THE INFLUENCE OF ENVIRONMENTAL PERFORMANCE AND FINANCIAL PERFORMANCE ON CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE

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ABSTRACT

Research Objectives – This study aims to examine the influence of environmental performance and financial performance on Corporate Social Responsibility (CSR) disclosure.
Method - This study employs a correlational research design using multiple linear regression analysis.
Research Findings – Regional economic conditions have a significant negative impact, while local tax policies, taxpayer compliance, and public service quality have a significant positive influence on PAD.
Theory and Practical Implications - This study enhances the understanding of factors affecting PAD. Practically, it highlights the importance of tax system modernization, improved public services, and economic diversification. Local governments are advised to optimize tax policies, strengthen supervision, and leverage digital technology.
Novelty - The finding that regional economic conditions negatively affect PAD contradicts common assumptions. Additionally, this study emphasizes the role of technology modernization in the taxation system as a strategic solution for optimizing PAD in Maros Regency, an area that has not been widely explored.

INTRODUCTION

In the increasingly dynamic era of the global economy, the concept of Corporate Social Responsibility (CSR) has become a central focus in the business world. The Indonesian government has adopted this policy through Law No. 40 of 2007 on Limited Liability Companies, which mandates that companies involved in natural resource extraction must fulfill social and environmental responsibilities. Furthermore, the Triple Bottom Line approach (Profit, People, Planet) is increasingly recognized as a standard for sustainable business practices, emphasizing not only financial profitability but also societal well-being and environmental sustainability. As public awareness of the environmental impacts of corporate activities grows, the disclosure of social and environmental responsibilities (CSR Disclosure) has become a critical factor in building a company's reputation and credibility in the eyes of society and stakeholders.

Although various studies have been conducted to examine the relationship between environmental performance, financial performance, and CSR disclosure, research findings remain inconsistent. Damanik and Yadnyana (2017) found that environmental performance positively influences CSR disclosure, while Halmawati and Oktalia (2015) concluded that environmental performance, measured through the Program for Environmental Performance Rating and Assessment (PROPER), does not significantly affect CSR Disclosure. Additionally, research by Tiarasandy et al. (2018) indicated that CSR Disclosure does not significantly influence corporate

financial performance. These discrepancies in findings can be explained through stakeholder theory (Freeman, 1984), which posits that companies need to consider the interests of various stakeholders, including regulators, investors, and the public, in their CSR practices. Moreover, legitimacy theory (Suchman, 1995) explains that companies tend to enhance transparency through CSR Disclosure to maintain public legitimacy. Other studies, such as those by Chatterjee and Mir (2018) and Li et al. (2021), highlight that regulation, company size, and stakeholder pressure play significant roles in determining the relationship between environmental performance, financial performance, and CSR disclosure. Therefore, the inconsistency in prior research findings reveals a research gap that requires further exploration, particularly in different industry contexts and broader measurement indicators, considering factors such as market pressures, sustainability strategies, and regulatory influences to achieve a more comprehensive understanding of the determinants of CSR disclosure.

To date, most prior research has primarily focused on the influence of environmental performance on CSR disclosure without considering other mediating or moderating factors, such as government regulations, market pressures, and corporate sustainability strategies. Moreover, many previous studies have used PROPER as the sole measure of environmental performance, even though environmental aspects encompass broader dimensions, including environmental impact mitigation strategies and the use of renewable energy. Thus, it is essential to critically evaluate prior research approaches and develop a more comprehensive model to understand the factors influencing CSR Disclosure.

The novelty of this study lies in its exploration of the relationship between environmental performance and financial performance on CSR disclosure using a more holistic approach, taking into account the role of regulation, market pressures, and internal corporate policies. Consequently, this study not only enriches the theoretical understanding of CSR Disclosure but also provides practical implications for businesses in enhancing their transparency and accountability regarding environmental and social issues.

