# The Effect of Profitability, Leverage, Media Disclosure, and Company Size on Waste Disclosure in Mining and Oil Palm Plantation Companies on the IDX (2017-2018)

Herlina Indra Widiansi[*1]
V.Wiratna Sujarweni[2]
Poly Endrayanto[3]
Lila Retnani Utami[4]
[1,2,3,4]Department Accounting, Universitas Respati, Yogyakarta
INDONESIA
Email: herlinaindrawidiansi@gmail.com[*]

*Abstract:* -This study aims to analyze the effect of profitability, leverage, media disclosure, and company size on waste disclosure in mining and oil palm plantation companies listed on the Indonesia Stock Exchange (IDX) from 2017 to 2018. Using a quantitative approach, this study employs multiple linear regression analysis on 96 observations obtained through purposive sampling. The findings indicate that profitability and leverage have a negative effect on waste disclosure, suggesting that companies with higher profits and debt levels tend to limit their environmental transparency. Conversely, media disclosure and company size positively influence waste disclosure, highlighting the role of public communication and company scale in promoting environmental accountability. The results imply that greater transparency in waste management can enhance corporate legitimacy and investor confidence. This research contributes to the discourse on corporate social responsibility, emphasizing the importance of financial and external factors in environmental disclosure.

*Key-Words:* - Waste Disclosure; Profitability; Leverage; Media Exposure; Company Size; Environmental Reporting; Corporate Social Responsibility.

**Received**: October 12, 2024. **Revised**: December 15, 2024. **Accepted**: December 25, 2024. **Published**: February 12, 2025.

## 1 Introduction

The environmental impacts generated by companies make environmental issues a topic of discussion among the public and a particular concern for companies, such as problems with piles of rubbish, forest fires, floods, water pollution, noise pollution, the discovery of hazardous waste and health threats to the surrounding community.(Jaya & Padilla, 2024). This situation causes public concern about environmental damage. Several countries already have regulations regarding environmental disclosure such as the Global Reporting Initiative (GRI), the International Organization for Standardization (ISO) then the establishment of ISO 14001 and so on.(Razafindrambinina, 2014). In Indonesia, GRI has been adopted and regulations have been made that govern environmental protection and management, namely Law Number 32 of 2009. Its application in industry is regulated by Government Regulation of the Republic of Indonesia Number 74 of 2001 concerning the management of Hazardous and Toxic Waste. Waste according to Law Number 3 of 2009 is the residue of a business and/or activity. Hazardous and Toxic Waste, abbreviated as B3, is a substance, energy, and/or that endangers the environment, health, and the survival of humans and living things around it. In cases of waste pollution, companies engaged in mining and palm oil plantations are also the largest contributors(Maharani & Handayani, 2021; Wijaya et al., 2022).

The case of a coal company in East Kalimantan is in accordance with the documentation on the Watcdoc Image youtube channel uploaded on April 13, 2019 with the title Sexy Killers. Initially on August 3, 2007, PT Buana Persada Gemilang had initial capital for funding of 20 billion rupiah by PT Toba Sejahtra. Furthermore, Buana Persada Gemilang changed its name to Toba Bara Sejahtra on July 22, 2010. Not only did it change its name, the company's initial capital also increased to 135 billion rupiah. Not only mining, the company also built a palm oil processing plant. Problems arise from upstream to downstream, starting from coal mining. Many coal mines were built close to residential areas and agricultural land, causing difficulties in clean water and even pollution, mud that inundated rice fields, problematic irrigation to air pollution, farmers and residents for years have had to live side by side with mud which is waste from mining. Companies that have large capital do not seem to carry out their business by paying attention to the environment and society so that the impact of pollution is greatly felt by local residents.

Disclosure of social and environmental information in financial reports and annual reports of directors as a communication of the company organization aimed at the public, where the company is no longer faced with responsibilities based on a single bottom line, namely the condition of the company which is reflected in its financial reports alone.(Jitmaneeroj, 2018). However, being faced with triple bottom lines is the key to the concept of sustainable development. This will certainly have a positive impact on the company because it has provided information and increased confidence to stakeholders.(Badria et al., 2021; Baeshen et al., 2021). By knowing the importance of environmental disclosure, companies that initially only thought about profit and welfare have now changed their thinking to a form of social responsibility. Companies that have gone public are also required to include environmental disclosure in their financial reports. There are two laws that emphasize environmental disclosure as an obligation for Limited Liability Companies, namely Law No. 40 of 2007 concerning Limited Liability Companies article 74 and Law No. 25 of 2007 concerning Investment articles 15,17 and 34.

