The Effect of Social Responsibility Disclosure, Carbon Emission Disclosure, Green Investment, and Financial Performance Toward Firm Value: The Case of Indonesia

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Abstract

This study examines the effect of Social Responsibility Disclosure as measured by ISO 26000 indicator, Carbon Emission Disclosure as measured by the index developed by Choi, Lee, and Psaros (2013), Green Investment as measured by the PROPER award achieved by companies, and Financial Performance as measured by the ratio of Debt to Equity (DER) to Company Value as measured by the ratio of Tobin's Q on the KOMPAS100 index companies listed on the Indonesia Stock Exchange in 2016 – 2020. The data for this study were obtained through quantitative research. The data involved a sample (n=45) of nine companies for 5 years. The data from this study including panel data and data processing techniques used are in the form of Least Square Analysis (OLS) using SPSS version 26. The results show that Social Responsibility Disclosure has no significant effect, Carbon Emission Disclosure has a significant positive effect, Green Investment does not have a significant effect and Financial Performance (DER) has a significant negative effect on firm value in the company.

Keywords
Social Responsibility Disclosure, Carbon Emission Disclosure, Green Investment, Financial Performance and Firm.

1. Introduction
Based on data from the Indonesia Stock Exchange (IDX), several companies conduct Initial Public Offerings (IPOs) every year. In 2016 there were 16 companies; in 2017, there were 37 companies; in 2018, there were 55 companies; in 2019, there were 51 companies; and in 2020, 54 companies were conducting Initial Public Offerings (IPOs). This indicates that economic conditions tend to be positive and growing. This economic development will lead to intense competition between companies to improve performance and value to achieve company goals (Wiagustini, 2014).

Firm value is an economic concept that describes the value of a company, or the value paid to take over a company. The company's value needs to be considered by the company, as the value can influence investors' views on how management runs the company. Some factors can affect the value of a company, namely internal factors and external factors. Internal factors can be controlled by the company, while external factors come from outside the company and cannot be controlled by the company (Santika and Ratnawati, 2002).

To determine whether its financial performance is good or bad, the company has financial analysis tools describing its financial condition. One of the company's strategies to achieve its goals is to maintain its financial performance as well as possible. Maintaining the company's financial performance is essential for companies to attract investors. Investors often review the company's condition through financial ratios as an investment evaluation tool. Financial performance describes the company's ability to generate profits by utilizing its capital as effectively as possible. With sound financial performance, the company will find it easier to attract investors to invest in the company.

Previously, Social Responsibility was only carried out by companies by ensuring welfare and maximizing shareholder profits (Friedman, 1970). Along with the changing conditions and values of society at this time, companies that previously only applied the single bottom line principle where the company only paid attention to profit have developed and followed the application of the triple bottom line or 3P (profit, people, and planet) which

John Elkington popularized. The company will feel the benefits of implementing or disclosing social responsibility, such as increased legitimacy and reduced complaints from stakeholders (Hadi N., 2014).

The implementation of corporate social responsibility can also be carried out in the form of green investment or what is also known as a sustainable investment to maintain economic and social viability on earth. Implementing green investment will help reduce greenhouse gases and air pollutants without significantly reducing production and non-energy consumption materials (Eyraud, Clements, and Wane, 2013). Implementing long-term green investment will encourage better and environmentally friendly industrial operations to provide sustainability for the company and the environment.

The implementation of social and environmental responsibilities and their disclosures in annual reports or sustainability reports must be carried out by companies in Indonesia under Law no. 40 of 2007 concerning Limited Liability Companies. One of the disclosures that companies can make is Carbon Emission Disclosure. This is because the issue and concern that is also one of the global phenomena at this time is climate change, where there is a shift in seasons and changes in rainfall. Companies have a significant influence in contributing to carbon emissions in the atmosphere. The pace of industrial development is in line with the decline in environmental quality and the increase in greenhouse gas emissions because there will be more and more sophisticated use of machines and technology to replace human work. In dealing with this problem, companies in Indonesia are also expected to disclose their activities that affect climate change or global warming, one of which is by disclosing carbon emissions.

Based on the phenomena that have been described, this study chooses to research the KOMPAS100 index companies, where the KOMPAS100 index companies are the 100 best companies in Indonesia that will have more significant pressure to increase and maintain their company value.

