THE EFFECT OF ENVIRONMENTAL DISCLOSURE AND ENVIRONMENTAL PERFORMANCE ON FIRM VALUE EMPIRICAL STUDY IN MANUFACTURING COMPANY LISTED IN INDONESIA STOCK EXCHANGE (IDX) PERIOD 2011-2014

THESIS

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The Effect of Environmental Disclosure and Environmental Performance on Firm Value

(Empirical Study in Manufacturing Company listed in Indonesia Stock Exchange for period 2011-2014)

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ABSTRACT

This research aims to examine whether the Environmental Disclosure and Environmental Performance can effecting the firm value of manufacturing company listed in IDX partially, and bothEnvironmental Disclosure and Environmental Performance can effecting the firm value of manufacturing company listed in IDXsimultaneouslythat measured by the Tobin's Q ratio.

The type of this research is an empirical research in form of hypothesis testing by using descriptive method and quantitative approach. The population of this research is Manufacturing Company listed in Indonesian Stock Exchange (IDX). The sample selection based on predetermined criteria, they are Manufacturing Company listed in Indonesian Stock Exchange that issuing annual reports during 2011-2014. The method of analysis used is multiple regression analysis.

The result shows that Environmental Disclosure has positive and significant effect on firm value, Environmental Performance has positive and insignificanteffect on firm value, and both Environmental Disclosure and Environmental Performance have positive and significant effect on firm value simultaneously. Based on the result, it is suggested for the manufacturing company to improve the environmental management activity if they want to increase its firm value, and for the next researcher is expected to do the research by using latest standard that effectively use from 2014 annual report onwards.

Keywords:* *Environmental Disclosure, Environmental Performance, Firm Value, Tobin's Q ratio

ABSTRAK

Penelitian ini bertujuan untuk mengetahui apakah pengungkapan lingkungan dan kinerja lingkungan dapa tmempengaruhi nilai perusahaan secara terpisah, dan kombinasi pengungkapan lingkungan dan kinerja lingkungan dapat mempengaruhi nilai perusahaan pada perusahaan manufaktur terdaftar di Bursa Efek Indonesia (BEI) yang diukur melalui rasio Tobin's Q.

Jenis penelitian ini merupakan penelitian empiris dalam bentuk pengujian hipotesis dengan menggunakan metode deskriptif dan pendekatan kuantitatif. Populasi dari penelitian ini adalah perusahaan manufaktur terdaftar di Bursa Efek Indonesia (BEI). Pemilihan sampel didasarkan kepada kriteria yang telah ditentukan, yaitu perusahaan manufaktur terdaftar di Bursa Efek Indonesia (BEI) yang menerbitkan laporan tahunan antara 2011-2014. Metode analisis yang digunakan adalah analisis regresi berganda.

Hasil menunjukkan pengungkapan lingkungan memiliki pengaruh positif dan signifikan terhadap nilai perusahaan, kinerja lingkungan memiliki pengaruh positif dan tak signifikan terhadap nilai perusahaan, dan kombinasi pengungkapan lingkungan dan kinerja lingkungan memiliki pengaruh positif dan signifikan secara simultan terhadap nilai perusahaan. Berdasarkan hasil penilitian, disarankan kepada perusahaan manufaktur untuk meningkatkan kegiatan pengelolaan lingkungan agar dapat meningkatkan nilai perusahaan, dan untuk peneliti selanjutnya diharapkan untuk melakukan penelitian dengan menggunakan standar terbaru yang mulai berlaku secara efektif sejak laporan keuangan 2014 dan seterusnya.

***Keywords:* pengungkapan lingkungan, kinerja lingkungan, nilai perusahaan, rasio Tobin's Q**

Skripsi telah dipertahankan di depan sidang penguji dan dinyatakan lulus pada tanggal 1 Juli 2015, dengan penguji :

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Sincerely,

Ryan Arif Rifandi

PERNYATAAN KEASLIAN SKRIPSI

Saya yang bertanda tangan di bawah ini menyatakan bahwa skripsi dengan judul :

The Effect of Environmental Disclosure and Environmental Performance on Firm Value (Empirical Study in Manufacturing Company Listed in Indonesian Stock Exchange (IDX) period 2011-2014)

Merupakan hasil karya Saya sendiri, dan tidak terdapat sebagian atau keseluruhan dari tulisan yang memuat kalimat, ide, gagasan, atau pendapat yang berasal dari sumber lain tanpa memberikan pengakuan pada penulis aslinya. Adapun bagian – bagian yang bersumber dari karya orang lain telah mencantumkan sumbernya sesuai dengan norma, etika, dan kaidah penulisan ilmiah. Apabila dikemudian hari ditemukan ***plagiat*** dalam skripsi ini, Saya bersedia menerima sanksi pencabutan gelar akademik yang telah Saya peroleh.

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Yang membuat pernyataan,

Ryan Arif Rifandi

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CHAPTER I

INTRODUCTION

1.1 Research Background

The environmental issues become an important highlight, and the effort of managing the environment is increasing in business sector. This thing occurred because of there are pressures from the outside of the entity. The pressures could be difference in every country and business sector. The environmental pressure could make the organization to find something new, something creative also used less cost to minimize the impact to environment.

The environmental problem already becomes main agenda of global society whether in multilateral or regional forum since 1972 after the international conference about Human Environment at Stockholm, Sweden and Earth Summit Conference at Rio de Janeiro, Brazil 1992. After that, the society assessed that the protection of environment should become everyone's responsibility because the protection of environment still related with the development in economic and social aspect.

The obvious examples of the environmental pressures in the relevance international level are first, value-chain pressures such big company who obligates their supplier to follow Environmental Management System (EMS) standard according to ISO. Second is the pressure to disclose the environmental performance in annual financial report voluntary. Third is costing pressure trough worldwide growth fund of Social Responsible Investment (SRI), investment valuation system and requirement of investment regulation disclosure. Fourth, pressure of controlling regulation such RoHS directive that considers being the regulation in European

Union that regulates the usage of certain chemical material into electric equipment that sold in that area. Fifth is pressure of environmental taxes such as tax of the usage of the natural resources, emission dismissal cost and other. Last, the pressure to comply the Kyoto Protocol about environmental issues. Berry and Rondinelli (1998) in Ja'far and Arifah (2006) stated that the consideration to taking care of the environment also come from the outside of the company such as the government, the consumer, the stakeholders and the competitors.

Ferreira (2004) in Ja'far and Arifah (2006) stated that problem of environmental conservation is the duty of everyone, government, and the company. As the part of the society, the company should report their environmental management in their annual report. This thing related to three aspects of interest, there are: continuity of economic, environmental, and social performance aspect.

The environmental issue also becomes important thing to be concern, especially for consumer, investor, and the government. Generally, the investors are more interested to the company which implementing good environmental management and not underestimating about environment pollution. There's business interest to represents the reputation, credibility, and value added for the company by disclosing their environmental performance in annual report to the stakeholders. According to Octavia (2012) the individual investors are more interested to the environmental information that disclosed in the annual report.

Environmental Disclosure itself means a voluntary disclosure of qualitatively and quantitatively information that issued by company to inform their environment activity whether it's financial and non-financial information. By looking at this environmental disclosure report, the users can know which of the companies that already implemented their social responsibilities.

According to Ahmad and Sulaiman (2004) the environmental disclosure that already done by the companies in developed and developing countries cannot be generalized yet because there is dissimilarity of the development of the economy condition in those countries.

The disclosure which includes the availability of the financial and non-financial information related to the company's interaction with its physical environment and the social environment can be create in their annual report or separated social report. Righteously, the information disclosure should contain the info about how far the organization can give positive impact to society and the environment around (Guthrie and Parker, 1990).

The disclosures of the environmental information still in voluntary, so the existence of this disclosure in the annual report is depend on the company's policy. Actually, the company needs to disclose about their environmental information in order to build an image for the stakeholders as a company that concern about the environment (Ahmad and Sulaiman, 2004). This image will bring positive impact for investor and stakeholders because according to Octavia (2012) individual investors are more interested to information about environment and social in the annual report.

Al Tuwaijri (2004) defines Environmental Disclosure as a collection of information relating to environmental management activities by the company in the past, present and future. This information can be obtained in many ways, such as qualitative statements, assertions or quantitative facts, the form of financial statements or footnotes. In measuring Environmental Disclosure requires a checklist of items that disclosure will be matched with the osures contained in the company's annual report. Environmental Disclosure is represented categories with 30 disclosures in annual reports and sustainability report. These principles isted in the GRI-G3.1 Guidelines.