This study aims to empirically investigate the influence of environmental performance and financial performance on CSR disclosure among companies operating in the natural resource sector. It also seeks to identify other factors that may moderate these relationships, such as regulatory policies and corporate sustainability practices. However, this study has limitations in terms of sample scope, as it focuses only on specific companies listed on the Indonesia Stock Exchange (IDX) and relies on secondary data, which may have limitations in validity. Therefore, future research is encouraged to employ more diverse methods, such as in-depth interviews or longitudinal studies, to gain a more comprehensive understanding of the factors influencing CSR disclosure.

METHOD

The approach used in this study is a correlational approach. Correlational research aims to examine the relationship between two or more variables without manipulating those variables (Creswell, 2014). This approach was chosen because the study investigates the relationship between environmental performance, financial performance, and corporate social responsibility (CSR) disclosure based on historical data presented in numerical form. Quantitative research is defined as an analysis method used to test predetermined hypotheses, grounded in positivist philosophy, where data is collected using research instruments and applied to a specific population or sample (Neuman, 2014). Several prior studies have employed a correlational approach in CSR research, such as those conducted by Damanik and Yadnyana (2017) and Halmawati and Oktalia (2015), which examined the influence of environmental performance on corporate social responsibility disclosure.

The data collection technique used in this study is time series, which involves gathering data periodically over time (Gujarati & Porter, 2009). The data used in this study are quantitative, expressed in numerical form and amenable to statistical processing. The data sources for this study are secondary data obtained from the annual reports of manufacturing companies listed on the Indonesia Stock Exchange (IDX) and from the results of the Program for Environmental Performance Rating and Assessment (PROPER), published by the Ministry of Environment and Forestry. The collected data include indicators of environmental performance, financial performance, and corporate social responsibility (CSR) disclosure.

The analytical tool used in this study is multiple linear regression, which aims to test the influence of environmental performance and financial performance on CSR disclosure. Data analysis techniques begin with classical assumption tests to ensure the validity of the model, including tests for normality, heteroscedasticity, multicollinearity, and autocorrelation (Ghozali, 2018). Following this, hypothesis testing is conducted using t-tests and F-tests to examine the partial and simultaneous effects of each independent variable on the dependent variable. The results of this analysis are expected to provide insights into the relationships between environmental performance, financial performance, and CSR disclosure among Indonesian manufacturing companies. The conceptual framework of this study can be illustrated as follows:
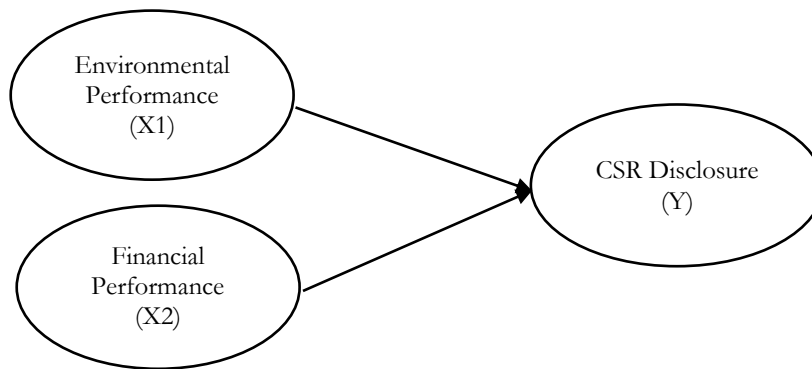
Figure 1 Conceptual Framework

RESULTS AND DISCUSSION

Based on the research findings on the effect of environmental performance and financial performance on corporate social responsibility (CSR) disclosure in manufacturing companies listed on the Indonesia Stock Exchange for the period 2016–2018, a total of 24 annual reports from manufacturing companies over three research periods were analyzed, resulting in 72 data samples. This sample selection was based on specific criteria derived from a population of 184 companies, of which only 24 met the required criteria.