2. Objectives
The objective of this research is to:
1. Knowing whether Social Responsibility Disclosure affects the value of the company.
2. Knowing whether Carbon Emission Disclosure affects the value of the company.
3. Knowing whether Green Investment has an effect on firm value.
4. Knowing whether Financial Performance has an effect on firm value.

3. Literature Review
3.1 Firm Value
Firm value is the market value or price applicable to the company's common stock (Wahyudi, 2020). Firm value can also be interpreted as a company's performance which is described by shares formed from the demand and supply of shares in the capital market, where this demand and supply illustrates the public's assessment of the company's performance (Harmono, 2011). The reflection of the public's assessment of the company's performance through the stock price is an assessment in real terms because the stock price is a point of stability in the forces of demand and supply to create a sale and purchase transaction of securities between issuers and investors, or what is also known as market equilibrium. The stock price in the market is also referred to as the concept of firm value in capital market finance theory.

A high company value is significant for the company because it will not only make the market believe in the company's current performance but also the company's prospects in the future. The normative goal of the company, in general, is to maximize shareholder wealth, which can be realized by increasing the company's value. The higher the shares price of the company, the higher the shareholder's wealth. In other words, companies with high share prices tend to have good company values because they are considered capable of prospering for their shareholders. This study measured the firm value using Tobin's Q ratio.

3.2 Social Responsibility Disclosure
Social Responsibility is a company's commitment to contribute to sustainable economic development while equally taking into social, environmental, and economic responsibilities. The activities carried out by these companies will be disclosed or reported to the public through annual reports or company sustainability reports. Based on stakeholder

theory, company activities influence stakeholders, so companies must continue to provide benefits to stakeholders in both social and environmental terms.

By implementing and disclosing activities that consider social and environmental conditions, the company will also indirectly fulfil the values accepted by the community. This is in line with the legitimacy theory, where the company will obtain legitimacy because there is a match between the existence of the company and the values accepted by society (Deegan, Rankin, and Tobin, 2002). Legitimacy or recognition from the public will increase the company's value because it will increase public trust and create a good image for the company, thus enabling the company to attract more investors. The implementation and disclosure of activities that pay attention to social and environmental conditions are also in line with signaling theory, where disclosure of corporate social responsibility can be captured as a positive or negative signal by investors so that it can influence investors' views on the company value. In this study, social responsibility disclosure was measured by the content analysis method using ISO 26000 indicator. From this explanation, it can be concluded that Social Responsibility Disclosure affects firm value, so the hypothesis is that Social Responsibility Disclosure affects Company Value.

3.3 Carbon Emission Disclosure

Companies need to do carbon emission disclosures to help manage industrial carbon. Carbon emissions can be disclosed through the company's annual or sustainability reports. Disclosure of carbon emissions can be mandatory and voluntary. Disclosure is mandatory because some laws and regulations require companies to report on their environmental activities. In contrast, disclosure is voluntary because there are no regulations governing the provisions of what items must be reported so that the company's reported items are adjusted (Utomo, 2019).

Based on the legitimacy theory mechanism, companies are supported to make voluntary social and environmental disclosures because it will allow companies to get the recognition that can increase company value and help the company's survival (Agustini, and Purnamawati, 2021). In other words, the more voluntary disclosure items the company discloses, the more it will help the company gain legitimacy. Disclosure of carbon emissions is also in line with signaling theory, where disclosure of carbon emissions by companies through annual reports or company sustainability reports will generate positive signals for the company. The company has made voluntary disclosures (Agustini, and Purnamawati, 2021). Increased legitimacy and the emergence of positive signals will help companies increase company value. In this study, carbon emission disclosure was measured by the content analysis method using an index developed by Choi et al. (2013). From this explanation, it can be concluded that Carbon Emission Disclosure affects firm value, so the hypothesis is that Carbon Emission Disclosure affects firm value.

3.4 Green Investment

Green Investment is carried out to conserve natural resources, look for alternatives to new and renewable energy, support the implementation of clean air and water projects, and carry out more environmentally friendly activities (Anisah, 2020). These activities are beneficial for stakeholders, so this is in line with stakeholder theory, where companies not only carry out their activities for profit but also provide benefits to their stakeholders regarding social and environmental matters.

