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Relationship of Environmental ability and economic ability company: Evidence from Indonesia

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Abstract. Environmental performance is strongly influenced by the extent of impetus towards environmental management carried out by various agencies, especially agencies government. Environmental performance will also be achieved at a high level if the company proactively undertakes various environmental management actions in a controlled manner. The purpose of this study is to examine the effect of performance environment on economic performance. Data were analyzed using regression multiple. The data used in this study comes from annual reports registered on the Indonesia Stock Exchange and PROPER in 2016-2018. Results this research shows that environmental performance has a significant effect on economic performance. The company is expected to pay attention to the completeness of the disclosure items environmental performance that needs to be disclosed in a sustainable report. This will certainly make it easier for investors to assess the company's performance. In besides that there needs to be more binding regulations from the government regarding ongoing reports made by the company so that the company can know more clearly about what information should be disclosed in ongoing report.

1. Introduction

The existence of the company in the midst of the environment and society has an impact positive or negative. The positive impacts caused include the existence companies in the midst of the environment and society like, creating a fieldwork, providing goods that people need to consume, increase revenue, contribute to regional and state revenues, as well support economic improvement, and others. Meanwhile, negative impacts (negative externalities), among others, the existence of the company in the middle of the environment cause pollution both land, water and air. This is threatening the emergence of air and water pollution, noise, traffic jams, waste chemical, acid rain, radiation, nuclear waste, and many other disasters thus causing mental stress and physical loss in people's lives daily. Errors in the allocation of human and natural resources committed by companies as the main cause.

Economic performance will be the assessment of stakeholders. Better business people, the company's goals will be achieved by themselves and his business will run in the expected corridor. Behavioral economic performance that is ethical, that is by manifesting corporate social responsibility. The implications of violating these principles include neglected environmental management and low levels of environmental performance and the company's low interest in environmental conservation [1].



Environmental performance is a mechanism for companies to volunteer integrate attention to the environment into its operations and their interactions with stakeholders, which exceeds responsibilities organization in the field of law. Therefore, the Ministry of Environment (KLH) with Bank Indonesia signed in 2005, which is follow-up to Bank Indonesia Regulation Number 7/2/PBI/2005 concerning stipulation asset quality rating for commercial banks. PROPER is held to be able controlling environmental impacts to enhance the role of companies in environmental preservation program. The company's environmental performance is measured by use colors, ranging from the best gold, green, red blue, to the worst black to then be announced regularly to community so that the community can know the level of management arrangement the environment in the company by only seeing the colors [2].

Along with increasing awareness and sensitivity of stakeholders companies then the concept of social responsibility emerges and becomes a part which is inseparable from the survival of the company in the future will come. The intended stakeholders include para shareholders, employees (workers), customers, local communities, government, institutions non-governmental organizations (NGOs), and so on.

Some research results related to this topic, including, Suratno and Mutmainah's research provides empirical evidence of influence environmental performance on economic performance [3]. In contrast to Almilialia and research Wijayanto examined the effect of environmental performance on economic performance in mining companies, empirical findings show no influence significant [4]. These inconclusive empirical findings become a gap of research raised in this study. The scope of previous research is limiting in mining companies, it needs to be developed in other regions, i.e. manufacturing companies that have interesting characteristics in relation to environmental performance and economic performance. The purpose of this study for find empirical evidence about the effect of environmental performance on performance economy in manufacturing companies went public on the Indonesia Stock Exchange. Results of this research makes a theoretical contribution to various studies that influence a consideration in making investment decisions. Practically speaking, para practitioners in the scope of the organization need to pay attention to environmental performance.

The population in this study are all manufacturing companies that go public whose shares have been traded on the Indonesia Stock Exchange. Election Samples in the population were selected by purposive sampling, namely manufacturing companies listed on the Indonesia Stock Exchange that follows the Performance Improvement Program Companies in Environmental Management (PROPER) in 2016 - 2018 and has published an annual financial report (annual report) in year 2016-2018. The independent variable in this study is environmental performance, while the dependent variable is the economic performance of manufacturing companies that go public on the Indonesia Stock Exchange (IDX) in 2016-2018. Analysis technique with using multiple linear regression analysis test.