Environmental performance is how company performance to participate in protecting the nment. Environmental performance is created in form of ranking by the environmental-d institute. The environmental performance is a performance done by the company in ng good environment or green company. In indonesia, the ministry of environmental has d program called PROPER. The PROPER is a program of environmental ranking by try of environment, this program rank the environmental performance done by the company t it can be used as comparison and correction for those companies.

PROPER intended to make the shareholders actively react to this kind information, by ng the improvement of its environmental performance. At the end, the impact on onment by the company can be minimized. The other word of PROPER is Public osure Program for Environmental Compliance. The shareholders would appreciate the pany which has good-ranked company and give pressure or pushing to the company which oad-ranked.

The ranking of environmental performance of PROPER can be divided into 5 colors of . Each of color reflects the company performance. The best rank is gold and green, then , and red, and for the worst performance is black.

Normatively, the most important objective of a company is to maximizing the owner's ealth. The higher firm value will bring more prosperity to the owner (Husnan and Pudjiastuti, 002). The firm value usually can be measured with some aspects, which one is market stock price because it reflects the overall of investor's evaluation on the equity owned by the company.

Kusumadilaga (2010) stated that the firm value is a price that able to pay by someone if the company is sells. The firm value is a reflection of additional amount of company's equity with it's liability as well. There are some factors that influencing the firm value, such: funding policy, dividend policy, investment decision, capital structure, company growth, and company size. Some of the factors have relationship and impact to firm value which is not consistent all the time. According to Kusumadilaga (2010) stated that firm value is an expected future profit value that recalculated with precise rate of interest.

The firm value can be seen from the ability of the company to pay their dividends. However, sometimes there's a moment where the company do not share or pay their dividends because of the company's policy to re-invest the profit that they already obtained. The amount of the dividend can affect the stock price. If the ability of the company to pay their dividend is high, so the stock price of the company is intend to high as well and vice versa. The ability of the company to pay its dividend also related to the ability of the company to make the profit.

To obtain Firm value, firm managers can implement a number of ways. First, use one indicator of financial ratios that improve profitability. Profitability increase can lead to raise stock market prices. Second, managers can implement and disclose Corporate Social Responsibility. By implementing and revealed good Corporate Social Responsibility extensively, it can enhance firm's image and sales growth. It is not separated from trust and acceptance public to firm's products. Third, managers implement good Corporate Governance. Better Corporate Governance process can increase Firm value. Fourth, Firm size to reflect firm assets scale that owned by firm. If included in a large scale, usually information available to investor in making an investment decision with respect to bigger firm, and large firms have drive to boost firm economic growth, so it is expected to increase Firm value (Martini et al, 2014). Firm's value perception changes investor perceptions. It could not be separated from manufacturing firms that having high social values, such as care for social, economic, and environment.

Based on explanation above, the author is intended to develop a research which entitles "The Effect of Environmental Disclosure and Environmental Performance on Firm Value (Empirical Study in Manufacturing Company Listed in Indonesia Stock Exchange (IDX) period 2011-2014)."

1.2 Problem Formulation

Based on the background above, the problem can be formulated as follows:

1. Does the environmental disclosure have significant effect on the firm value in manufacturing company listed on the Indonesian Stock Exchange?
2. Does the environment performance have significant effect to the firm value in manufacturing company listed on the Indonesian Stock Exchange?
3. Do the Environmental Disclosure and Environmental Performance have significant effect to firm value in manufacturing company listed on the Indonesian Stock Exchange simultaneously?

1.3 Research Purpose

Based on the formulation problem has been presented, the objectives to be achieved in this research is as follow:

1. To provide empirical evidence about environmental disclosure effect on the firm value in manufacturing company listed on the Indonesian Stock Exchange.
2. To provide empirical evidence about environmental performance effect on the firm value in manufacturing company listed on the Indonesian Stock Exchange.
3. To provide empirical evidence about both environmental disclosure effect and environmental performance on the firm value in manufacturing company listed on the Indonesian Stock Exchange.

1.4 Benefits of Research

Based on the purpose of research, the results of this study are expected to be useful as follows:

1. For the theoretical aspect, the results of this study are expected to increase knowledge in the field of accounting, particularly on environmental disclosure.
2. For a practical aspect, the results of this study are expected to be useful as input material in consider investor decision-making related to investment in shares, especially at manufacturing company in Indonesian Stock Exchange.

1.5 Writing Systematic

This research consists of five part or chapters, arranged and will be explained as follow:

1. CHAPTER I : this chapter explains about the background, problem formulation, research purpose and benefit, and writing systematic.
2. CHAPTER II : this chapter explains about literature review and review of previous research to develop the hypothesis.
3. CHAPTER III : this chapter explains about research design, population, sample, data and methods of data collection, identification, measurement of research variables, and method of data analysis.
4. CHAPTER IV : this chapter explains about the result of research testing, so it can be answered the problem.
5. CHAPTER V : this chapter explains about the conclusion, research limit and opinion, and the implication of the research that has been done.

CHAPTER II

LITERATURE REVIEW

There are some theories used as a basis for explaining the influence between environmental disclosures toward firm value. The following paragraph will tells about those theories in this research.

2.1 Legitimacy Theory

Legitimacy theory stated that company or organization sustainability should ensure whether they had been operated on the upheld norms by society and ensure that their activities are accepted by the outside parties of the company. A postulate of the legitimacy theory is the organization not only looking into account the rights of investors but in general must also consider the rights of the public (Deegan and Rankin, 1996).

Legitimacy as a generalized perceptions or assumptions that the actions of any entity are desirable within some socially constructed system of norms, values, belief, and definition. Based on that definition, the purpose, operation method, and organization's output should be according to the norms and the social value. More important, the organization should conform to the rules in the society in order to guarantee the sustainability and social approval. According to that statement, the accountability system and social accounting becomes essential to continued approval of the organization's operations by the society.

Ghozali and Chariri (2007) stated that in legitimacy theory there is 'social contract' in which company operates and the use of economic resources. Ghozali and Chariri (2007) also provide an explanation about social contract concept, that is all social institutions are no exception companies operating in society through the social contract, either explicit or implicit, where survival and growth are based on the final result socially can be given to the general public and distribution economic benefits, social or political to the group in accordance with power they have.

So basically every company has an implicit contract with communities to undertake activities based on the values it upholds in society. Costs that will arise due to the high refused to legitimize the existence of the company in the midst of them. Therefore, companies are trying to gain legitimacy from the community how to implement programs in accordance with the expectations of society. The real implementation is through the implementation of corporate social responsibility and expressed both in the annual report and sustainability report as a form of information needed investors to take decisions related to the performance of the company in accordance with the values in the society.

There are two levels of legitimacy theory. Macro Legitimacy Theory or so called Institutional Legitimacy Theory; explain about overall organizational structure (i.e. capitalism, or the government) getting accepted by the community. The second legitimacy theory is Organizational Legitimacy Theory or so called Strategic Legitimacy Theory, which explain that organizational legitimacy as a process in organization to find the legitimacy within the groups of society.

The company is in one of the four phases related to their legitimacy. The four phases are:

1. Creating Legitimacy

   This phase is representing the beginning stages in developing legitimacy by the company and often leans to several rumors, especially in financial aspect, however the company should aware to “socially formed standard and expected performance quality according to professional standard”.

2. Keeping Legitimacy

   In this phase is where the most company operates. Keeping legitimacy is not as easy as it seems. The legitimacy is a dynamical construct. “Society’s expectation is not static; it often changing in time to time and make the company must responsive to the place where the company operates”.

3. Expanding Legitimacy

   This phase is the phase when the company entering the new market or there’s changes in the current market.

4. Maintaining Legitimacy

   Legitimacy can be threatened because of the incident and need to be maintained. This thing usually happened to the mining company.

2.2 Stakeholder Theory

Stakeholder is an individual, group of people, communities or society as a whole or partially with relationship as well as the interests of the company. Individual, group, or society can be said to be a stakeholder if it has power, legitimacy, and the interests of the company. Concept which underlies about who is included in the company's stakeholders now it has grown to keep pace with changing business environment and the complexity of our business activities.

Stakeholder theory firstly explained by R. Edward Freeman (1994), this theory identified group of stakeholder and company also explained how management could act according to se groups' interest.

In traditional approach, the stockholders are the only one that admitted as the party who s to be concern by the company, and the company should make the stockholders' interest as primary goal to achieve. In the old model of input-output stated that, the company empted to converse the input from the investors, workers, and suppliers into an output that n be marketed to the customers so there will be expected return for the company.in this odel, the company is directed to fulfill the needs of four parties, such as: investors, workers, ppliers and buyers. But, the stakeholder theory assumed that there are other parties involved, ere are: government, political party, trading association, society, prospective workers, ospective customers, and public. In some manners, the competitors also consider as akeholder.