These activities are also in line with the legitimacy theory, which explains that the company will continue to carry out its activities following the values accepted by the community to gain legitimacy. Activities that pay attention to social and environmental conditions are not always carried out well by companies so that by carrying out extra activities that are not carried out by all companies, such as green investment, will help companies gain legitimacy or recognition from the community will increase the value of the company. In this study, green investment was measured using the calculation of Paramita and Chariri (2013), namely by using PROPER. From this explanation, it can be concluded that Green Investment affects firm value, so the hypothesis that is taken is that Green Investment affects Firm Value.

3.5 Financial Performance

Maintaining and improving the company's financial performance is a must for companies so that shares are still in demand by investors (Artini et al. 2012). One way to measure company performance is to use financial ratios. In this study, the company's performance is measured using one of the solvency ratio formulas, namely debt to equity ratio (DER).

Debt to equity (DER) is the ratio that measures how far the company is financed by debt. A high DER value illustrates that the business capital structure is mainly financed by debt than equity. Companies that do too much financing using debt compared to their capital will be considered unhealthy because an increase in debt will affect the size of the profit available to shareholders in distributing dividends. After all, the company will prioritize paying off existing debts before paying dividends, which will affect investor interest in company shares. Companies that can pay off their debts can also be considered to have done their best to create good corporate value. According to Lindblom, financial performance is also directly related to legitimacy theory, where if there is a misalignment between the company's value (both financially and non-financially) and the community value system, the company can lose its legitimacy (Hadi, 2011). Financial performance is also in line with signaling theory, where financial performance that can be seen from the company's financial statements can be captured as a negative or positive signal by investors to affect investors' views on company value. From this explanation, it can be concluded that Financial Performance affects firm value, so the hypothesis is that Financial Performance affects Firm Value.

4. Data Collection

The research method used is quantitative, with the object of research being the KOMPAS100 index companies listed on the IDX for the 2016-2020 period. The type of data used is secondary data originating from audited financial reports and annual or sustainability reports from the IDX official website and the official website of each company. The sampling method used is purposive sampling with five criteria, namely, the sample company is included in the KOMPAS100 index company listed on the Indonesia Stock Exchange in 2016-2020, the company follows the PROPER program, the company publishes audited financial reports and annual reports or sustainability reports containing Social Responsibility Disclosure and Carbon Emission Disclosure information, the company did not have a negative equity value during the study period, and the company did not experience an IPO, delisting, or relisting during the study period. The results of research on the effect of financial inclusion on bank performance will be presented in Tables and figures.

5. Result and Discussion

5.1 Descriptive Statistical Analysis

The results of the descriptive statistical analysis test on the dependent variable, namely Firm Value, for the independent variables there are Social Responsibility Disclosure, Carbon Emission Disclosure, Green Investment, and Financial Performance (Table 1).

Table 1. Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
SR	45	.676	.946	.82823	.072922
CED	45	.111	.667	.42593	.143607
GI	45	3	5	3.78	.560
DER	45	.145	2.872	.75573	.547470
TobinsQ	45	.572	2.949	1.35276	.523948
Valid N (listwise)	45				

Based on Table 1, the results of descriptive statistical analysis generated on 45 samples of KOMPAS100 index companies listed on the Indonesia Stock Exchange (IDX) in 2016 – 2020 can be explained as follows.

a. The independent variable Social Responsibility Disclosure (SR) has a minimum value of 0.676, which is owned by PT Vale Indonesia Tbk. in 2020, and a maximum value of 0.946, which PT Perusahaan Gas Negara Tbk owned in 2019 and PT Timah Tbk. owned in 2017, 2019, and 2020. The Social Responsibility Disclosure variable has an average value of 0.82823 and a standard deviation value which indicates a deviation of the average value of 0.072922.

b. The independent variable Carbon Emission Disclosure (CED) has a minimum value of 0.111, which PT Astra Agro Lestari Tbk owned in 2016, a maximum value of 0.667 was owned by PT Perusahaan Gas Negara Tbk. in 2019 and 2020. The Carbon Emission Disclosure variable has an average value of 0.42593 and a standard deviation value which indicates a deviation of the average value of 0.143607.

