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The Effect of Ownership Structure, Financial and Environmental Performances on Environmental Disclosure

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ABSTRACT

This study aims to examine the effect of ownership structure, financial performance, firm size, industrial sector, and environmental performance on corporate environmental disclosure. The sample is the companies participating in PROPER period 2010 – 2014 which are listed in Indonesian Stock Exchange. Participants of PROPER are companies that are vulnerable to the environmental damage. The sample must a company that publishes the financial statement in rupiah and the environmental disclosure. There are 53 PROPER companies listing in Indonesian Stock Exchange period 2010 – 2014. It is only 30 of 53 companies publish their financial statement in rupiah and publish environmental disclosure every year. The final observation is 150 firms – years. The result indicates that firms will publish environmental disclosure when managerial ownership lower, institutional ownership lower, and financial performance lower, total assets higher, firms with higher environmental compliance according to PROPER, firms in manufacturing and mining sectors of oil and gas (PEM), and the score of environmental performance higher. The results are consistent with all hypotheses.

INTRODUCTION

The environment has a very important role in maintaining human survival. Therefore, the companies as part of the environment are obliged to manage and protect the environment by performing various ways, ranging from global policies to more detailed matters, concerning community empowerment in conservation and environmental management. The company should not only prioritize its benefits, but also must have a social responsibility to the community, especially around its business environment. Most companies around the world are regulated to implement the environmental disclosure of their own environmental activities (Zeng, Xu, Yin, & Tam, 2012; Cong & Freedman, 2011). Indonesia has regulations on environmental management also.

One of the Indonesian Government efforts to support the regulation and encourage environmental management is releasing the Corporate Performance Appraisal Program in Environmental Management (PROPER). PROPER is developed by utilizing communities and markets to put pressure on industries to improve environmental management performance. The Indonesian Ministry of Environment (KLH) is also committed to carrying out social and environmental responsibilities so that the company can grow into a corporate class CSR (Corporate Social Responsibility) and have the ability to adapt adequately to the surrounding environment. The Ministry of Environment encourages the implementation of CSR (social responsibility) that contributes to the achievement of sustainable development by placing CSR in a triple bottom line universe, protecting social, economic, and environmental aspects (Kementrian Lingkungan Hidup, 2012).

Some companies have already carried out social responsibility in the environmental field, but it has not done holistically. There are several companies whose environmental impacts have begun to pioneer CSR activities that care about the environment and voluntarily disclose their CSR performance in various ways, either through special and separate reporting, or as part of the annual report. In fact, there are still many companies that have not run CSR activities in the field of environment with cost considerations. CSR activities do not deliver real results in the short term, but CSR will deliver results either directly or indirectly in the future. If the company implements CSR activities in the field of environment, it is expected that the company's sustainability will be well guaranteed. CSR activities are more

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appropriately classified as investment. Therefore, this should be part of the business strategy.

Corporate environmental disclosure as a media for companies to explain their environmental activities and social responsibility needs to be done by the companies to maintain their reputation and existence in the market, and to maintain their survival. There are numerous factors cause the company to be willing or unwilling to convey their corporate environmental disclosure. These factors are explained in many studies that have been conducted in several different countries. de Villiers & van Staden (2010) indicate that individual shareholders in South Africa strongly respond positively to corporate environmental disclosure. This confirms that shareholders need such information to reduce information asymmetry. Cong & Freedman (2011) and Alin, Emil, & Maria (2012) suggest that good corporate governance affects the companies in conducting corporate environmental disclosure.

The results examining the effect of institutional ownership and managerial ownership on environmental disclosure are mixed (Arcay & Vazquez, 2005; Donelly & Mulcahy, 2008; Chang & Le, 2015). Donelly & Mulcahy (2008) find that managerial and institutional ownership have no effect on voluntary disclosure. However, Chang & Le (2015) show that institutional ownership has a positively significant effect on environmental disclosure in polluting industries in China, while managerial ownership is negatively insignificant to environmental disclosure. The same result was also provided by Sartawi, Riyad, & Ala'eddin (2014) for Indonesian cases. They find that managerial ownership has a negative impact on voluntary disclosure, while institutional ownership does not affect voluntary disclosure. Different results is revealed by Arcay & Vazquez (2005) that institutional ownership has a significantly negative effect on voluntary disclosure.