This study employs two independent variables, namely environmental performance and financial performance, and one dependent variable, corporate social responsibility (CSR) disclosure. CSR represents a company's social responsibility towards society and the environment for the impacts caused by its operational activities. The measurement of CSR disclosure is expressed through the Corporate Social Responsibility Index (CSRI), which is calculated based on the number of disclosed items in the company's annual and/or sustainability reports, following the GRI-G4 (Global Reporting Initiative) sustainability reporting guidelines. CSR disclosure can be calculated using the following formula:

$$CSRI_j = \frac{\sum X_{ij}}{n_j} \times 100\%$$

Environmental performance refers to a company's efforts in preserving the environment and minimizing the environmental impact of its activities. It is measured by the company's achievements in the Corporate Performance Rating Program in Environmental Management (PROPER). PROPER classifies companies' environmental performance into five rating levels: gold, green, blue, red, and black.

Meanwhile, financial performance reflects a company's success in terms of financial aspects. It is an analysis conducted to assess how well a company adheres to proper financial management principles. Financial performance is measured using return on assets (ROA), which evaluates how effectively and efficiently a company generates profits from its assets. Financial performance is calculated using the following formula:

$$ROA = \frac{\text{Erning After Taxes}}{\text{Total Assets}} \times 100\%$$

Classical Assumption Tests. These tests are necessary to ensure that the model used provides valid and unbiased estimates. The normality test examines whether the data is normally distributed, the heteroscedasticity test checks for non-constant residual variance, and the multicollinearity test ensures no strong correlation exists between independent variables. These three tests enhance the reliability of the research findings and ensure more accurate interpretations.

Normality Test. This test aims to determine whether the residual data follows a normal distribution, which is a prerequisite in linear regression analysis (Gujarati & Porter, 2009). The Kolmogorov-Smirnov (K-S) test is used for this assessment. Data is considered normally distributed if the significance value is greater than 0.05. The results of the normality test are presented in the following table:

Table 1 Normality test results – one-sample kolmogorov-smirnov test

		Unstandardized Residual
N		72
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	9,34545928
Most Extreme	Absolute	,102
Differences	Positive	,102
	Negative	-,059
Test Statistic		,102
Asymp. Sig. (2-tailed)		,062[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
Source: Processed data results, 2025

Based on Table 1, the Kolmogorov-Smirnov test shows an asymp. sig (2-tailed) value of 0.062, which is greater than 0.05. This indicates that the data follows a normal distribution, as the significance value of this research data exceeds the required threshold.

Multicollinearity Test. This test aims to detect excessively high correlations between independent variables, which can lead to instability in the regression model (Wooldridge, 2016). The test is conducted by examining the tolerance and Variance Inflation Factor (VIF) values. If the tolerance value is greater than 0.1 and the VIF is less than 10, the data is considered free from multicollinearity. The results of the multicollinearity test are presented in the following table.

Table 2 Multicollinearity test results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-5,182	7,747		-0,669	0,506		
PROPER	6,792	2,490	0,283	2,727	0,008	0,946	1,057
ROA	0,384	0,099	0,403	3,875	0,000	0,946	1,057

a. Dependent Variable: CSR
Source: Processed data results, 2025

Based on Table 2, the tolerance value for the environmental performance variable (X1) and financial performance variable (X2) is 0.946, which is greater than 0.10, and the VIF value for both variables is 1.057, which is less than 10.00. Therefore, it can be concluded that there is no multicollinearity issue in this research model, as the tolerance value is higher and the VIF value is lower than the specified thresholds.

Heteroscedasticity Test. This test aims to identify whether the residual variance in the regression model remains constant or not, as heteroscedasticity can lead to inefficiencies in parameter estimation (Ghozali, 2018). If the residual variance remains consistent across observations, it is referred to as homoscedasticity, whereas if it varies, it is called heteroscedasticity. In this study,

the heteroscedasticity test was conducted using the Glejser test by regressing the absolute residual values against the independent variables. If the significance value is greater than 0.05, then there is no heteroscedasticity issue, and vice versa. The results of the heteroscedasticity test are presented in the following table.