Stakeholder theory stated that all stakeholders have a right obtain information about ctivities that may affect the company's their decision making. The stakeholders may choose ot to use that information and not even play a role in directly in a company (Deegan, 2004). his is due to stakeholder considered may affect the company but also can be affected. With hus, the existence of a company is influenced by support given by stakeholders to the ompany.

Basically, the stakeholders can control and able to influencing the usage of economic ources. So that, the stakeholders power is decided by the amount of power that stakeholder has on the sources (Ghozali and Chariri, 2007). That power could be an ability to restrict the usage of limited economic resources (capital and labors), access on influential media, ability to regulate the company, or ability to influencing the consumption on goods and services produced by company. (Deegan, 2000). Based on that statement, so when the stakeholders controlling the important economic sources, then the company will be reacted by satisfying the stakeholders need (Ghozali and Chariri, 2007).

2.3 Environmental Performance

The Increasing of environmental performance can be used by the firm as important information sources in order to achieve the most efficient production level, reparation of productivity according to the standard, cost-pressing because of environmental damages, and a chance to obtain the new market. (Wibisono, 2011).

Environmental performance is the performance of the firm to create a good environment or also called as *green*. According to Wibisono (2011), the environmental performance is the mechanism for the firm to voluntarily integrate their attention to the environment in their operation and in their interaction with the stakeholders. The environmental performance is included in the environmental disclosure.

Nowadays, the government and the public already realize about the environmental responsibility. So the sustainability of the firm will be depending on the stakeholders' policy. Covering the firm which damaging the environment will cause fatal impact to the firm. Because of that, in the present time there's so many company that realize about the importance of environment and social issues as the company's cost element. This thing will give benefit rather than if the company should pay the damages claim which probably has greater amount than the company handle the environment and social issue.

The previous researchers provided statement that the environmental performance done by the firm has directed to the positive image by the public to the firm, because the firm already has a high-consideration to the environment. The report of the company's social performance will affect to the financial performance of the firm. The implication of the firm's profit will affecting to the stock price in the stock exchange for the firm which has high-consideration to the environment.

The investors are also intended to give their attention to the environmental issue, which has relation with the investment decision. The investors must be chose the most profitable investment with less risk which occurred due to the careless of the firm on the environment. After all, only certain firms that has influence to the environmental performance (Wahjoedi, 2005). Environmental performance should be used as one of strategy in order to develop the enterprise.

2.4 PROPER

PROPER is stands for *Penilaian Peringkat Kinerja Penataan dalam Pengolahan Lingkungan* or Public Disclosure Program for Environmental Compliance developed by Ministry of Environment of Republic of Indonesia. This program instrument is done by publishing the information related to company performance in managing the environment for the stakeholders in national scale.

PROPER intended to make the shareholders actively react to this kind information, by pushing the improvement of its environmental performance. At the end, the impact on environment by the company can be minimized. The objectives for implementing the PROPER is to push the company to improve their performance in managing its environment by publishing the information of company's performance in manage the environment. The measurement of the performance can give whether the incentive or disincentive of reputation that occurred after the PROPER report is published. The stakeholders would appreciate the company which has good-ranked company and give pressure or pushing to the company which has bad-ranked.

The implementation of PROPER is the way of ministry of environment to implement some of good governance principal (transparent, equitable, accountable, and also community involvement). This program is done with involving many stakeholders. Begin with creating the PROPER measurement criteria, selecting the company, deciding the rank, until the publishing of the rank to the public. PROPER is more focused on the company which has fulfill the criteria such as the company that has significant influence on the environment, export-oriented company and/or the product has direct interaction with the community, and also for public company.

In this time, the measurement of the performance is focused on how the companies handle the water pollution, air pollution, and hazardous waste aspects also for other compliance related to analysis of environmental impact. For the beyond compliance aspect is measured by the activities done by the company in the implementation of Environmental Management System (EMS), Resource Used and Conservation, also for Corporate Social Responsibility (CSR) activities including Community Development.

The PROPER ranking is divided into 5 ranking of colors. Each color reflects the performance done by the company. The best performance is given by the color of gold and green, for the next is blue and red, and for the worst performance is given by the color of black.

2.5 Disclosure

General purpose in financial report is to provide useful financial information in order to making decision. To achieve this objective, it is required a clear disclosure about accounting data and other relevance information. The disclosure means giving the data to those who needed. If the disclosure linked with the financial report, the disclosure means a financial report that should contain clear information and able to describes precisely about economic events that has influencing on those enterprise's operating unit result. The information disclosed should be useful and not confusing the users in order to making decision (Ghozali and Chariri, 2000).

There are three concepts of disclosure:

1. Adequate Disclosure, the disclosure includes the minimal disclosure that should be done in order to make the financial report does not diverge. This kind of disclosure is most used.
2. Fair Disclosure, this disclosure is represents the ethical objectives fairly in order to give equal treatment and general to all financial report's users.
3. Full Disclosure, this disclosure required a presentation of all relevance information. However, for several parties consider the full disclosure as excessive information presentation, so the full disclosure can be stated as not proper disclosure.

According to SK Bapepam No. Kep-38/PM/1996 stated that the information disclosure in annual report can be categorized into two. There are:

First one is mandatory disclosure, which means the information that should be disclosed by the listed company which had been regulated in the stock market regulation of the country. The second one is voluntary disclosure, which means the disclosure by the company voluntarily without following to the standard.

Further explanation about environmental disclosure can be found at voluntary disclosure section. At this part the company disclosed its operations and activities that affecting the environment, also the contribution that company give to the environment.

2.6 Environmental Disclosure

According to Utami (2008) the social responsibility and environmental disclosure have purposes to present to the public about the activities done by the company and its impact which occurred to the society. The impact such as how far the environment, employees, consumers, and the society affected by the company's business operation and activity.

One of the manager's motivations to do social-environment disclosure is to obtain legitimacy from the society especially for the sustainability of the company. According to Utami (2008) the only reason for the company existence is to deliver the profit to the owner. By doing social-environmental disclosure, the company is attempting to fulfill the stakeholders' expectation as the efforts in order to obtain legitimacy.

Al Tuwaijri (2004) defines Environmental Disclosure as a collection of information relating to environmental management activities by the company in the past, present and future. This information can be obtained in many ways, such as qualitative statements, assertions or quantitative facts, the form of financial statements or footnotes. In measuring Environmental Disclosure requires a checklist of items that disclosure will be matched with the disclosures contained in the company's annual report. Environmental Disclosure is represented by 8 categories with 30 disclosures in annual reports and sustainability report. These principles are listed in the GRI-G3.1 Guidelines.

Regulation of disclosure of information related to social and environmental responsibility in Indonesia is set out in government regulations in the law No. 40 year 2007 Article 66, paragraph 2 c. Annex to decision of the Chairman of Bapepam Number KEP-134/BL/2006 also oblige companies to express their corporate governance related information in which also includes a description of the activity and costs incurred related to the company's social responsibility towards society and the environment at the company's annual report. However, there still no regulation to regulate about the disclosure yet.

Environmental disclosure is a disclosure of the information related to the environmental in the annual report. Generally, there is separate section in Sustainability Report or disclosed in the annual report. In USA, the SEC has the responsibility to handle the disclosure level problem, while the FASB deals with the disclosure format. In Indonesia, the one who has authority for the mandatory disclosure is Bapepam.

2.7 Firm Value

There are some important objectives in establishing a firm. The first one is to get maximal profit and return. Second one is to increasing the prosperity of the owners or the stockholders. And third is to maximizing the firm's value the reflected on its stock price. All of the three objectives substantially are not much different. However, the pressure given by the firm in order to achieve one of the objectives that makes it different. The main objective of the firm actually is to maximizing the firm value. That objective is used because by maximizing the firm value, the prosperity of the owners or stockholders will be increased as well.

Firm value became important because if firm value is high, it will be followed by the high of stockholders prosperity level. The higher stock price will make the firm value high too. The firm value is reflected from the stock price. The market price of firm's capital is formed between buyer and seller when conducting transaction which mentioning the market value of the company; because the stock market value is considered being a reflection of the real value of firm's asset. The firm value made through the stock market value indicator is very affected by investment opportunity. The investment opportunity could give a positive signal about future company growth, so it can increase the firm value.