In addition to the ownership structure, the two main indicators of the company's financial performance, profitability, and leverage also affect the environmental disclosure. The results on these two factors are contrast. High profitability increases the level of voluntary disclosure (Mensah, 2012) and corporate social responsibility (Lu & Abeysekara, 2014). However, Brammer & Pavelin (2006) state that profitability does not encourage voluntary environmental disclosure. Wu, Liu, & Sulkowski (2010) and Emre (2014) show that low profitability significantly encourages environmental disclosure. Low leverage significantly affects environmental disclosure (Wu et al., 2010;Brammer & Pavelin, 2006). Research conducted by Mensah (2012) and Lu & Indra (2014) show that leverage encourages companies to conduct environmental disclosure, while research conducted by Chang (2013) shows that high leverage significantly increases environmental disclosure.

The size of the company (Brammer & Pavelin, 2006; Suttipun & Stanton, 2012; Lu & Abeysekara, 2014) and the industrial sector (Suttipun & Stanton (2012) and Anggiyani & Yanto (2016) also affect environmental disclosure. The firm size has also been preceded and show similar results. There is a significantly positive relationship between company size and voluntary disclosure and corporate environmental disclosure Brammer & Pavelin (2006) and Suttipun & Stanton (2012). The size of the company will affect the extent of corporate environmental disclosure (Suttipun & Stanton, 2012). These results support the legitimacy theory because the results indicate that larger companies will attract the public's attention by making more corporate environmental disclosure. Other variables such as industrial sector also motivate management to reveal corporate environmental disclosure to the public (Emre, 2014; Lu & Abeysekara, 2014; Effendi, Sayekti, & Wijayanti, 2012). However, the results of Suttipun & Stanton (2012) show the different result that is industry type has no effect on corporate environmental disclosure.

Besides the ownership structure and financial performance, company size and industry sector, the company's environmental performance also influences environmental disclosure. Clarkson, Li, Richardson, & Vasvari (2008) stated that environmental performance has a significantly positive effect on environmental disclosure. The result is not consistent with Brammer & Pavelin (2006) study. Brammer & Pavelin (2006) concluded that good environmental performance does not encourage voluntary environmental disclosure.

Based on the phenomenon and the results above, this study aims to examine the effect of the ownership structure, financial performance, and environmental performance on corporate environmental disclosure. This research is interesting to do because the government of Indonesia is being intense to make companies do environmental disclosure by the company. In addition, there are still many inconsistent results of the research related to the disclosure of corporate environments, especially in Indonesia.

Differences in types of ownership have a significant impact on corporate environmental disclosure (Chang & Le, 2015). The agency theory explains that with the existence of ownership structure it is expected to reduce the impact of agency conflict with managers. Thus, managers can act as expected by agents where in relation to environmental disclosure causes companies to comply with government regulations in environmental disclosure. Managerial ownership is an incentive for managers in the company to improve company performance and manage debt optimally so that it will minimize agency costs which will ultimately improve the welfare of all shareholders. Managerial ownership has a negative impact on voluntary disclosure (Sartawi et al., 2014). The high level of managerial ownership will encourage the retention of information because they can rely on internal sources to obtain the information needed and take personal advantage. Chang & Le (2015) also explained that managerial ownership has a negative, but insignificant effect on corporate environmental disclosure. Managerial ownership has sufficient power to allocate company resources and be able to make decisions to maximize shareholder value, and has a large incentive to reduce agency conflicts between shareholders and managers.

Companies with a higher concentration of institutional ownership show a significant positive impact on corporate environmental disclosure with a 95% confidence level (Chang & Le, 2015). Institutional owners are considered to have greater voting rights and the possibility of information asymmetry will be greater than other shareholders. They are also more likely to be actively involved in corporate environmental management practices than other shareholders. A study by Chang & Le (2015) shows the same opinion that institutional ownership has a significant positive effect on environmental disclosure in the polluting industry in China, while managerial ownership has negatively insignificant effect on environmental disclosure. This is because companies with greater institutional ownership must disclose more environmental information and have strong incentives or incentives to communicate with the company's institutional ownership of environmental achievements and reduce institutional ownership misconceptions and then strengthen institutional ownership investment trusts.

H_1: Managerial ownership has a negative effect on corporate environmental disclosure.

H_2: Institutional ownership has a positive effect on corporate environmental disclosure.