2. Research method

Economic performance according to Ikhsan is the company's performance relatively in a similar industry characterized by annual returns industry concerned [5]. Tuwaijri states that economic performance is stated in the following calculation scale [6]. Industry return is measured from the industry index obtained from the report Indonesian Stock Exchange (IDX). Industrial index adjusted to the sample inside this study, because this study uses a sample of manufacturing companies, then the industrial index used is the manufacturing industry index.

The company's environmental performance is the company's performance in creating good environment (green) [7]. Measurement of environmental performance by looking at the company's achievements following the PROPER program which is one of the efforts made by the Ministry of Environment (KLH) for encourage the arrangement of companies in environmental management through information instrument. The PROPER performance ranking system includes ranking companies in five colors that will be scored consecutively with scores highest 5 for gold, 4 for green, 3

for blue, 2 for red and the lowest value 1 for black, where every company different environmental performance scores according to the specified rank by the Ministry of Environment (KLH).

3. Result and discussion

The test results with regression are presented in table 1. From the test the results obtained the magnitude of the coefficient of determination that shows the effect of performance environment to economic performance which can be explained by the equation model this is 58%. Other factors such as macroeconomic factors of the country, market sentiment factors and the country's political factors have the potential to influence the model regression. The level of significance of the test results showed 0.002 (<0.05) supported research hypothesis.

Table 1. Regression analysis results

Description	B	t	F	Sig.
Environmental ability	2,653	5,824	27,824	0,002
1. Coefficient of determination		0,572		

The results showed that the company's environmental performance was good or bad affect the economic performance of a company at a time which will come. The public only views the company's environmental performance in the same period and will reassess the environmental performance future companies with environmental performance.

Suratno says that good environmentalists believe that by revealing environmental performance means describing good news for Market players [3]. Good economic performance reduces disclosure of cost company's future environment. Disclosure of cost information this environment must be perceived as good news by Performance investors the environment is strongly influenced by the extent of the drive for management environment carried out by various agencies, especially government agencies. Environmental performance will also be achieved at a high level if the company directly proactively carrying out various environmental management measures in a controlled manner. With the company's proactive actions in environmental management as well High performance is expected to encourage company management good economic performance growth.

Almilia and Wijayanto stated, the real implementation of performance environment through the implementation of corporate social responsibility and programs express it both in the annual report and the sustainability report as a form of information that investors need to take decisions related to company performance in accordance with the values in the community [4].

In developing countries, environmental performance, such as Indonesia, is influential on economic performance. Companies especially those doing environmental performance by actively contributing to protecting the environment impact on economic performance. This indicates the community responded good environmental performance run by the company, thus improving economic activity of the company. In developed countries, previous studies show mixed results on this relationship.

This finding is consistent with the findings of previous researchers by Susi, environmental performance by companies affects performance economy, there are companies that follow the PROPER program report or follow the rules in PROPER performance [8]. So that the company's environmental performance be good and meet the criteria of good environmental performance. With performance a good corporate environment makes the company a great opportunity to provide disclosures about their environmental performance.

Ghozali and Chariri, the company will reveal everything information needed for the functioning of the capital market. Supporters The opinion states that if an information is not disclosed this matter because the information is not relevant to investors or that information available elsewhere [9]

Suratno and Mutmainah prove that there is influence positive between environmental performance and economic performance [3]. The greater the share companies in environmental activities, the better the company's image in the eyes of stakeholders and users of financial statements. With the image positive, it will be able to attract the attention of stakeholders as well financial statement users. With

the company's environmental performance the improved the better the company's economic performance, so that the market will respond positively through fluctuations in share prices followed by an increase in the relative stock returns of companies reflection of achieving economic performance.

4. Conclusion

Based on the results of the analysis that has been done, it can be withdrawn Conclusions Environmental performance has a positive effect on performance economy of manufacturing companies that went public on the Indonesia Stock Exchange in 2016-2018. The company is expected to pay attention to the completeness of the disclosure items environmental performance that needs to be disclosed in a sustainable report. This will certainly make it easier for investors to assess the company's performance. In besides that there needs to be more binding regulations from the government regarding ongoing reports made by the company so that the company can know more clearly about what information should be disclosed in ongoing report.

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