There are some basic concepts in measuring the firm value; that are: the value is decided for a certain period of time, value should be decided on fair value, and the value is not decided by certain group of buyers. Generally, there are so many techniques and methods that have been developing in measuring firm value, such as: a) income approach such price earning ratio, b) cash-flow approach such cash flow discount method, c) dividend approach such dividend growth, d) asset approach, e) stock price approach, and f) economic value added approach (Octavia, 2012).

In this research, the author used stock price approach in measuring the firm value. The ratio used to measure firm value is Tobin's Q (Q) ratio. In the prior research, many researchers used this ratio to measure firm value, such as Octavia (2012) and Kusumadilaga (2010). The greater of the value of Tobin's Q ratio shows that the company has good growing prospect and own greater intangible asset. This thing occurred because of the greater of market value of company's assets it will make the intention of the investors to invest and give more to that company. The companies with great Tobin's Q value usually have a stronger brand-image, while the company that has low Tobin's Q value is usually operated competitive industrial company. (Octavia, 2012)

2.8 Previous Research

Research about Environmental Disclosure has been done enough by the experts and academicians in all over the world. Most all of them were doing the research in industrial or manufacturing company in order to find out the benefits that industry could get in implemention of Environmental Disclosure and used many variety of variables. The industrialization has grown rapidly and might give bad impact to the environment if its not manage well. Based on this, the author is intended to develop this study since the author seen there is not so many research conducted about environmental disclosure on Indonesia manufacturing company

The previous research that has been conducted in all over the world as follow:

1. Octavia, Itsna (2012). The research entitles the Impact of Environmental Disclosure on Corporate Value with Profitability as Moderating Variable. The research took sample on Mining Company which listed in Indonesia Stock Exchange from 2008 to 2010. The result of the research was: 1) Impact of Environmental Disclosure has significant influence towards Corporate Value. 2) Profitability as the moderating variable in relation between Environmental Disclosure and Corporate Value has no significant influence.
2. Schiager, Henriette and Haukvik, GuroDingsør (2012). The research with title the Effect of Voluntary Environmental Disclosure on Firm Value is conducted in the Nordic listed firms that disclosing environmental information to the Carbon Disclosure Project in 2007-2011. Schiager and Haukvik provided evidence of significant, positive association between the level of environmental disclosure and Tobin's Q. and found that firms with improved disclosure from one year to the next experience abnormal excess return. Firms with stable or aggravated disclosure do not yield the same result. This implies that voluntary environmental disclosure is value-relevant for stakeholders, and has a positive impact on firm value.

3. Plumlee, Marlene, et al (2010). The research entitled Voluntary Environmental Disclosure and Firm Value: Further Evidence. The research measures voluntary environmental disclosure quality using a disclosure index consistent with the Global Reporting Initiative (GRI) disclosure framework for a sample of US firms across five industries and document a positive relation between voluntary disclosure quality and firm value through both the cash flow and cost of capital components. Based on the analysis, they documented an association between voluntary disclosure quality and a firm's cost of equity.
4. Handayani, Ari Retno (2010) conducted research which entitled the Impact of Environmental Performance on Environmental Disclosure and Economic Performance also the Environmental Disclosure on Economic Performance. The research conducted on Manufacturing Company listed in the Jakarta Stock Exchange. The result of this research shows that Environmental Performance has no significant impact on Environmental Disclosure and Economic Performance. Also the Environmental Disclosure has no significant impact on Economic Performance.
5. Nuraini F, Eiffeliena (2010). The research entitles the Impact of Environmental Performance and Environmental Disclosure on Economic Performance. The research conducted on Non-Financial Company listed in Indonesia Stock Exchange period 2006-2008. The result was Environmental Performance does not affect the Economic Performance. Environmental Disclosure is not significantly influence the Economic Performance.
6. Octora, Stephanie (2014). The research entitles The Influence of Environmental Disclosure, and Company Growth towards Financial Performance. The research

sample was on Natural Resource Based Company Listed in Indonesia Stock Exchange Period 2010-2013. The result of research showed that there is no positive and significant influence of Environmental Disclosure on Financial Performance. There is positive and significant influence of Company Growth on Financial Performance. And there is significant influence of Environmental Disclosure and Company Growth on Financial Performance simultaneously.

7. Iqbal, Mohammad, et al (2013) conducted a research which entitled Effect of Environmental Accounting Implementation and Environmental Performance and Environmental Information Disclosure as Mediation on Company Value. Research results indicate that environmental accounting implementation is able to effect on company value, environmental accounting implementation effect on environmental information disclosure, environmental information disclosure effect on company value, environmental performance effect on company value, environmental performance effect on environmental information disclosure. However, environmental accounting implementation has not been able to effect on company value through environmental information disclosure, as well as environmental performance has not been able to effect company value through environmental information disclosure.

Table 2.1

Summary of Previous Research

No.	Author	Title	Variables Used	Result
1	Itsna Octavia (2012)	*Pengaruh Penguungkapan Lingkungan terhadap Nilai Perusahaan dengan*	Environmental Disclosure, Firm Value, Profitability	Impact of Environmental Disclosure has significant influence towards

		Profitabilitas sebagai Variabel Moderasi		Corporate Value. Profitability as the moderating variable in relation between Environmental Disclosure and Corporate Value has no significant influence.
	Henriette Schiager and Guro Dingsør Haukvik (2012)	The Effect of Voluntary Environmental Disclosure on Firm Value	Voluntary Environmental Disclosure, Firm Value, Stock Returns	Voluntary Environmental Disclosure has positive impact and leads to increase firm value, but it has negative impact to the stock return
	Marlene Plumlee, et al (2010)	Voluntary Environmental Disclosure and Firm Value: Further Evidence.	Voluntary Environmental Disclosure, Cash Flows, Cost of Equity Capital	There is significant positive association between voluntary environmental disclosure and the cash flow; voluntary environmental disclosure has no association with cost of equity
4	Ari Retno Handayani (2010)	*Pengaruh* Environmental Performance *terhadap* Environmental Disclosure *dan* Economic Performance *serta* Environmental Disclosure *terhadap* Economic Performance	Environmental Performance, Environmental Disclosure, Economic Performance	Environmental Performance has no significant influence to Environmental Disclosure and Economic Performance. Environmental Disclosure has no significant influence to Economic Performance
5	Eiffeliena Nuraini F. (2010)	*Pengaruh* Environmental Performance *dan* Environmental Disclosure *terhadap* Economic Performance *(Studi pada Perusahaan Non-Finansial terdaftar di BEI 2006-2008)*	Environmental Performance, Environmental Disclosure, Economic Performance	Environmental Performance does not the effect Economic Performance. Environmental Disclosure is not significantly influence the Economic Performance
6	Stephanie Octora (2014)	The Influence of Environmental Disclosure, and Company Growth	Environmental Disclosure, Company Growth,	There is no positive and significant influence of Environmental

		towards Financial Performance	Financial Performance	Disclosure on Financial Performance. There is positive and significant influence of Company Growth on Financial Performance. And there is significant influence of Environmental Disclosure and Company Growth on Financial Performance simultaneously.
	Mohammad Iqbalet al (2013)	Effect of Environmental Accounting Implementation and Environmental Performance and Environmental Information Disclosure as Mediation on Company Value	Environmental Accounting Implementation, Environmental Performance, Environmental Disclosure, Company Value	Environmental accounting implementation is able to effect on company value, environmental accounting implementation effect on environmental information disclosure, environmental information disclosure effect on company value, environmental performance effect on company value, environmental performance effect on environmental information disclosure. However, environmental accounting implementation has not been able to effect on company value through environmental information disclosure, as well as environmental performance has not been able to effect company value through environmental information disclosure.

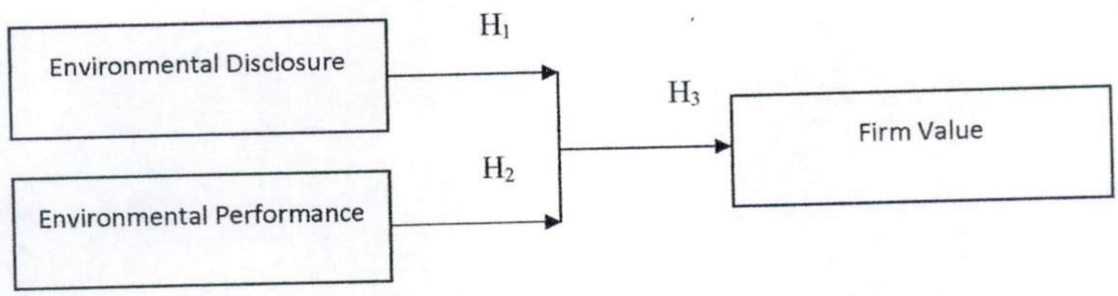
2.9 Conceptual Framework

By the development of environmental issues, the companies nowadays compete to get 'green' image by the CSR programs conducted by the company. This event is matched with the legitimacy theory meaning where the firms are expecting to get confession from the society and to fulfill their social contract to the society as well. Although the program makes great costs to the firm, it would not be a matter because the programs consider being a long-term investment.