Research on social responsibility has been done frequently, so this study will focus more on waste disclosure. This study uses independent variables consisting of profitability, leverage, media disclosure and company size. These four variables were chosen because they are considered capable of influencing the extent of waste disclosure by companies.

In media disclosure, in accordance with the legitimacy theory, companies must create an effective way to communicate about activities to stakeholders. If we look back, the function of communication is a very important thing in conveying matters related to CSR activities. So in other words, companies are required to provide adequate information about social responsibility and those related to employees, customers and other stakeholders. Of course, information to the community using various communication media so that information about CSR can make the community aware of the company's responsibilities.

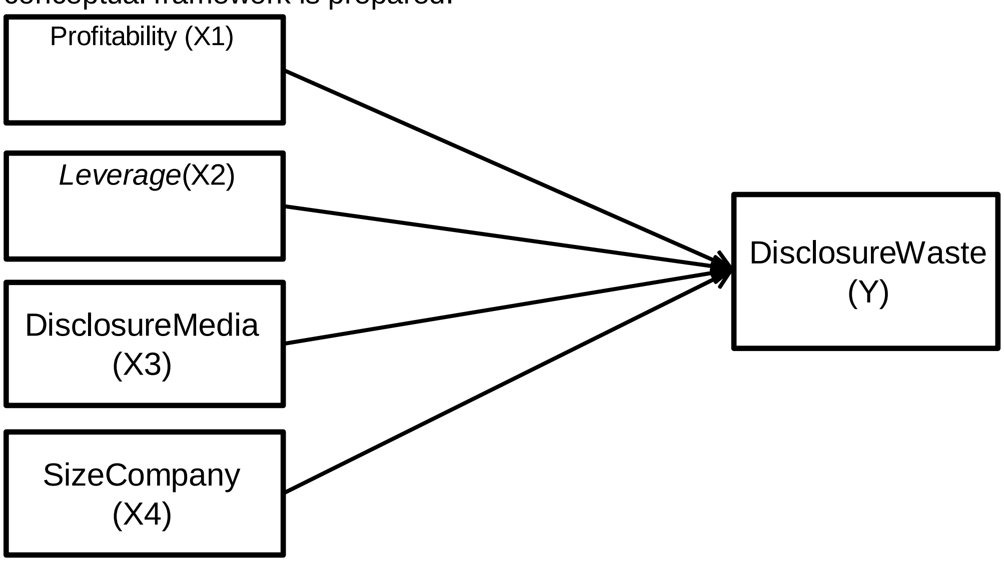
This research is a modification of the research(Wahyutama, 2016)with the independent variables being company size, profitability, leverage, media exposure and the dependent variable being social responsibility disclosure while this study uses the dependent variable being waste disclosure. Another difference is the use of samples in the study.(Wahyutama, 2016)the sample used is a company in the basic and chemical industry listed from 2011-2014 on the Indonesia Stock Exchange (IDX) while this study uses a sample of mining and palm oil plantation companies listed on the IDX in 2017-2018. On the other hand, the topic of research on waste disclosure by mining and palm oil plantation companies is a special attraction and further research is needed related to the influence of waste disclosure, so the researcher conducted this study.

## 2 Theoretical Framework

The concept of corporate social responsibility has been known since 1979 which is generally interpreted as a collection of policies and practices related to stakeholders, values, legal compliance, community appreciation of the environment and business commitments. CSR is not only a company's activities that are carried out to comply with applicable laws and regulations. More than that, CSR is expected to provide benefits and utility for parties who have an interest in the company. Corporate accountability is treated to assess whether the company's activities have met the applicable provisions, standards and regulations. For example, regarding pollution, health and safety, the dangers of using toxic materials.

Sustainability reports are the first platform to communicate positive or negative sustainable performance and impacts. The indicators of social responsibility disclosure according to GRI consist of three indicators, namely economic performance indicators, environmental performance and social performance. The ability of a company's good financial performance will try to make broader disclosures. The extent of disclosure made by the company aims to gain support and stakeholder trust. Widayuni (2014) explains that the decision to disclose social information more widely will be followed by expenses to make disclosures so that it can reduce income. Whether or not a company's financial performance is good can be seen from the level of profitability

To better understand the variables used in this study and to find the influence of profitability, media disclosure leverage and company size on waste disclosure by a company, the following conceptual framework is prepared.