Table 3 Heteroscedasticity test results

	Model	Unstandardized Coefficients		Standardized Coefficients	t	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	-0,212	4,666		-,045	0,964
	PROPER	2,233	1,500	0,180	1,488	0,141
	ROA	0,041	0,060	0,083	0,690	0,493

a. Dependent Variable: RES2
Source: Processed data results, 2025

Descriptive Statistical Analysis. Descriptive statistics serve as a tool for analyzing data by summarizing the collected sample data. This study presents the mean, maximum value, minimum value, and standard deviation of each variable to provide a clearer contextual understanding. The variables used in this study consist of dependent and independent variables. The dependent variable in this research is corporate social responsibility (CSR) disclosure, while the independent variables are environmental performance, measured using PROPER, and financial performance, measured using return on assets (ROA). The results of the descriptive statistical analysis are presented in the following table:

Table 4 Descriptive analysis results

	N	Minimum	Maximum	Mean	Std. Deviation
PROPER	72	2,00	4,00	3,1528	0,46451
ROA	72	0,08	52,67	11,5775	11,66439
CSR	72	6,59	51,65	20,6807	11,13402
Valid N (listwise)	72				

Source: Processed data results, 2025

Table 4 presents descriptive statistics for three research variables: PROPER (environmental performance), ROA (financial performance), and CSR (Corporate Social Responsibility disclosure) based on a sample of 72 companies.

Environmental Performance. Environmental performance refers to a company's efforts to preserve the environment through its business activities. The indicator used for environmental performance is PROPER. The PROPER program is an initiative by the Ministry of Environment (KLH) to encourage corporate compliance in environmental management. Based on the test results shown in Table 4, the PROPER values in the sample range from a minimum of 2.00 to a maximum of 4.00. These results indicate that the sampled PROPER scores vary between 2.00 and 4.00, with a mean value of 3.1528 and a standard deviation of 0.46451. The companies with the lowest PROPER scores (2.00) in 2018 were H.M. Sampoerna Tbk and Kabelindo Murni Tbk. Meanwhile, the companies with the highest PROPER scores (4.00) in 2016 and 2017 were Semen Indonesia Tbk, Indofood CBP Sukses Makmur Tbk, Industri Jamu dan Farmasi Sido, H.M. Sampoerna Tbk, and Multi Bintang Indonesia Tbk.

Financial Performance. Financial performance is analyzed to assess how well a company adheres to financial management principles. The indicator used for financial performance is return on assets (ROA), which measures how effectively and efficiently a company generates profit using its assets. Based on the test results shown in Table 4, the sample ROA values range from a minimum of 0.08 to a maximum of 52.67. This indicates that the sampled ROA values range from 0.08 to 52.67, with a mean value of 11.5775 and a standard deviation of 11.66439. The company with the lowest ROA (0.08) was Asahimas Flat Glass Tbk in 2018, while the company with the highest ROA (52.67) was Multi Bintang Indonesia Tbk in 2017.

Corporate Social Responsibility Disclosure. Corporate Social Responsibility (CSR) disclosure represents a company's social responsibility toward society and the environment, addressing the impact of its operational activities. The indicator used to measure CSR disclosure is

the Corporate Social Responsibility Index (CSRI), which evaluates CSR disclosure in annual reports and sustainability reports based on Global Reporting Initiative (GRI-G4) standards. Based on the test results shown in Table 4, the sample CSR disclosure values range from a minimum of 6.59 to a maximum of 51.65. These results indicate that CSR disclosure among sampled companies varies between 6.59 and 51.65, with a mean value of 20.6807 and a standard deviation of 11.13402. The companies with the lowest CSR disclosure scores were Kalbe Farma Tbk (2016–2017) and Garuda Metalindo Tbk (2016–2018). Meanwhile, the company with the highest CSR disclosure score was Japfa Comfeed Indonesia Tbk in 2016.

Linear Regression Analysis. Multiple linear regression analysis was conducted to examine the effect of environmental performance (PROPER) and financial performance (ROA) on CSR disclosure. The regression results are presented in Table 5 below.