The process that related to this study can be shown by the following conceptual framework:

Figure 2.1

Conceptual Framework



2.10 Hypotheses Development

2.10.1 The Effect of Environmental Disclosure on Firm Value

The main objective of the company is to increasing the firm value. The firm will always attempt to achieve and maintain the firm value by maximizing the performance. Beside of social and economic performance done by the firm, recently, the environmental performance also become thing to be considered by the public because the issues related to the environment has become global issue as well.

A commitment is needed by the company in order to do environmental performance and disclosure because it will make the firm value growing simultaneously. Providing environmental disclosure in annual report or sustainability report is the way for the firm to present their environmental performance. These disclosures provide information about practices related to protecting the environment that could reduce government regulation and the resulting compliance costs, potential litigation, and/or pollution cleaning cost (Plumlee et al, 2010). The disclosure of the environmental include 8 categories and 30 disclosure as stated in the Global Report Initiative (GRI) G.3.1 guideline. The 8 categories are: Materials, Energy, Water, Biodiversity, Emissions, Effluents, and Waste (EEW), Products, and Services, Compliance, and Transportation.

Epstein and Freedman (1994) in Octavia (2012) found that individual investor is more intended to social information like security and product quality also the information about environment activity which is reported in the annual report. The CSR disclosure (including environmental disclosure) will increase the firm value from the perspective of earning and stock price as the cause of the investors who invest their stock in the company (Kusumadilaga, 2010). By the practice of good environmental disclosure, the firm value is expected to be good in the investors' point of view.

According to explanation above has led to the first hypothesis as follow:

H_1: the Environmental Disclosure has significance effect on the Firm Value.

2.10.2 The Effect of Environmental Performance on Firm Value

The firms with higher environmental performance level have better long-term value compare to the firm which have low environmental performance level. From the cost perspective, good environmental performance will deduct the environmental cost in the future.

This thing happen based on the legitimacy theory that state the firm is trying to get a legitimacy from the community by doing programs according to the society's expectation.

The effect of cost information disclosure will be a good news for the investors. The information about company performance and activity is the most important thing to stakeholders especially for the investors because such disclosure is consider as necessity for the stakeholders.

The more contribution of the firm in environmental activities will make the image of the firm become well to the stakeholders and to the users of the annual report. By those positive image that obtained by the firm from its environmental performance, will also increasing the value of the firm. So that, the market will respond positively trough the fluctuation of the stock price that also will be followed by the stock return of the firm which relatively is a reflection of the firm value.

Based on the relationship between environmental performance and firm value explained above, the hypothesis can be concluded as follow:

H_2: Environmental Performance has significance effect on Firm Value

2.10.3 The Effect of Environmental Disclosure and Environmental Performance on Firm Value

Corporate social responsibility can increase the reputation of the company to the consumer as well as to improve the profitability of the company. The growth of the company has a direct influence on the company's stock price, which means that information about the value of the company responded positively by investors. Such information should be forthcoming under existing general requirements in the securities laws of Mexico, Canada and the United States that companies promptly disclose all material information, since some environmental information is clearly of material financial importance. In addition, there are more detailed and specific environmental disclosure requirements in US and Canadian securities regulations that have been clarified through published accounting standards and explanatory releases by securities regulators (Montral 2002).

According to the explanation related to the environmental disclosure and environmental performance to the firm value above has led to hypotheses as follow:

H_3: Environmental Disclosure and Environmental Performance have significance effect toward Firm Value simultaneously

CHAPTER III

RESEARCH METHOD

3.1 Type of Research

This research is using descriptive method. The descriptive method is a research where the data collection method is conducted to test the research questions or hypotheses related to a condition or present event. Type of this research approach is using quantitative approach. Quantitative approach is a type aim to describe the truth of fact. The Fact explains that the influencing between independent variable to dependent variable was investigated by collecting data, process, analyze, and interpret data in statistical hypothesis testing. In this descriptive study and quantitative are used to test the influences of environmental disclosure on the firm value as well as to the theory by testing a hypothesis is accepted or rejected.

3.2 Sampling Method

The sampling method of this research is using purposive sampling method. Purposive sampling is the acquisition of information using certain considerations (Octora, 2014). The criteria that consider to be used in this study are:

1. Manufacturing Company listed in Indonesia Stock Exchange period 2011, 2012, 2013 and 2014.
2. Not delisted (out) from Indonesia Stock Exchange during period 2011, 2012, 2013 and 2014.
3. Companies that published their Annual Report or Sustainability Report during 2011-2014

4. Companies that published the environmental disclosure or followed GRI period 2011, 2012, and 2013.
5. Companies that followed Company's Environmental Management Performance Rating (*Program Penilaian Peringkat Kinerja Perusahaan,* PROPER) period 2011, 2012, and 2013.

3.3 Research Variables and Operational Definitions

3.3.1 Dependent Variable

Dependent variable is the variable explained or affected by other variable. The dependent variable used in this research in firm value. The firm value here is proximate by Tobin's Q ratio. Octavia (2012) stated that basically, the Tobin's Q (Q) ratio is the market value of the outstanding stock and the company's liability on replacement cost of the company's asset.

The calculation formula of Tobin's Q (Q) ratio used in this research is the same with the formula stated by the prior researcher Octavia (2012), but the calculation has adjusted with the financial transactions condition of the Indonesian firms. The Tobin's Q ratio can be calculated with the following formula:

$$Tobin's\ Q = \frac{MVE + DEBT}{TA}$$

The Tobin's Q ratio calculation formula is similar with the Tobin's Q formula used by other prior researchers in Indonesia to measuring the firm value. In the research done by Octavia (2012) give the explanation of the Tobin's Q formula as follow:

MVE = year-end closing stock price * outstanding common stock

DEBT = book value of debt

TA = book value of total assets

3.3.2 Independent Variable

3.3.2.1 Environmental Disclosure

Independent variable is the variable that explain and affecting the other variable. In this research, the first independent variable is environmental disclosure. The environmental disclosure is the disclosure of information relating to the company's annual report and sustainability report. Environmental Disclosure is represented by 8 categories with 30 disclosures in annual reports and sustainability report. The 8 categories included materials, energy, water, biodiversity, emission, effluents, and waste, products, and services, compliance, transport, and overall. List of this disclosure in this study is using the list of disclosure items of GRI 3.1.

Environmental disclosure by companies are measured with scoring disclose obtained from the analysis of annual reports using the score 1 (one) if disclosed and 0 (zero) if it is not disclosed. In this research, the measurement of Environmental Disclosure can be calculated as follow (Octavia 2012):

$$EDI\ (Environmental\ Disclosure\ Index) = \frac{total\ items\ of\ disclosure\ in\ company}{items\ of\ disclosure\ in\ GRI}$$

3.3.2.2 Environmental Performance

The environmental performance is the company performance in creating green environmental condition. The firm's environmental performance can be measured by the achievement that obtained by the firm in compliance to the PROPER program which conducted by the Ministry of Environment of Republic of Indonesia.

The ranking system of PROPER is given to the company with 5 (five) rank of color and will be give the score 1 for the lowest rank, and 5 for the highest rank. The score and the color will be described as follow:

Table 3.1

PROPER Score Table

No	Color	Score
1	Gold	5
2	Green	4
3	Blue	3
4	Red	2
5	Black	1

3.4 Data Collection Method

Data collection method used is library research. The research literature was conducted by searching and collecting the literature such as financial reports, books, articles, journals, theses, data from the internet, and legislation relevant to the research problem. The data obtained from the research literature is called the data Secondary (secondary data), which is annual report and sustainability report of manufacturing company year 2011-2014 from Indonesia Stock Exchange (IDX) and directly downloaded from the firm's website.

3.5 Data Analysis Method

The data obtained will be processed using SPSS version 17 to obtain accurate results while the data analysis techniques used in this study using simple linear regression analysis.

The analysis model is chosen because the study was designed to examine the effect of independent variables on the dependent variable.

3.5.1 Analysis of Descriptive Statistics

Descriptive statistical analysis is a descriptive technique provides information about the data held and does not intend to test the hypothesis. This analysis is only used to present and analyze the data with the calculations in order to clarify the circumstances or characteristics of the data used. Measurements used in the descriptive statistics include the number of samples, the minimum value, maximum value, average value (the mean), and standard deviation.

