

# ANALYSIS OF THE INFLUENCE OF ENVIRONMENTAL PERFORMANCE AND CORPORATE SOCIAL RESPONSIBILITY (CSR) ON FINANCIAL PERFORMANCE IN SRI-KEHATI INDEX COMPANIES

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## ARTICLE INFO

### Keywords:

CSR  
Environmental  
Financial Performance

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## ABSTRACT

Study This aim For know and analyze How influence performance environment and CSR towards performance company finance \_SRI KEHATI Index . Source of data used in study This report finances and reports PROPER assessment published by the Ministry of Environment Life through the website [www.menlh.go.id](http://www.menlh.go.id). Method data analysis used in study This is descriptive quantitative. Study This done based on the data obtained during period 2009 to 2018. In study This writer count ratio with use *Return On Assets (ROA)* and *Corporate Social Responsibility*. Research results This show that performance environment and CSR towards performance finance experience not optimal and experienced fluctuation during 10 year period to lower matter This seen Because a number of company that doesn't fulfil the conditions inside regulation of the Minister of the Environment live .

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## 1. INTRODUCTION

The company's financial performance is the achievement of the company in a certain period that reflects the level of soundness of the company. One measure of company performance is financial performance. For company management, by knowing financial performance, management can evaluate and make policies to improve and enhance financial performance. But now the impact of company policies is not comparable in improving the financial performance of a company. One of them is the environmental impact caused by company activities, in order to improve financial performance alone. In general, investors are more concerned with profit information without looking at how the profit process is generated. So to measure the performance of a company seen from the level of profit that is used as a reference by investors. In this study, financial performance is measured using *Return On Assets (ROA)*[1].

Elkington formulated three important aspects that should be the responsibility of the company. These three aspects are known as *The Triple Bottom Line (TBL)* , namely *Profit* (seeking profit), *People* (community empowerment), and *Planet* (preservation of nature/earth). Therefore, it is hoped that the company will focus more on paying attention to the conditions of the community and the environment around the company, not just focusing on financial performance.

Currently the issue of environmental problems has become the spotlight of the world community which is interesting to discuss. Initially the existence of the company will provide benefits to the community, the company will maximize its profits so that it can provide the maximum contribution to society. However, as time goes by, the community realizes that the activities carried out by companies by exploiting natural resources that are not controlled will have the potential to cause damage to the natural environment such as air pollution, deforestation, water pollution, and waste which will ultimately disrupt human life. Environmental pollution in Indonesia, which is getting worse, is the impact of environmental management that is not in accordance with what has been stipulated. Some companies still haven't thought about the social impacts arising from industrial practices that use advanced technology and hazardous chemicals.

Several cases regarding the environmental damage made. The government through the Ministry of Environment established a Company Performance Rating Program in Environmental Management (PROPER) which was implemented starting in 2002 in the field of environmental impact control to increase the company's role in environmental preservation programs. The company's environmental performance is measured using colors ranging from the best gold, green, blue, red to the worst black. Through this, the community will find it easier to know the level of management arrangements in the company.

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As explained earlier, the impact arising from the company's operational activities will reduce public and stakeholder trust in the company so that it will affect the company's sustainability. Because the company only prioritizes financial performance rather than environmental performance even though naturally the two performances go hand in hand. Therefore, to restore the trust of stakeholders and society to the company. Companies make voluntary disclosures commonly referred to as corporate social responsibility disclosures which are part of environmental performance.

Corporate social responsibility or better known as *Corporate Social Responsibility* (CSR) is a discourse that is relatively quite a concern that can be considered recently. At present the success of a company is determined by the attention to the surrounding social environment. This means that the commercial success of companies is also seen from how the company manages its social responsibility towards the community around the area of operation, so as to create good relations between communities[2]

The CSR program is one of the obligations that must be carried out by companies in accordance with the contents of article 74 of the new Limited Liability Company Law (UUPT). This law was passed in the plenary session of the DPR. With the existence of this law, industry or corporations are obliged to implement it. The development of a country is not only the responsibility of the government and industry, but every human being has a role in realizing social welfare and managing the quality of life of the community. Industry and corporations play a role in encouraging healthy economic growth by also considering environmental factors.

The company's financial performance can be influenced by the disclosure of environmental performance as a corporate social responsibility. The view that a company will carry out good environmental performance will carry out high disclosures which is expected to be taken into consideration by investors to not only look at the company's performance from a financial perspective, but also pay attention to environmental performance. This shows that companies that implement CSR gain positive attention from market players[3].

This study uses the objects of companies listed on the SRI KEHATI Index ( *Sustainable and Responsible investment* ). SRI KEHATI is a foundation launched by the Exchange Indonesian securities specifically for companies that carry out CSR practices. It is hoped that with the launching of the SRI KEHATI index, the public will recognize the existence of an index that describes companies that are economically profitable while still paying attention to environmental sustainability. Research on CSR disclosure in annual reports will indirectly increase the profits of companies listed on the IDX. Because the impact arising from CSR practices is very good and positive for the sustainability of the company in the long term.