Signal theory explains that companies will take an action which is aimed at stakeholders who can be read as a sign of conditions within the company, such as the company's profits and financial conditions that are in difficult times. Profitability has a positively significant effect on voluntary disclosure level (Mensah, 2012) and CSR (Lu & Abeysekara, 2014). Companies with a high level of profitability will be more motivated to send good information to the market compared with companies with companies with low profitability (Mensah, 2012). Firms with higher profitability also have sufficient capability to finance CSR disclosure and need to legitimize corporate activity for the benefit of its stakeholders. The company is also more trusted by the public so it will increase social expectations regarding corporate accountability (Lu & Abeysekara, 2014). Brammer & Pavelin (2006) stated that profitability has no effect on voluntary environmental disclosure. Research conducted by Wu et al. (2010) and Emre (2014) found different results, profitability had a significantly negative effect on environmental disclosure. This may be occurred because companies with higher profitability may have better compliance with environmental regulations so companies tend to have fewer environmental issues to disclose (Emre, 2014). Wu et al. (2010) states a similar statement, that companies with good performance usually have fewer environmental problems so that management does not have many environmental problems to report. This can create a negative relationship between profitability and corporate environmental disclosure

Leverage is the ratio to assess the company's funding through debt (Brigham & Houston, 2010). Research conducted by Mensah (2012) and Lu & Abeysekara (2014) shows that leverage does not affect the environmental disclosure, while research conducted by Chang (2013) shows that leverage has a significant positive effect on environmental information disclosure. Leverage has a significant negative effect on environmental disclosure (Wu et al., 2010; Brammer & Pavelin, 2006). Companies with high levels of leverage may have better compliance with environmental laws and regulations so companies tend to have fewer environmental problems to disclose in financial statements (Wu et al., 2010). Companies with lower leverage levels have lower pressures than creditors. Therefore, companies will find it easier to collect or increase funds, including funds for disclosure in the environmental field.

H_3: Profitability and leverage have a negative impact on environmental disclosure.

Bigger companies have more incentives to disclosure more environmental information. Larger companies have larger resources, so they can afford more complete information. Moreover, to disclose environmental information, the company allegedly requires a higher cost. Bigger size of the company will affect the extent of corporate environmental disclosure. This supports the theory of legitimacy because it indicates that larger companies will attract the public's attention by making more corporate environmental disclosure than smaller companies. Pratama & Wiksuana (2016) and Kamil & Herusetya (2012) found that firm size will have an effect on social responsibility.

H_4: Firm size has a positive effect on corporate environmental disclosure.

Research on the influence of industrial type on corporate environmental disclosure has been done using various measurement indicators. Anggiyani & Yanto (2016); Arifianata & Wahyudin (2016); Emre (2014); Lu & Abeysekara (2014) distinguish the type of industry based on high-profile and low-profile company classification. They prove that the type of industry has a significant positive effect on environmental disclosure. Research conducted by Effendi et al. (2012) distinguishes the sensitivity of industry types based on the distribution of PROPER participants, of which there are 4 (four) types of industrial sectors, namely manufacturing, agro industry, oil and gas energy (PEM), and service areas. He also proved that the type of industry positively affects the level of corporate environmental disclosure. This means that the closer the industry is operating in relation to the environment, the higher the environmental responsibility that needs to be done and reported by a company. On the other hand, Suttipun & Stanton (2012) stated that the type of industry does not have a significant impact on corporate environmental disclosure.

H_5: Industrial sector has a positive impact on environmental disclosure.

Clarkson et al., (2008) stated that environmental performance has a significant positive effect on environmental disclosure. Companies with superior environmental performance have an incentive to inform proactive environmental strategies to investors and other stakeholders so that they will voluntarily disclose information about the environment. It is also expected to increase the value of the company. Research in Indonesia using indicators based on PROPER assessment has been done by Suratno, Darsono, & Mutmainah (2006) and showed a significant positive result to corporate environmental disclosure.

H_6: environmental performance has a positive effect on environmental performance.