c. The independent variable Green Investment (GI) has a minimum value of 3 owned by PT Astra Agro Lestari Tbk. in 2020, PT AKR Corporindo Tbk. in 2016-2020, PT Vale Indonesia Tbk. in 2016-2018, PT Indocement Tunggal Prakasa Tbk. in 2017, PT Perusahaan Gas Negara Tbk. in 2016-2018, PT Timah Tbk. in 2016-2018 and PT United Tractors Tbk. in 2016-2017 and a maximum value of 5 owned by PT Aneka Tambang Tbk. in 2017 and PT Perusahaan Gas Negara Tbk. in 2020. The Green Investment variable has an average value of 3.78 and a standard deviation value that shows a deviation from the average value of 0.560.

d. The independent variable Financial Performance (DER) has a minimum value of 0.145, owned by PT Vale Indonesia Tbk. in 2019, and a maximum value of 2,872 owned by PT Timah Tbk. in 2019. The Financial Performance variable has an average value of 0.75573 and a standard deviation value which shows a deviation of the average value of 0.547470.

e. The dependent variable Company Value (Tobin's Q) has a minimum value of 0.572 owned by PT AKR Corporindo Tbk. in 2020 and a maximum value of 2,949 owned by PT Indocement Tunggal Prakarsa Tbk. in 2017. The Company Value variable has an average value of 1.35276 and a standard deviation value which shows a deviation of the average value of 0.523948.

5.2 Normality Test

Normality test is used to determine whether the data is normally distributed or not using a graph (Figure 1).
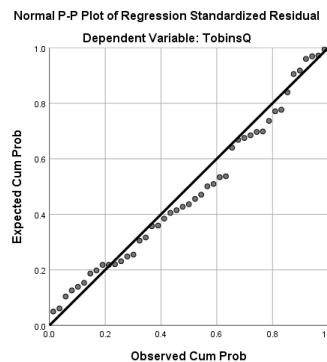

Figure 1. Normality Test Results

Based on Figure 2, the results of the normality test using a probability plot graph in this study indicate that the points spread around the normal line, which indicates that the data in this study are normally distributed.

5.3 Multicollinearity Test

Multicollinearity is a test conducted to determine whether there is intercorrelation or collinearity in the independent variables.

Table 2. *Multicollinearity* Test Result

Model		Collinearity Statistics	
		Tolerance	VIF
1	SR	.569	1.758
	CED	.877	1.140
	GI	.895	1.117
	DER	.580	1.725
a. Dependent Variable: TobinsQ			

Based on Table 2, the variables used in the study have a VIF value below 10, which means that there is no *multicollinearity*. Research data can be used to test multiple linear regressions.

5.4 Heteroscedasticity Test

A *heteroscedasticity* test was carried out to determine whether there was an inequality of variance from the residuals of one observation to another.
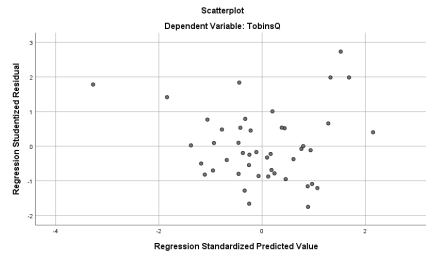

Figure 2. *Heteroscedasticity* Test Result

Based on Figure 2, the results of the heteroscedasticity test illustrate that the dots on the scatterplot do not form a specific pattern and spread above and below the 0 of the Y-axis. This indicates that there are no heteroscedasticity symptoms in this study's regression model.

5.5 Autocorrelation Test

An autocorrelation test is usually carried out to know whether there is an error in the regression model. The condition used in the Durbin Watson autocorrelation test is that a regression model can be said to have no positive or negative autocorrelation if DU < DW < 4-DU.

Table 3. Autocorrelation Test Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.552ᵃ	.304	.235	.458338	1.803
a. Predictors: (Constant), DER, GI, CED, SR					
b. Dependent Variable: TobinsQ					

Based on Table 3, the results of the autocorrelation test using Durbin – Watson showed that DU 1.803 < DW 1.754 < 4-DU 2.197, thus indicating that there was no autocorrelation in the regression model.

