.17) reveals that the calculated values surpass the threshold. Conclusion: Since the calculated significance level (0.049) is less than 0.05 and the F-count (3.188) exceeds the F-table value (2.17), the null hypothesis (H0) is rejected. The acceptance of the alternative hypothesis (H1) implies that the dependent variable is significantly influenced by each independent variable, indicating that financial performance is indeed impacted by both environmental performance variables and the disclosure of corporate social responsibility.

Table 9. Coefficient of determination test results

| Model Summary ^b | | | | | |
|----------------------------|--------------------|----------|-------------------|----------------------------|---------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | 0.330 ^a | 0.109 | 0.075 | 0.0816858318 | 0.802 |

a. Predictors: (Constant), Environmental Performance, Corporate Social Responsibility

b. Dependent Variable: Financial Performance

Source: Processed Secondary Data, (2023)

The analysis of **Table 9** reveals that the R Square value is approximately 0.330. This signifies that the combined influence of the variables, namely Environmental Performance and Corporate Social Responsibility (CSR), on Financial Performance is gradually decreasing, accounting for about 33% of the variability in Financial Performance. The unexamined factors in this specific study may account for the remaining 67% of influences on the outcome. This suggests that there are additional factors or variables outside the scope of this research that contribute to the overall variability in Financial Performance.

4. Conclusion

The research investigates how environmental performance and the disclosure of Corporate Social Responsibility (CSR) impact financial performance. The results indicate that there is no substantial impact of environmental performance on financial performance. Consequently, H1, proposing a positive and significant relationship between environmental performance and financial performance, is not supported. This outcome is consistent with earlier research

suggesting that environmental performance does not notably affect financial outcomes. It contrasts with some studies that have identified a positive association between environmental performance and financial results.

H1: Financial performance is not impacted by environmental performance.

The second part of the study indicates that Corporate Social Responsibility (CSR) does have a positive and significant impact on financial performance. Consequently, H2, which suggests a positive and significant correlation between corporate social responsibility and financial performance, is confirmed. This discovery is in harmony with the study's overall results, affirming that corporate social responsibility plays a constructive role in influencing financial performance.

H2: Financial performance is positively and significantly influenced by Corporate Social Responsibility (CSR).

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