METHODS

This research was a quantitative research with secondary data. The population in the study were all companies listed in Indonesia Stock Exchange (IDX) in 2010 - 2014. The sample was the companies participating in PROPER period 2010 – 2014 which were listed in Indonesian Stock Exchange. Participants of PROPER were selected because they were included in companies that were vulnerable to the environment damage. The sample must a company that published the financial statement in rupiah and the environmental disclosure. There were 53 PROPER companies listing in Indonesian Stock Exchange period 2010 – 2014. It is only 30 of 53 companies published their financial statement in rupiah and published environmental disclosure every year. The final observation was 150 firms – years. Data about ownership structure and financial performance used in the study was taken from the company's annual report for the period 2010 - 2014. PROPER data was taken from PROPER report 2010 - 2014. The operation of variables can be seen at table 1.

Table 1. Operation of Variables

No	Variables	Definition	Measurements
1	Corporate Environmental Disclosure (CED)	Corporate environmental disclosure is the disclosure of information about environmental performance. The indicator used to measure the extent of corporate environmental disclosure is the environmental disclosure standard by using the Global Reporting Initiative (GRI) known as the GRI index (Karim & Rutledge, 2004; Cong Cong & Freedman, 2011; Chang, 2013; Lu & Abeysekara, 2014; Clarkson et al., 2008).	$CED = \frac{Total\ score\ revealed}{Total\ score\ GRI\ indeks}$
2	Managerial Ownership	Managerial ownership is the ratio of the number of common stock owned by a manager to the number of outstanding stock (Donelly & Mulcahy, 2008).	Managerial ownership can be seen in the financial statements issued by the company.
3	Institutional Ownership	Institutional ownership is the ownership of a company by all types of institutions, either foreign institutional or domestic institutional, financial or non-financial institution (Donelly & Mulcahy, 2008).	Such institutional ownership can be seen in the financial statements issued by the company or by using formula of ratio common stock owned by institutional – to – outstanding common stock.
4	Profitability	Profitability measures the overall effectiveness of management in generating profits. Profitability can be measured by profit margin on sales, return on total assets, basic earning power ratio, and return on common equity (Brigham & Houston, 2010).	This study uses Return on Total Assets (ROA) to measure the level of profitability. ROA is the ratio of net income to total assets.
5	Leverage	Leverage is the ratio to assess the company's funding through debt (Brigham & Houston, 2010)	The leverage ratio is used to measure how much the company is financed by outsiders (by debt). Leverage is measured by total debt – to – total assets ratio.
6	Firm Size	Company size is one tool to measure the size of a company(Baker & Martin, 2011).	The size of the company based on total assets owned by the company is regulated in BAPEPAM regulation no. 11 / PM / 1997, which states that medium or small companies are companies with total assets (total assets) of not more than Rp100,000,000,000, while companies with total assets above one hundred billion are included into large companies.
7	Industrial Sector	The industrial sector in this study follows the classification based on the distribution of PROPER participants as has been done by Effendi et al. (2012). There are 4 types of industrial sectors, namely manufacturing sector, agro industry, oil and gas energy mining (PEM), and service area. There have been many studies using different types of distribution in assessing industry types, but this research follows the classification based on the distribution of PROPER participants considering PROPER is a program released by the Ministry of Environment of the Republic of Indonesia so it is considered more suitable to use it in Indonesia.	As Effendi et al. (2012), to measure the industry sector, based on the distribution of participants PROPER, used dummy variables as follows: 1) Value 1: Firms with high environmental compliance according to PROPER, covering the manufacturing and mining sectors of oil and gas (PEM). 2) Value 0: companies with low environmental compliance according to PROPER, covering agro industry sector and service area.

No	Variables	Definition	Measurements
8	Environmental Performance	Environmental performance is the result of the environmental management system the company achieves in every aspect of the environment, both in terms of activities, processes, products, services, systems and organizations managed and controlled (ISO 14031, 1999).	Environmental performance is measured by the Ministry of Environment by conducting an assessment of the company's environmental performance through its Corporate Performance Rating Program (PROPER) to encourage the company to manage the life span. Assessment is done by using the color distribution level of the PROPER assessment results, which will be scored successively with the highest value of 5 for the gold color and the lowest 1 for the black color. Effendi et al. (2012) also performed this way to measure environmental performance.