***H1 = Profitability has an influence on waste disclosure***
***H2 = Leverage has an effect on waste disclosure***
***H3 = Media disclosure has an effect on waste disclosure***
***H4 = Company size has an effect on waste disclosure***

## 3 Research Method

This study uses a quantitative approach to examine the effect of profitability, leverage, media disclosure, and company size on waste disclosure in mining and palm oil plantation companies listed on the IDX for the 2017-2018 period. The independent variables used are profitability (ROA), leverage (DER), media disclosure (dummy variable), and company size (log total assets), while the dependent variable is waste disclosure based on the GRI G3, GRI G4 index. The data used are secondary data from annual reports and company websites. The sampling technique uses purposive sampling with a total of 96 data. The analysis was carried out using multiple linear regression with various statistical tests, such as normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test.

## 4 Results and Discussions

This study was conducted on mining and palm oil plantation companies listed on the Indonesia Stock Exchange (IDX) during the period 2017-2018. Secondary data were obtained from annual reports and websites of sample companies. Purposive sampling technique was used to obtain 96 research data based on certain criteria. Descriptive analysis provides an overview of the minimum, maximum, average (mean), and standard deviation values of each variable.

| **Variables** | **Minimum** | **Maximum** | **Mean** | **Standard Deviation** |
|---|---|---|---|---|
| **Profitability (ROA)** | -0.80 | 2.03 | 0.0931 | 0.28425 |
| **Leverage (DER)** | -1.32 | 7.53 | 1.1936 | 1.13902 |
| **Media Disclosure** | 0.00 | 1.00 | 0.5521 | 0.49989 |
| **Company Size** | 0.13 | 26.51 | 0.6285 | 3.03050 |
| **Disclosure of Waste** | 0.08 | 0.80 | 0.3049 | 0.20918 |

These results show that the average disclosure of waste by companies is still relatively low (30.49%).

Normality Test and Classical Assumption Test

Normality Test Using Kolmogorov-Smirnov, shows that the research data is normally distributed with a sig. value of 0.311 > 0.05. Multicollinearity Test: No multicollinearity was found because all VIF values <10 and tolerance> 0.1. Autocorrelation Test: Durbin-Watson results of 2.001 indicate no autocorrelation. Meanwhile, Heteroscedasticity Test: Using the Glejser test, shows that there is no heteroscedasticity because all sig. values > 0.05. The regression model used in this study is:

PLDI=0.194−0.199ROA−0.037DER+0.290ME+0.021Size+ePLDI = 0.194 - 0.199ROA - 0.037DER + 0.290ME + 0.021Size + ePLDI=0.194−0.199ROA−0.037DER+0.290ME+0.021Size+e

**The results of the t-test show that:**

- Profitability (ROA) has a significant negative effect on waste disclosure (sig. 0.005 < 0.05, t-count -2.897).
- Leverage (DER) has a significant negative effect on waste disclosure (sig. 0.006 < 0.05, t-count -2.787).
- Media disclosure has a significant positive effect on waste disclosure (sig. 0.000 < 0.05, t-count 9.637).

- Company size has a significant positive effect on waste disclosure (sig. 0.001 < 0.05, t-count 3.325).

The coefficient of determination ($R^2$) test shows that 51.4% of the variation in waste disclosure can be explained by the independent variables, while 48.6% is explained by other variables outside the model.

**Discussions**

a. The Effect of Profitability on Waste Disclosure
   Profitability has a negative relationship with waste disclosure, meaning that companies with high profits tend to reduce waste disclosure. This is in accordance with the legitimacy theory, where companies with high profits focus more on profits than environmental transparency.
b. The Effect of Leverage on Waste Disclosure
   Leverage also has a negative effect on waste disclosure. Companies with high debt tend to be more careful in spending, including in disclosing social and environmental responsibilities.
c. The Influence of Media Disclosure on Waste Disclosure
   The results show that the more media used to disclose corporate social responsibility, the higher the level of waste disclosure. This shows that transparency through the media has a major impact on increasing corporate environmental awareness.
d. The Effect of Company Size on Waste Disclosure
   Larger companies tend to have higher levels of waste disclosure. This is in line with the legitimacy theory which states that large companies receive more attention from the public and stakeholders and therefore have greater incentives to be transparent.

## 5 Conclusions

This study aims to analyze the effect of profitability, leverage, media disclosure, and company size on waste disclosure in mining and palm oil plantation companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2018 period. Based on the results of multiple linear regression analysis, it was found that profitability has a negative effect on waste disclosure, which means that companies with high profit levels tend to reduce transparency in their waste disclosure. This can happen because companies are more focused on increasing shareholder value and reducing additional costs associated with waste reporting.

Furthermore, leverage also has a negative effect on waste disclosure. Companies with high levels of debt tend to be more careful in allocating their financial resources and prefer not to increase waste disclosure that can increase operational burdens. In contrast, media disclosure shows a significant positive effect on waste disclosure. This shows that the more widely companies disclose information through various media, the higher their transparency in terms of waste management. The media plays an important role in raising public awareness and encouraging companies to be more environmentally responsible.