Tabel 5 Results of Multiple Linear Regression Analysis

	Model	Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	-5,182	7,747
	PROPER	6,792	2,490
	ROA	0,384	0,099

Source: Processed data results, 2025

Based on the regression results presented in the table, the regression equation can be written as follows:

$$Y = -5.182 + 6.792X_1 + 0.384X_2$$

The interpretation of the regression coefficients shows that the constant value of -5.182 means that if the values of PROPER and ROA are both zero, the predicted CSR disclosure would be -5.182. However, since CSR disclosure cannot be negative, this value serves only as a reference within the model. The PROPER coefficient of 6.792 indicates that each one-unit increase in the PROPER rating will increase CSR disclosure by 6.792, assuming other variables remain constant. This suggests that the better a company's environmental performance, the higher its level of CSR disclosure. Meanwhile, the ROA coefficient of 0.384 indicates that each one-unit increase in ROA will increase CSR disclosure by 0.384, meaning that higher profitability leads to greater CSR disclosure. Additionally, the Std. Error values indicate the level of uncertainty in the coefficient estimates, where the standard error for PROPER is 2.490, while for ROA, it is 0.099, suggesting that variations in the ROA estimate are smaller than those in PROPER.

Relationship Between Environmental Performance, Financial Performance, and Corporate Social Responsibility (CSR) Disclosure. The results of the data analysis show that multiple linear regression analysis indicates that environmental performance (measured using PROPER) and financial performance (measured using Return on Assets/ROA) simultaneously influence the level of Corporate Social Responsibility (CSR) disclosure. However, when examined individually, environmental performance, as measured using PROPER, has a regression coefficient of -0.045 with a significance value of 0.964. This value is far above the significance threshold of 0.05, leading to the conclusion that environmental performance does not significantly affect CSR disclosure. This finding contradicts previous studies suggesting that companies with better environmental performance tend to be more transparent in CSR disclosure (Clarkson et al., 2008). However, this result can be explained by legitimacy theory, where companies may not always disclose environmental information as a form of social responsibility but rather due to specific external pressures (Deegan, 2002).

Meanwhile, financial performance, measured using ROA, has a regression coefficient of 1.488 with a significance value of 0.141. Although it shows a positive relationship, its impact on CSR disclosure is not significant. This result is inconsistent with resource-based theory, which states that highly profitable companies have more resources to allocate to CSR activities (Waddock & Graves, 1997). Previous research by Haniffa and Cooke (2005) also found that companies with better financial performance tend to disclose CSR information more extensively. The difference in these

findings may be due to industry characteristics and external factors influencing corporate CSR policies.

CSR disclosure itself has a regression coefficient of 0.690 with a significance value of 0.493. This result indicates that factors beyond environmental and financial performance may play a greater role in determining CSR disclosure. This aligns with stakeholder theory, which states that a company's decision to disclose CSR information is more influenced by pressure from various stakeholders, such as the government, society, and investors (Freeman, 1984). Therefore, although environmental and financial performance are important aspects, external factors such as regulations, corporate culture, and industry policies also contribute to CSR transparency.

CONCLUSION

The aim of this study **is to** examine the simultaneous and partial effects of environmental performance and financial performance on Corporate Social Responsibility (CSR) disclosure in manufacturing companies listed on the Indonesia Stock Exchange for the period 2016–2018. Based on multiple linear regression analysis, it was found that both independent variables—environmental performance (measured through PROPER) and financial performance (measured through ROA)—significantly influence CSR disclosure. The regression coefficient values for PROPER (6.792) and ROA (0.384) indicate that improvements in environmental and financial performance positively contribute to increased CSR disclosure. These findings suggest that companies with strong environmental and financial performance tend to be more transparent in disclosing their social responsibilities.

This study aligns with previous research indicating a positive impact of environmental and financial performance on CSR disclosure. However, it introduces novelty by integrating environmental performance measurement using PROPER, which has been rarely applied in similar studies. Additionally, it strengthens empirical evidence that companies with good financial performance are more capable of allocating resources to CSR activities. These results also support stakeholder theory, which suggests that companies must consider the interests of various stakeholders, including the environment and society, in their operations. Thus, this study provides a significant contribution to CSR literature by emphasizing the importance of integrating environmental performance, financial performance, and CSR disclosure practices.

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