Data obtained by downloading PROPER report on sample companies. Data were analyzed by descriptive analysis and multiple regression analysis. To examine the hypothesis, we used F test and T test of linier regression by using the formula as follows.

$$\mathbf{CED_{it} = \alpha_0 + \alpha_1 MO_{it} + \alpha_2 IO_{it} + \alpha_3 ROA_{it} + \alpha_4 LEV_{it} + \alpha_5 SIZE_{it} + \alpha_6 IS_{it} + \alpha_7 EP_{it} + \varepsilon_{it}} \quad (1)$$

Where, CED_{it} was corporate environmental disclosure of firm i in the period of t; MO_{it} was managerial ownership of firm i in the period of t; IO_{it} was institutional ownership of firm i in the period of t; ROA_{it} was return on assets ratio of firm i in the period of t to measure profitability; LEV_{it} was leverage of firm i in the period of t; $SIZE_{it}$ was companies size of firm i in the period of t; IS_{it} was industrial sector of firm i in the period of t; EP_{it} was environmental performance of firm i in the period of t; ε_{it} was error term.

RESULT AND DISCUSSION

Table 1 presents descriptive statistics of all variables. We classify the analysis into two groups, panel data analysis and cross sectional analysis. Based on panel data analysis, mean of corporate environmental disclosure is 0.1415 ranging from 0.0000 until 0.5670. It is mean that it is only 14.15% items information of all item information must be disclosed by a firm. A minimum value of 0.0000 indicates that several companies that have a PROPER index do not convey the corporate environmental disclosure. The maximum value of 0.5670 indicates that many companies which disclose environmental information of 56.70% information items of all information items that should be disclosed by the company.

Table 2. Descriptive Statistics

	CED	MO	IO	SIZE	ROA	LEV	IS	EP
Panel balance data in the period 2010 - 2014								
Minimum	0.0000	0.0000	0.0000	25.3270	0.0100	0.0120	0.0000	1.0000
Maximum	0.5670	0.3210	1.0000	31.7000	0.6640	0.9200	1.0000	5.0000
Mean	0.1415	0.0319	0.6139	29.0048	0.1463	0.3726	0.6000	3.1733
Std. Dev.	0.1227	0.0631	0.2804	1.4712	0.1319	0.1891	0.4915	0.7486
Observation	150	150	150	150	150	150	150	150
Cross - Sectional Analysis of the year 2010								
Minimum	0.0000	0.0000	0.0000	0.0100	0.0530	25.3270	0.0000	1.0000
Maximum	0.5670	0.3210	1.0000	0.6640	0.7700	31.0600	1.0000	5.0000
Mean	0.1255	0.0419	0.6272	0.1943	0.3727	28.6266	0.5667	3.1667
Std. Dev.	0.1327	0.0802	0.2973	0.1523	0.1792	1.4846	0.5040	0.7915
Cross - Sectional Analysis of the year 2011								
Minimum	0.0000	0.0000	0.0000	0.0160	0.0460	25.3620	0.0000	1.0000
Maximum	0.4330	0.2540	0.9800	0.3900	0.8000	31.5400	1.0000	5.0000
Mean	0.1177	0.0296	0.6147	0.1068	0.3483	28.8212	0.6333	3.1667
Std. Dev.	0.1103	0.0648	0.2812	0.0808	0.1797	1.5300	0.4901	0.7915
Cross - Sectional Analysis of the year 2012								
Minimum	0.0000	0.0000	0.0000	0.0100	0.0400	26.7110	0.0000	1.0000
Maximum	0.4670	0.1800	0.9800	0.6200	0.8500	31.3600	1.0000	5.0000
Mean	0.1478	0.0349	0.6104	0.1536	0.3718	29.0286	0.6667	3.0333
Std. Dev.	0.1265	0.0584	0.2834	0.1378	0.1891	1.3910	0.4795	0.7184
Cross - Sectional Analysis of the year 2013								
Minimum	0.0000	0.0000	0.0000	0.0100	0.0120	26.1900	0.0000	2.0000
Maximum	0.5330	0.1800	0.9800	0.4880	0.9200	31.5600	1.0000	5.0000
Mean	0.1520	0.0262	0.6089	0.1508	0.3929	29.0890	0.5667	3.2333
Std. Dev.	0.1212	0.0516	0.2785	0.1397	0.2111	1.5341	0.5040	0.7279
Cross - Sectional Analysis of the year 2014								
Minimum	0.0000	0.0000	0.0000	0.0100	0.0320	26.6540	0.0000	2.0000
Maximum	0.5670	0.2153	0.9800	0.4750	0.8800	31.7000	1.0000	5.0000
Mean	0.1645	0.0271	0.6083	0.1260	0.3775	29.4584	0.5667	3.2667
Std. Dev.	0.1238	0.0599	0.2801	0.1292	0.1948	1.3724	0.5040	0.7397