In addition, company size also has a positive effect on waste disclosure. Larger companies tend to have better capacity to implement and report their environmental policies, so that the level of transparency in waste disclosure increases. This is in line with the legitimacy theory which states that large companies have higher pressure from stakeholders to disclose information related to social and environmental responsibility. Thus, this study shows that financial and external factors such as profitability, leverage, media, and company size play an important role in determining the extent to which companies disclose information about their waste.

Although this study provides valuable insights, there are some limitations that need to be considered. First, this study only focuses on mining and palm oil plantation companies listed on the IDX during the period 2017-2018, so the results of this study cannot be generalized to the entire industry or a wider period. Second, the media disclosure variable is only measured using a dummy variable (0 and 1), which may not reflect the level of variation in information disclosure. Third, the regression model used is only able to explain 51.4% of the variation in waste disclosure, so there are still other factors that have not been included in this study but may have a significant influence on waste disclosure.

Based on the limitations mentioned above, further research is suggested to expand the sample coverage by including companies from other sectors, so that the results can be more generalized. In addition, extending the research period can provide a more accurate picture of the trend of waste disclosure in the long term. To improve the accuracy of measuring media disclosure variables, further research can also consider more complex analysis methods, such as the Janis-Fadner Coefficient or sentiment analysis from various media sources, including online news and social media. In addition, it is suggested to add other variables, such as environmental regulations, corporate governance, or the level of public environmental awareness, which are also likely to play a role in determining the level of corporate waste disclosure.

The results of this study have several practical implications for companies, investors, and other stakeholders. Companies are advised to increase transparency in waste reporting as part of their sustainability strategy, not only to comply with environmental regulations but also to improve the company's image in the eyes of investors and the public. The use of media as a communication tool can be an important factor in raising awareness of corporate environmental responsibility. Therefore, companies need to utilize various media platforms to be more open in reporting their environmental impacts.

For investors, this study shows that environmental factors such as waste disclosure can be an important indicator in assessing a company's social responsibility before making an investment. Companies that are more transparent in their waste disclosure may have better risk management and be more reliable in the long term. Meanwhile, for regulators and policy makers, the results of this study can be used as a basis for encouraging policies that require companies to be more transparent in disclosing information related to their industrial waste.

With increasing pressure on companies to be more environmentally responsible, it is important for all parties to work together to create a more effective and accountable reporting system. This research is expected to be a reference for the development of more sustainable business policies and practices in the future.

## ***References:***

Badria, N., Sukoharsono, E.G., & Purwanti, L. (2021). Business sustainability and pentuple bottom line: Building the hierarchical pyramid of the pentuple bottom line. International Journal of Research in Business and Social Science (2147- 4478), 10(3), 123–131. https://doi.org/10.20525/ijrbs.v10i3.1156

Baeshen, Y., Soomro, YA, & Bhutto, MY (2021). Determinants of Green Innovation to Achieve

Sustainable Business Performance: Evidence From SMEs. Frontiers in Psychology, 12(November). https://doi.org/10.3389/fpsyg.2021.767968

Jaya, IMLM, & Padilla, MAE (2024). Tax Carbon Policy: Momentum to Accelerate Indonesia's Sustainable Economic Growth Towards Green Economy. In Green Economy and Renewable Energy Transitions for Sustainable Development (pp. 171–183). IGI Global Publishing.

Jitmaneeroj, B. (2018). A latent variable analysis of corporate social responsibility and firm value. Managerial Finance, 44(4), 478–494. https://doi.org/10.1108/MF-08-2017-0303

Maharani, P., & Handayani, S. (2021). The Influence of Green Accounting on the Value of Mining Sector Companies. 5(1), 220–231.

Razafindrambinina, D. & AS (2014). The Impact of Strategic Corporate Social Responsibility on Operating Performance: An Investigation Using Data Envelopment Analysis in Indonesia Annisa Sabran - Marketing Management, Prasetiya Mulya Business School,. Journal of Business Studies Quarterly, 6(1), 1–12.

Wahyutama, NRI (2016). The Influence of Company Size, Profitability, Leverage and Media Exposure on Corporate Social Responsibility Disclosure. Student Scientific Article 2016, University of Jember, 1–8.

Wijaya, E., Chandra, T., Hafni, L., & Ng, M. (2022). The Role of Environmental Performance in Realizing Green Economy Development and Its Impact on the Financial Performance of Mining Companies. RAK Journal (Financial Accounting Research), 7(2), 215–230.