5.6 Multiple linear regressions

Multiple linear regression analysis was conducted to determine the effect of the independent variable on the dependent variable. This study conducted multiple linear regression analysis to determine the effect of 4 independent variables on one dependent variable (Table 4).

Table 4. Multiple linear regressions Test Result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.368	1.095		.337	.738
	SR	1.761	1.256	.245	1.402	.169
	CED	1.044	.514	.286	2.031	.049
	GI	-.130	.131	-.138	-.993	.326
	DER	-.568	.166	-.593	-3.426	.001
a. Dependent Variable: TobinsQ						

Based on Table 4, it can be concluded that the multiple linear regression equation to test the effect of Social Responsibility Disclosure, Carbon Emission Disclosure, Green Investment, and Financial Performance on Firm Value (Tobin's Q) is as follows.

$$\text{Tobin' s Q} = 0.368 + 1.761 \text{ SR} + 1.044 \text{ CED} - 0.130 \text{ GI} - 0.568 \text{ CED} + \varepsilon$$

a. The independent variable Financial Performance (DER) has a negative regression coefficient of 0.568, which indicates that the increase in Financial Performance is inversely proportional to the increase in Firm Value (Tobin's Q). This means that every time there is an increase in DER, there will be a decrease in Company Value (Tobin's Q) by 0.568.

b. The dependent variable of Firm Value (Tobin's Q) has a regression coefficient of 0.368. This shows that if all independent variables have a value of 0, then the value of the dependent variable (Tobin's Q) is 0.368. The Social Responsibility Disclosure (SR) variable has a T-value of 1.402 and a p-value of 0.169. From these results obtained Tcount (1.402) < Table (2.021) and p-value (0.169) > 0.05, so H1 is rejected. This shows that the Social Responsibility Disclosure (SR) variable individually has no significant effect on Firm Value (Tobin's Q). No significant effect of Social Responsibility Disclosure on company value can be caused because the process of reporting corporate social responsibility has not been carried out properly, so it cannot be used as something that needs to be considered by interested parties. Companies generally focus more on the disclosure of financial factors and do not focus on non-financial factors such as Social Responsibility Disclosure, so it has not been paid much attention to by interested parties. The lack of public attention to the disclosure of corporate social responsibility also occurs because companies only disclose their social responsibility activities in the form of reports which are then inputted into the company's website without any promotion or other form of communication. In addition, the Social Responsibility Disclosure does not significantly affect the company's value. It can also be caused by the disclosure of social responsibility carried out by companies that have not been widely carried out based on ISO 26000, where companies mainly disclose their social responsibilities based on the Global Reporting Initiative (GRI). In this case, many companies do not fulfill the social responsibility disclosure items based on the ISO 26000 indicator.

c. The independent variable Social Responsibility Disclosure (SRD) has a positive regression coefficient of 1.761, which indicates that the increase in Social Responsibility is directly proportional to the increase in Firm Value (Tobin's Q). This means that every time there is an increase in Social Responsibility, there will be an increase in Company Value (Tobin's Q) of 1,761. The Carbon Emission Disclosure (CED) variable has a Tcount of 2.031 and a p-value of 0.049. From these results obtained Tcount (2.031) > Table (2.021) and p-value (0.049) < 0.05, so H2 is accepted. This shows that the individual Carbon Emission Disclosure (CED) variable has a significant positive effect on Firm Value (Tobin's Q). Carbon Emission Disclosure has a significant positive effect, meaning that every increase in Carbon Emission Disclosure will also increase the company's value, or it can mean that the higher the value of Carbon Emission Disclosure illustrates, the higher the value of the company. This illustrates that Carbon Emission Disclosure information is responded to and trusted by the public, investors, shareholders, and the market as one of the assessment and consideration factors in predicting the company's sustainability. So it can be concluded that companies that carry out Carbon Emission Disclosure have increased the value of their companies in the eyes of the public, investors, shareholders, and the market, and companies can attract more investors if they do Carbon Emission Disclosure because Carbon Emission Disclosure is considered as one of the factors considered by investors in buying the share.