Based on cross-sectional analysis for 2010, mean of corporate environmental disclosure is 0.1255 ranging from 0.0000 until 0.5670. In 2011, mean of corporate environmental disclosure is 0.1177 ranging from 0.000 until 0.4330. In 2012, mean of corporate environmental disclosure is 0.1478 ranging from 0.000 until 0.4670. In 2013, mean of corporate environmental disclosure is 0.1520 ranging from 0.0000 until 0.5330. In 2014, mean of corporate environmental disclosure is 0.1645 ranging from 0.0000 until 0.5670. Based on the data, mean of corporate environmental disclosure is increase year of year. Based on the data, the highest mean 0.1645 occurs in 2014 which indicates that in 2014, the company discloses 16.45% environmental information items of all information items that should be disclosed by the company.

During the observation years, there are companies that have a PROPER index not disclosing corporate environmental disclosure. This is indicated by a minimum value of 0.0000 every year. The data shows that the level of corporate environmental disclosure of PROPER companies in Indonesia is low.

Managerial ownership, on average 0.0319 shows the managerial ownership of common stock in PROPER companies is 3.19%. Based on cross sectional analysis, managerial ownership in PROPER companies is very volatile from year to year. Mean of institutional ownership 0.6139 indicates that the institutional ownership of the PROPER companies is 61.39% of the total equity. Cross-sectional analysis shows that institutional ownership decreases from year to year. Mean of profitability of the PROPER companies 14.63%. Cross-sectional analysis shows that profitability is fluctuated from year to year. Mean of leverage of PROPER companies is 37.26% and fluctuate from year to year.

Table 2 presents correlation coefficient between managerial ownership, institutional ownership, profitability, leverage, firm size, industrial sector, environmental performance and corporate environmental disclosure. The correlation coefficient used is Spearman Correlation. The results reveal that the correlation between managerial ownership, institutional ownership and corporate environmental disclosure is negatively significant at level 1%. The correlation between financial performance (ROA and LEV) and corporate environmental disclosure is negatively significant at level 10%. The correlation between firm size, industrial sector, environmental performance and corporate environmental disclosure is positively significant at level 1%.

The result is $CED_{it} = -0.5639 - 0.3180\ MO_{it} - 0.0700IO_{it} - 0.1369ROA_{it} - 0.1286LEV_{it} + 0.0196SIZE_{it} + 0.0465IS_{it} + 0.0726EP_{it} + \varepsilon_{it}$ ....(2)

Table 3. Correlation Coefficient among Variables

	CED	MO	IO	ROA	LEV	SIZE	IS	EP
CED	1.0000							
MO	-0.5112***	1.0000						
IO	-0.2111***	-0.0335	1.0000					
ROA	-0.1501*	0.0769	0.1442*	1.0000				
LEV	-0.1584*	-0.1707**	0.2219***	0.0468	1.0000			
SIZE	0.4197***	-0.3074***	-0.0804	0.0272	0.0382	1.0000		
IS	0.3101***	-0.1741**	-0.1291	-0.0277	0.0236	-0.1645**	1.0000	
EP	0.4769***	-0.2939***	-0.0145	-0.0480	0.0057	0.2802***	0.0654	1.0000

This table presents spearman correlation of all variables tested. ***, **, and * statistically significance at the 1, 5 and 10 per cent level (two-tailed), respectively.

Table 4. The Results of Linier Regression

Variables	Expected Sign	Coefficient	Standard Error	T - Statistic	Prob.
MO	(-)	-0.3180	0.1176	-2.7043	0.0077
IO	(+)	-0.0700	0.0255	-2.7386	0.0070
ROA	(-)	-0.1368	0.0519	-2.6380	0.0093
LEV	(-)	-0.1286	0.0367	-3.5029	0.0006
SIZE	(+)	0.0196	0.0051	3.8754	0.0002
IS	(+)	0.0465	0.0144	3.2339	0.0015
EP	(+)	0.0726	0.0095	7.6070	0.0000
C		-0.5639	0.1508	-3.7395	0.0003
Determination R-Square		0.7600			
Adj. R-Squared		0.5770			
F-statistic		27.6765			
Prob(F-statistic)		0.0000			

Table 3 represents the results of linier regression of all variables tested. Managerial ownership, institutional ownership, and financial performance negatively significant affect corporate environmental disclosure of PROPER companies at level 1%. Firm size, industrial sector, and environmental performance positively significant affect corporate environmental disclosure of PROPER companies at level 1%. The determination R square value 76% shows the variation of corporate environmental disclosure in PROPER 2010-2014 participant companies is caused by the seven independent variables in this research that is, managerial ownership, institutional ownership, firm size, profitability, leverage, industrial sector and environmental performance, while the rest 24% is caused by other variables not examined in this study.