3.5.2 Test of Classical Assumption

3.5.2.1 Multicollinearity Test

This test is to aim whether or not there is a relationship between the independent variables in the regression model. A good regression model should be no correlation between the independent variable.

To detect the presence of multicollinearity, it can be seen from the value of tolerance and the variance inflation factor (VIF). Both of these measurements indicate which of each independent variable is explained by other independent variables. So to detect whether or not there is multicollinearity in a regression model can be observe by this ways:

- If the tolerance value is less than 0.10 it will be conclude that there is no multicollinearity and if the tolerance value is greater than 0.10 then it will be conclude that there is multicollinearity.

- If the VIF value is less than 10 it will be conclude that there is no multicollinearity and if the VIF value is greater than 10 then it will be conclude that there is multicollinearity.

3.5.2.2 Autocorrelation Test

This test aims to test whether the linear regression model has a correlation between disturber error in period t with the error in period t-1 or earlier period. To detect if there is a tendency of autocorrelation in the linear regression model. Therefore, the value of DW obtained should not less than -2 and should not more than 2, so it means there is correlation between dependent and independent variable. The other way can be done with the experiment *d* by Durbin-Watson. In the DW test will not happen either positive or negative autocorrelation if DW is between d_u and $4-d_u$.

3.5.2.3 Heteroscedasticity Test

The heteroscedasticity test aims to test whether or not in the regression model occur the inequality of variance from one residual observation to the other observation. If the variance from one observation to other observation is remain the same, so it called homoscedasticity, but if it's different, it called heteroscedasticity.

A good regression model is the homoscedasticity or there is no heteroscedasticity. To detect the heteroscedasticity in this research, the author used Glejser test. The Glejser test is conducted by doing regression of the residual absolute value to the independent variable (Gujarati, 2003 in Octavia, 2012). The presence of heteroscedasticity will be detected with the level of significance. If the significance level is above 5%, meaning no symptoms of heteroscedasticity and if below 5% means symptoms of heteroscedasticity.

3.5.2.4 Normality Test

Normality test aims to test whether the dependent and independent variables used in the regression model are normally distributed. Regression model is having a good data distribution is normal or near normal. This research will be used Kolmogrov-Smirnov test (KS) to see if the data were normally distributed. Testing criteria for this test are:

- Significance> 0.05 then the data is normally distributed
- Significance <0.05 then the data is not normally distributed

3.5.3 Hypotheses Testing

3.5.3.1 Multiple Regression Analysis

This research model using multiple linear regression models, the multiple linear regression analysis is to aim to detect the relationship between variables used in the research.Multiple linear regression Model is said to be a good model if the model has a data normality assumptions and freed from classical statistical assumptions both relevant and autocorrelation. Data gathered for the research is processed by using application for statistical data that is SPSS 17.

3.5.3.2 Partial Test (t-test)

The hypothesis testing is done by regression analysis to find out the effect of independent variable individually. Test that will be used is the t test.

The decision making will be taken based on the comparison of each coefficient value of t *hitung* with the t table, with the significant level of 5%.

- If the t *hitung* < t table, so the H_0 is accepted which mean independent variable has no influence on dependent variable. If t *hitung* > t table, so the H_0 is rejected and H_a is accepted which mean the independent variables has influence on dependent variable.
- The significant level used of this research is 5%. If level of significant > 0.05, so the hypothesis is rejected. If the level of significant is < 0.05, so the hypothesis is accepted.

3.5.3.3 Test Statistic F

The F-test is done to indicate whether all the variables are independent or free is included in multiple regression models have an influence on the dependent variables simultaneously. The hypotheses to be tested are as follows:

- If the F significant level that obtained as the result of the value processing is less than significant value used which is 5% or 0.05, so it can be conclude that all the independent variables are simultaneously affecting the dependent variable.
- If the F significant level that obtained as the result of the value processing is greater than significant value used which is 5% or 0.05, so it can be conclude that all the independent variables are not simultaneously affecting the dependent variable.

CHAPTER IV

RESULT AND DISCUSSION

4.1 General Overview

Object and population in this research are manufacturing companies that listed on the Indonesia Stock Exchange (IDX). The data that used in this research was get from annual report, ICMD, and sustainability report that published in Indonesia Stock Exchange (IDX) for period 2011-2014. After the elimination conducted, the sample of this research is 42 samples. It comes from manufacturing company that used in this research is 14 companies that have met the criterion used for this study within the period 2011-2014.

Table 4.1 Elimination of Samples

1	Manufacturing Company Listed during 2011-2014	143
2	Company delisted (out) or IPO during 2011-2014	(11)
3	Company that not provide Annual Report or Sustainability Report during 2011-2014	(29)
4	Company that not published the environmental disclosure or not following GRI period 2011, 2012, and 2013	(48)
5	Company that not follow Environmental Management Performance Rating (PROPER) period 2011, 2012, and 2013	(41)
Total of Manufacturing Company used		14

This research will analyze about the effect of environmental disclosure and environmental performance towards firm value. The result will explain about whtether or not there is aneffect of environmental disclosure and environmental performance towards firm value that listed on Indonesia Stock Exchange (IDX) for period 2011-2014. First, the descriptive statistical analysis is present and then will be followed by the classical assumption testing before hypothesis testing is presented.

4.2 Descriptive Statistic

Descriptive statistic show the total of data (N) that used in this research to show the maximum value, minimum value, and mean and also standard deviation from the variable that has been by object. This research analyzes the influence of environmental disclosure and environmental performance as independent variable towards firm value as dependent variable. The result of descriptive statistics are:

Table 4.2 Descriptive Statistics of Variables

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Environmental Disclosure	42	.100	1.000	.48176	.280479
Environmental Performance	42	3	5	3.62	.795
Firm Value	42	58164	3631890	1178508.98	1065693.756
Valid N (listwise)	42				

Source: SPSS Ouput

The mean, minimum and maximum values with standard deviation of different variables in the model period of 2012 to 2014 are presented in the table 4.2, the Firm Value has the average of 1,178,508.98 while the maximum value of firm value occurred on PT Indocement Tunggal Prakarsa Tbk year 2011 at 3,631,890 and the minimum value of firm value occurred at PT Indah Kiat Pulp & Paper Tbk year 2011. The average value of Environmental Disclosure is 0.48176 with the maximum value occurred at PT Indocement Tunggal Prakarsa Tbk year 2011, 2012 and 2013 also at PT Semen Indonesia Tbk year 2012, and PT Holcim Indonesia Tbk year

2011 with the value is 1 and the minimum value is 0.1 occurred at PT Latinusa Tbk year 2011, and 2012. The Manufacturing Company has 3.62 as the average of Environmental Performance with 3 as minimum value and 5 as maximum value of Environmental Performance.

4.3 Classical Assumption Testing

Classical assumption testing is performed before hypothesis testing. The research is multiple regressions which has more than one independent variable. The testing is an important one in the process of the multiple regressions to convince the data is reliable. Classical Assumption is done by doing Multicollinearity testing, Autocorrelation testing, Heteroskedasticity testing, and Normality testing.

4.3.1 Multicollinearity Testing

This test is to aim whether or not there is a relationship between the independent variables in the regression model. A good regression model should be no correlation between the independent variable.

To determine whether there is a multicollinearity or not, performed muticollinearity analysis by using VIF value. If the VIF value is less than 10 it will be conclude that there is no multicollinearity and if the VIF value is greater than 10 then it will be conclude that there is multicollinearity. The result of Multicollinearity test can be seen in following table:

Table 4.3 Multicollinearity test

Coefficients[a]

odel	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	7.457	7.857		.101	.920		
Environmental Disclosure	.507	.170	.422	2.200	.034	.544	1.839
Environmental Performance	.594	.248	.068	.355	.724	.544	1.839

. Dependent Variable: Firm Value

Source: SPSS Output

The Tolerance value of each variable in this study is more than 0.10. For the VIF value of each variable is less than 10. This indicates that the variables in this research are free of multicollinearity, so the first classical assumptions associated with regression model free of multicollinearity have been met.