d. The independent variable, Carbon Emission Disclosure (CED), has a positive regression coefficient value of 1.044, which indicates that the increase in Carbon Emission Disclosure is directly proportional to the firm value (Tobin's Q). This means that every time there is an increase in Carbon Emission Disclosure, there will be an increase in Company Value (Tobin's Q) of 1,044. The Green Investment (GI) variable has a Tcount of -0.993 and a p-value of 0.326. From these results obtained Tcount (-0.993) < T Table (2.021) and p-value (0.326) > 0.05, so H3 is rejected. This shows that the Green Investment (GI) variable individually has no significant effect on Firm Value (Tobin's Q). No significant effect of Green Investment on firm value can be due to conditions in Indonesia where not many people pay attention to environmental issues so that in making decisions, investors are not too focused on environmental performance and Green Investment. In addition, the results of this test can also be caused because environmental performance or Green Investment tends to be a minor focus compared to company performance or financial performance, which is the main focus of investors when making investment decisions.

e. The independent variable Green Investment (GI) has a negative regression coefficient of 0.130, which indicates that the increase in Green Investment is inversely proportional to the increase in Firm Value (Tobin's Q). This means that every time there is an increase in Green Investment, there will be a decrease in Company Value

(Tobin's Q) by 0.130. The Financial Performance (DER) variable has a T-value of -3.426 and a p-value of 0.001. From these results obtained Tcount (-3.426) < T Table (2.021) and p-value (0.001) < 0.05, so H4 can be declared accepted. This shows that the Financial Performance (DER) variable individually has a significant negative effect on Firm Value (Tobin's Q). Financial Performance (DER) has a significant negative effect, meaning that every time there is a decrease in the value of DER, there will be an increase in firm value. This illustrates that a company with a high DER value will be considered unhealthy because it illustrates that the company has a high level of debt and does much financing using debt compared to its capital. Companies that look unhealthy will describe poor financial performance, resulting in a lack of investor interest in the company's shares. High debt levels can also be seen as a threat or a negative signal for investors, indicating the company's obligation to pay principal and interest on the debt.

6. Conclusions

This study was conducted to analyze the effect of Social Responsibility Disclosure, Carbon Emission Disclosure, Green Investment, and Financial Performance on the Firm Value of the KOMPAS 100 index companies listed on the Indonesia Stock Exchange (IDX) from 2016 – 2020. In this study, the independent variable Social Responsibility Disclosure is measured by the disclosure of corporate social responsibility based on ISO 26000 indicators, Carbon Emission Disclosure is measured by the index developed by Choi, Lee, and Psaros (2013), Green Investment is measured by the PROPER award achieved by the company, Financial Performance is measured by the ratio of Debt to Equity (DER), and the Tobin's Q ratio measures the dependent variable Firm Value.

This study uses a quantitative approach with the object of the KOMPAS100 index company listed on the Indonesia Stock Exchange from 2016 - 2020. The type of data used in this study is secondary data in the form of audited financial statements and annual reports or sustainability reports which data source is obtained from the official website of the Indonesia Stock Exchange (IDX) and the company's official website, the report on the results of the assessment of the company's performance rating in environmental management (PROPER) which data source is obtained from the website of the Ministry of Environment (www.menlh.go.id), as well as books, journals, or scientific articles relevant to this research topic. The sampling method used in this study was purposive sampling, and the final total sample used was 45 data. Hypothesis testing was carried out with the help of IBM SPSS version 26 software. The following are the conclusions of the results of hypothesis testing that have been carried out in this study.

1. Social Responsibility Disclosure has no significant effect on the company's value on the KOMPAS100 index listed on the IDX for the period 2016 – 2020.
2. Carbon Emission Disclosure has a significant positive effect on company value in the KOMPAS100 index listed on the IDX for 2016 – 2020. Carbon Emission Disclosure has a significant positive effect, meaning that for every increase in Carbon Emission Disclosure, there will also be an increase in company value.
3. Green Investment has no significant effect on the company's value on the KOMPAS100 index listed on the IDX for the 2016 – 2020 period.
4. Financial Performance (DER) has a significant negative effect on company value on the KOMPAS100 index listed on the IDX for 2016 - 2020. Financial Performance (DER) has a significant negative effect, meaning that every time there is a decrease in the value of DER, there will be an increase in the company's value.

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