The results of this study are in line with Chang & Le (2015) and Sartawi et al. (2014) results that managerial ownership negatively affects corporate environmental disclosure. This can be occurred because top managers are more likely to achieve short-term strategies to maximize their interests. Managerial owners assume that environmental protection practices and activities will increase the investment of environmental facilities, increase depreciation and administrative costs of environmental assets, increase environmental costs associated with waste and water pollution costs, improve environmental protection and recovery costs, increase cost to disclose information about environmental activities and costs of political and other risks. Higher shares owned by the board of directors will also encourage retention of information, as they can rely on internal sources to obtain the information including information about the environment and prefer selfish interests. Therefore, higher managerial ownership in a company, lower the corporate environmental disclosure of the company. This result is succeeded to support the hypothesis 1.

The results of this study contradict with Chang & Le (2015) study, but in line with Arcay & Vazquez (2005) and Htay, Ab, Adnan, & Meera (2012) which states that institutional ownership has a significant negative effect on voluntary disclosure and social information disclosure. It can be occurred because the ownership of PROPER participating institutions has not considered social responsibility as one of the criteria in making investments, including environmental responsibility, so that institutional investors also tend not to press companies to perform corporate environmental disclosures in detail by using GRI indicator in the company report. In addition, the business community may not see the benefits of corporate environmental disclosure practices, so it is not compelled to make this a strategic framework or process. The result supports the hypothesis 2.

The results of this study are in line with the results of research Wu et al. (2010) and Emre (2014). Profitability negatively significant affects corporate environmental disclosure. Companies with higher profitability have better adherence to environmental regulations so that companies tend to have fewer environmental problems to disclose. The result supports the hypothesis 3. The results of this study are in line with the results of research Wu et al. (2010) and Brammer & Pavelin (2006). Leverage negatively affects corporate environmental disclosure. Firms with higher levels of leverage typically have better compliance to environmental laws and regulations so companies tend to have fewer environmental issues to disclose in financial statements. The result supports the hypothesis 3.

The results of this study are in line with the results of Suttipun & Stanton (2012); Lu & Abeysekara (2014); and Brammer & Pavelin (2006). Bigger companies have more incentives to disclosure more environmental information. Larger companies have larger resources, so they can afford more complete information. Moreover, to disclose environmental information, the company allegedly requires a higher cost. Bigger size of the company will affect the extent of corporate environmental disclosure. This supports the theory of legitimacy because it indicates that larger companies will attract the public's attention by making more corporate environmental disclosure than smaller companies. The result supports the hypothesis 4.

The results of this study are in line with Emre (2014); Lu & Abeysekara (2014) and Effendi et al. (2012). The industrial sector has a positive effect on environmental disclosure. High-profile companies tend to be the center of stakeholders' attention. It is given the companies a greater impact on the environment. Companies with high-profile industries are also more likely to be overseen by the governments compared to companies with low-profile industry. The voluntary disclosure is intended to avoid pressure from the public and criticism of social activists. The result is succeeded to support hypothesis 5.

The results of this study are in line with the results of Clarkson et al. (2008). Environmental performance positively influences the disclosure of the environment. Companies with superior environmental performance have an incentive to inform proactive environmental strategies to investors and other stakeholders so that they will voluntarily disclose information about the environment. It is also expected to increase the value of the company. The result is succeeded to support hypothesis 6.

CONCLUSIONS

The result indicates that firms will publish more environmental disclosure if managerial ownership lower, institutional ownership lower, and financial performance lower, total assets higher, firms with higher environmental compliance according to PROPER, covering the manufacturing and mining sectors of oil and gas (PEM), and the score of environmental performance higher. Further research can develop this research by adding another variable because adjusted R2 is classified medium.

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