4.3.2 Autocorrelation Testing

Autocorrelation test aims to test whether in the linear regression model has correlation or not between the error in period *t* with error in period *t-1* (Ghozali, 2006). Good regression model is a regression that is free of autocorrelation. In this research, the Durbin-Watson test (DW test) will be used which requires the constant (intercept) in the regression model and no longer variable among the independent variables. The table of autocorrelation will be shown as follow:

Table 4.4 Autocorrelation test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.470[a]	.221	.181	964335.212	1.901

a. Predictors: (Constant), Environmental Performance, Environmental Disclosure

b. Dependent Variable: Firm Value

Source: SPSS Output

Autocorrelation test results in table 4.4 shows the statistical value of Durbin Watson (DW) at 1.901. This value will be compared with the value of the table by using significance (α) = 5%, the number of samples (n) = 42, and the number of independent variables (k) = 2, then based on Durbin-Watson table gained the upper limit value (d_u) amounted 1.606. With the provision criterion $d_u < d < 4\text{-}d_u$, the test results obtained at $1.606 < 1.901 < 2.394$. It can be concluded that there was no positive or negative autocorrelation in the regression model of this study.

4.3.3 Heteroscedasticity Testing

In order to perform heteroscedasticity testing, Glejser testing is used. Glejser testing is done by regressing of independent variables with the absolute value residual. If the significant (sig.) between the independent variables with absolute residuals over 0.05 then there is no problem of heteroscedasticity (Sig>0.05). The following table shows the results of heteroscedasticity testing by using Glejser testing. The significant value of all variables is more than 0.05, means that all variables are free of heteroscedasticity.

Table 4.5 Heteroscedasticitytest

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.036	4.107		.535	.596
	Environmental Disclosure	.484	.462	.322	1.598	.118
	Environmental Performance	.832	.574	.073	.364	.718

a. Dependent Variable: RES2

Source: SPSS Output

The table shows the significant value for independent variables. First for environmental disclosure, the significant value is 0.118, environmental performance is 0.718. The significant values of all independent variables are more than 0.05, so it assumed that all data are free of heteroskedaticity

4.3.4 Normality Testing

Normality test is intended to determine whether the regression model used has been distributed normally or near normal. Normality test in this study performed using the Kolmogorov-Smirnov test statistic with significance level of use is 0.05. The following table is the result for normality test.

Table 4.6 Normality test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		42
Normal Parameters[a]	Mean	.0000000
	Std. Deviation	9.40520790E5
Most Extreme Differences	Absolute	.133
	Positive	.133
	Negative	-.063
Kolmogorov-Smirnov Z		.862
Asymp. Sig. (2-tailed)		.447

a. Test distribution is Normal.

Source: SPSS Output

Normality test using the KS test showed significance level of 0.862, which means this figure is greater than $\alpha = 0.05$. So, it can be concluded that the regression model used is normally distribute.

4.4 Hypothesis Testing

4.4.1 Multiple Regression Analysis

This statistical method used to analyze the influence of the independent variable on the dependent variable, which is analyzing the effect of Environmental Disclosure, and Environmental Performance on Firm Value. The following table will showed the result of Multiple Regression Analysis.

Table 4.7 multiple regression analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.457	7.857		.101	.920
	Environmental Disclosure	.507	.170	.422	2.200	.034
	Environmental Performance	.594	.248	.068	.355	.724

a. Dependent Variable: Firm Value

Source: SPSS Output

In table 4.6 Understandardized Coefficient columns Section B (*Beta*) is obtained multiple linear regression equation is as follow:

$$Y = 7.457 + 0.507X1 + 0.594X2$$

From multiple linear regression equation, it can be interpreted in several ways, they are:

1. Constant Value of the equation is 7.457 which indicates that when all the independent variables (environmental disclosure, and environmental performance) are considered to be constant or zero, then the value of the dependent variable (firm value) is 7.457
2. The coeficient of environmental disclosure is 0.507, it means any increasing of environmental disclosure as 1% will make an increasing on firm value as 0.507 or 50.7%, assuming the other variables value are constant.
3. The coeficient of environmental performance variable is 0.594. it means any increasing of environmental performance as 1% will make increasing on firm value as 0.594 or 5.9%, assuming the other variables value are constant.

4.4.2 Partial Test (t-test)

T test used to determine the influence of independent variable (environmental disclosure, and environmental performance) on dependent variable (firm value). The influence of independent variables on dependent variable is shown in the following table:

Table 4.8 T Test

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	7.457	7.857		.101	.920
	Environmental Disclosure	.507	.170	.422	2.200	.034
	Environmental Performance	.594	.248	.068	.355	.724

a. Dependent Variable: Firm Value

Source: SPSS Output

Decision making criteria is using a 5% significance level to both directions test (α / 2 = 0.05 / 2 = 0.025) with degrees of freedom (df) = n – k = 42 – 3 = 39. The value of t table at significant level α / 2 = 0.025 and df = 39 is 2.022. Based on the table above, the influence of each independent variable on the dependent variable partially can be described as follows:

1. Environmental Disclosure has the value of calculated t (t *hitung*) = 2.200 > t table = 2.022 with significant level of regression coefficient value of 0.034, which is smaller than α = 0.05, so the H_0 is rejected and H_1 accepted. It means the environmental

disclosure has positive and significance effect on firm value in manufacturing company year 2012-2014.

2. Environmental Performance has the value of calculated t (t *hitung*) = 0.355 < t table = 2.022. The significance level of regression coefficient value at 0.724, which is greater than $\alpha = 0.05$, so the hypotheses is rejected. It means the environmental performance has positive and insignificant effect on firm value manufacturing company year 2012-2014

4.4.3 Test Statistic F

The purpose of f-test is to find whether all independent variables that includes in regression model have relationship to dependent variable simultaneously. The criteria used as a guidance to make decision for determine hypothesis will be accepted or rejected is as follow:

- F value is the value that measured by using the ANOVA table. If F significant level $< \alpha = 0.05$, means the hypothesis will be accepted, and it is assumed that capability of all independent variables to give effect to dependent variable is simultaneously significant.
- F value is the value that measured by using the ANOVA table. If F significant level $> \alpha = 0.05$, means the hypothesis will be rejected, and it is assumed that capability of all independent variables to give effect to dependent variable is simultaneously insignificant.

Table 4.9 F Test

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.02913	2	5.14812	5.536	.008[a]
	Residual	3.62613	39	9.29911		
	Total	4.65613	41			

a. Predictors: (Constant), Environmental Perfomance, Environmental Disclosure

b. Dependent Variable: Firm Value

Source: SPSS Output

By looking at table above, F value is 5.536 and significant value 0.008 which less than 0.05. Based on criteria of the research methodology it will be conclude that hypothesis is accepted. Therefore, the conclusion is the environmental disclosure and environmental performance has significant effect on the firm value simultaneously in manufacturing company listed in Indonesia Stock Exchange.

4.5 Discussion

The main objectives of the research are to find out the influence of environmental disclosure and environmental performance towards firm value. The result of this research, environmental disclosure measured by GRI has positive and significant influence on the firm value and environmental performance has a positive and insignificant influence on the firm value.

The simultaneously testing provided in table 4.9 which shows significant value of all independent variable in term of capability on the dependent variable. The ANOVA table (table 4.9) shows the significant value is 0.008 which is less than α (0.05), it means that there is significant effect between all independent variable that represent by environmental disclosure and environmental performance, while firm value as dependent variable.

4.5.1 Effect of Environmental Disclosure on Firm Value

Environmental Disclosure as a collection of information relating to environmental management activities by the company in the past, present and future measured by GRI. Environmental Disclosure is represented by 8 categories with 30 disclosures in annual reports and sustainability report. There are Materials, Energy, Water, Biodiversity, Emission, Effluent and Waste, Product and Services, Compliance, Transportation.

By providing environmental disclosure in annual report or sustainability report, the firm has already presented their environmental performance. These disclosures provide information about practices related to protecting the environment that could reduce government regulation and the resulting compliance costs, potential litigation, and/or pollution cleaning cost (Plumlee et al, 2010).

The result of this research shows that an increase or decrease in environmental disclosure during period 2011-2013 has a significant influence on firm value of manufacturing company listed in IDX. Based on calculation using a significance test (T-test) to find out the influence of environmental disclosure on firm value at manufacturing company listed in IDX obtained the value of calculated T (t *hitung*) at 2.200 with significance level 0.034. Based on those data, the environmental disclosure has positive and significance effect on firm value in manufacturing company year 2012-2014.

The result of this research means that the environmental disclosure have big role in determining the firm value of manufacturing company listed in Indonesian Stock Exchange period 2011-2013. This thing could be occurred because the manufacturing company has direct impact on the environment in their daily operational such as production process, discharging of waste, etc. The manufacturing company's operational can affect the environment directly because the manufacturing company obtained the raw material from the natural sources. So, if the manufacturing company did not perform well in environment activity or not disclose the environment activity properly it will decrease the legitimacy from the stakeholders significantly and also make the firm value which represent by stock price decrease.

The result of this research has support the result of previous research conducted by Kusumadilaga (2010), Plumlee, et al (2010), and Octavia (2012) which stated that environmental disclosure has positive and significance influence on firm value that represent by stock price.

For investors and candidate investors in making investment decision will considers not only the financial condition of the company but also will consider the environmental disclosure by the company. Epstein and Freedman (1994) in Octavia (2012) discovered that individual investors have more interest to the social information such quality and impact of product and environmental activity that included in the annual report. In other words, the investors will give positive respond to the company that perform good environmental management and disclosure by invest on the company and will make the stock price increase as well.

4.5.2 Effect of Environmental Performance on Firm Value

The firms with higher environmental performance level have better long-term value compare to the firm which have low environmental performance level. From the cost perspective, good environmental performance will deduct the environmental cost in the future.

The result of this research shows that an increase or decrease in environmental performance during period 2011-2013 has insignificant influence on firm value of manufacturing company listed in IDX. Based on calculation using a significance test (T-test) to find out the influence of environmental performance on firm value at manufacturing company listed in IDX obtained the value of calculated T (t *hitung*) at 2.022 with significance level 0.724. Based on those data, the environmental performance has positive and insignificance effect on firm value in manufacturing company year 2012-2014. It's mean, whether the environmental performance is good or bad will not signifcantly influencing the firm value which represent in this research with the stock price.

Based on the result of this research, most of manufacturing companies only do the environment activity just to fulfill the requirement from the government. In this research, it has proven by the descriptive statistic which has the mean value of environmental performance only 3.62 with the highest score for this variable is 5. So, it can be conclude that the rank of environment performance which represent by PROPER rating is not reliable enough to determine the firm value of manufacturing company listed in Indonesia Stock Exchange period 2011-2013 and the stakeholders are more preferred the environmental disclosure to determine the firm value.

The result in this research against the result of previous research that conducted by Iqbal (2013) which stated that environmental performance affect the firm value significantly, also with the research conducted by Anggraini (2008) which stated environmental performance have significantly positive influence on stock return. In the research conducted by Anggraini (2008) stock return is used as the subtitution to firm value.

4.5.3 Effect of Environmental Disclosure and Environmental Performance on Firm Value

Corporate social responsibility can increase the reputation of the company to the consumer as well as to improve the profitability of the company. The growth of the company has a direct influence on the company's stock price, which means that information about the value of the company responded positively by investors.

In order to find out the influence of environmental disclosure and environmental performance on financial performance simultaneously, the researcher used the F-test to see the relationship between both variable. By looking table 4.9 above, significant value is 0,008 which is less than 0.05. Based on criteria in the research methodology, it will be concluded that hypothesis is accepted. Therefore, environmental disclosure and environmental performance has significant effect on firm value simultaneously. The hypothesis stated that there is significant effect between environmental disclosure and environmental performance on firm value simultaneously.

According to result of this research, both of independent variable (environmental disclosure and environmental performance) have significant effect on the firm value as dependent variable which represented by firm value. It's mean that if the company can perform or manage the environmental activity well, it will increase the firm value of the company in long-term. Although there is no prior study about the effect of both environmental disclosure and environmental performance on firm value, the result from this study is expected to make the company improve their environmental activity in order to increase the firm value as well.

CHAPTER V

CONCLUSION

5.1 Conclusion

The research aim to get the empirical evidence about the influence of environmental disclosure and environmental performance towards firm value of manufacturing company that listed on the Indonesia Stock Exchange (IDX). This research used 3 (two) periods of investigation, that are 2011 to 2013 for the independent variables (environmental disclosure and environmental performance) and year 2012 to 2014 for dependent variable (firm value) by using 14 company with total 42 sample.

1. There is positive and significant influence of environmental disclosure on firm value. It can be looks by using the T-Test where Environmental Disclosure has the value of calculated t (t *hitung*) = 2.200 > t table = 2.022 with significant level of regression coefficient value of 0.034, which is smaller than α = 0.05, so it means the environmental disclosure has positive and significance influence on firm value in manufacturing company year 2012-2014.

2. There is positive and insignificant influence of environmental performance to firm value. It can be looks by using T-Test where Environmental Performance has the value of calculated t (t *hitung*) = 0.355 < t table = 2.030. The significance level of regression coefficient value at 0.724, which is greater than α = 0.05, so it means the environmental performance has positive and insignificant influence on firm value manufacturing company year 2012-2014

3. There is significant influence between environmental disclosure and environmental performance on firm value simultaneously. It can be looks from the F-Test where the F value is 5.536 and significant value 0.008 which less than 0.05. Therefore, the

conclusion is the environmental disclosure and environmental performance has significant influence on the firm value simultaneously in manufacturing company listed in Indonesia Stock Exchange.

5.2 Research Limitation

Researcher realized that there is limitation in this research. The research limitation will be described as follow:

- There are some company that doesn't disclose about their environmental management activity, although most of companies still input their CSR report in their annual report
- There are some companies don't publish GRI, so indicators in GRI calculated as manually
- There are some companies don't followed the PROPER program

5.3 Suggestion

The researcher had some suggestions that might be considered for the future researcher who intend to do a research about this study, such as:

- Extent the number observation year, because this research only taking samples for three years.
- This research only taking samples from manufacturing companies that makes testing becomes less strong. Future researcher is expected to use more categories of companies listed in Indonesian stock exchange.
- This research still used the old standard of GRI which is the GRI G3.1 to measure about the environmental disclosure because the observation year in this research is during 2011-2013. For further researcher is expected to use the latest standard of GRI to measure the variable.

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http://www.idx.co.id/

http://www.duniainvestasi.com/

APPENDIX

APPENDIX I

Sample of Manufacturing Company

No	Code	Company Name
1	SMCB	PT Holcim Indonesia Tbk.
2	SMGR	PT Semen Indonesia Tbk
3	INTP	PT Indocement Tunggal Prakarsa Tbk
4	AMFG	PT Asahimas Flat Glass Tbk
5	CTBN	PT Citra Tubindo Tbk
6	KRAS	PT Krakatau Steel Tbk
7	NIKL	PT Latinusa Tbk
8	TPIA	PT Chandra Asri Petrochemical Tbk
9	FASW	PT Fajar Surya Wisesa Tbk
10	INKP	PT Indah Kiat Pulp & Paper Tbk
11	INRU	PT Toba Pulp Lestari Tbk
12	AUTO	PT Astra Otoparts Tbk
13	ICBP	PT Indofood CBP Sukses Makmur Tbk
14	INDF	PT Indofood Sukses Makmur Tbk

APPENDIX II

Value of Independent Variable (Environmental Disclosure and Environmental Performance) of Manufacturing Company

No	Company Name	2011		2012		2013	
		Environmental Disclosure Value	PROPER Rating	Environmental Disclosure Value	PROPER Rating	Environmental Disclosure Value	PROPER Rating
1	SMCB	1	5	0.567	5	0.567	5
2	SMGR	0.9	4	1	5	0.9	5
3	INTP	1	5	1	5	1	5
4	AMFG	0.133	4	0.4	3	0.4	3
5	CTBN	0.733	4	0.567	3	0.7	3
6	KRAS	0.433	3	0.467	3	0.667	3
7	NIKL	0.1	3	0.1	3	0.233	3
8	TPIA	0.233	4	0.233	4	0.533	4
9	FASW	0.267	3	0.4	3	0.6	3
10	INKP	0.2	3	0.2	3	0.667	3
11	INRU	0.4	4	0.4	4	0.667	4
12	AUTO	0.4	4	0.167	3	0.4	3
13	ICBP	0.167	3	0.3	3	0.433	3
14	INDF	0.167	3	0.233	3	0.3	3

APPENDIX III

Value of Dependent Variable (Firm Value) of Manufacturing Company

No	Company Code	firm value (2012)	firm value (2013)	firm value (2014)
1	SMCB	353,491	226,552	188,481
2	SMGR	3,537,165	2,725,663	2,800,279
3	INTP	3,631,890	2,767,115	3,186,110
4	AMFG	1,156,248	858,339	891,616
5	CTBN	1,362,804	1,010,581	1,255,528
6	KRAS	409,557	269,627	237,531
7	NIKL	528,688	293,275	224,655
8	TPIA	826,358	421,217	413,562
9	FASW	1,132,758	881,571	732,611
10	INKP	58,164	92,858	70,746
11	INRU	635,049	386,157	390,130
12	AUTO	2,007,851	1,409,071	1,407,620
13	ICBP	2,552,304	2,796,577	3,066,459
14	INDF	864,852	746,643	689,618