The data for this study were taken from 2013 because the Sri Kehati Index comes from the abbreviation *Sustainable and Responsible Investment* (SRI) which was launched on the initiative of the Indonesian Biodiversity Foundation (KEHATI) and the Indonesia Stock Exchange (IDX) on June 20 13 . The purpose of establishing this index is to openly provide information to the general public regarding the characteristics of the selected companies on the SRI KEHATI index which are considered to have various forms of consideration in their efforts related to concern for the environment, corporate governance, community involvement, human resources, human rights, , and conduct business with ethics

Based on the results of this review, 25 companies with the highest score will be selected to be included in the SRI KEHATI index. Selected companies will be evaluated every 2 periods a year, namely in April and October.

## 2. METHOD

Study This made on the Indonesia Stock Exchange (IDX) obtained from the website [www.idx.co.id](http://www.idx.co.id). Study starting from February 2023 to April 2023. This study uses a quantitative research method. The data source used is secondary data. Secondary data is data obtained from records, books, magazines in the form of published company financial reports, government reports, articles of books as theories, magazines, and so on. The secondary data referred to in this study is the annual report ( *annual report* ) for the 2009 - 2018 period of companies registered with Sri Kehati on the IDX taken from the IDX website. While the annual reports referred to in this study are financial reports and PROPER assessment reports published by the Ministry of Environment through the website [www.menlh.go.id](http://www.menlh.go.id). The population used in this study were companies listed on the Sri Kehati Index which were *listed* on the IDX as many as 41 companies during the 2009-2018 period. Companies listed on the IDX are used as research because in addition to the company having an obligation to submit annual financial reports to parties outside the company, especially to *stakeholders* , the company also includes CSR in financial reports or annual reports.

The method of determining the sample in this study is a *purposive sampling method*, namely the sample is determined with certain considerations in accordance with the criteria. The criteria used as the basis for determining the sample in this study are:

Table 1. Companies listed on the Sri Kehati index listed on the IDX

No	Criteria	Amount
1.	Companies listed on the Sri Kehati index listed on the IDX for the 2009-2018 period.	17
2.	Companies on the Sri Kehati index that provide complete annual reports for 2009-2018.	17
3.	Companies in the Sri Kehati index that disclose CSR in their annual reports for 2009-2018.	17
4.	Companies in the Sri Kehati index that have participated in the Company Performance Rating Program in Environmental Management (PROPER) for the 2009-2018 period.	16
<b>Total Samples</b>		<b>16</b>

Source: [www.idx.co.id](http://www.idx.co.id)

Based on the sample calculation table above, there are 16 companies in the Sri Kehati index that are the sample of this study, as can be seen in the following table:

Table 2 List of Sample Companies in the Sri Kehati Index

No	Code	Company name
1.	AALI	Astra Argo Lestari Tbk.
2.	ANTM	Aneka Tambang Tbk.
3.	GJTL	Gajah Tunggal Tbk.
4.	INDF	Indofood Sukses Makmur Tbk.
5.	INTP	Indocement Tunggal Prakasa Tbk.
6.	JPFA	JAPFA Comfeed Indonesia Tbk.
7.	KLBF	Kalbe Farma Tbk.
8.	LPKR	Lippo Karawaci Tbk.
9.	LSIP	PP London Sumatra Indonesia Tbk.
10.	MEDC	Medco Energi International Tbk.
11.	PTBA	Bukit Asam Coal Mine (Persero) Tbk.
12.	SMCB	Holcim Indonesia Tbk.
13.	SMGR	Semen Indonesia (Persero) Tbk.
14.	TINS	Timah (Persero) Tbk.
15.	UNTR	United Tractors Tbk.
16.	UNVR	Unilever Indonesia Tbk.

Source: [www.idx.co.id](http://www.idx.co.id) and [www.proper.menlh.co.id](http://www.proper.menlh.co.id)

The data analysis method used in this research is descriptive statistics, classic assumption test, path analysis, F test, coefficient of determination test, T test, and Sobel test.

### 3. RELUST AND DISCUSSION

#### Analysis Descriptive

Analysis descriptive aim For give information regarding the data from the sample used as research. General information about data study This use mean, mark minimum And standard deviation. Test analysis descriptive done to data performance environment, *Corporate Social Responsibility* (CSR) and financial performance. Following This served results test descriptive statistics in table 4. 1.

Table 3 Results Test Statistics Descriptive

Variable	N	Minimum	Maximum	Means
Performance Environment (X1)	160	2.00	5.00	3.5938
Performance Finance (Y)	160	0.28	87,11	14.6786
CSR (X2)	160	0.35	0.78	0.5678

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Based on table 3, it shows that the amount of data used in this study amounted to 160. The independent variable in this descriptive analysis, namely environmental performance as measured using the PROPER rating provided by the Ministry of Environment (KLH) shows that the sample average is at a score of 3.5938 or if it is converted based on the PROPRES category it is in the "blue" criteria. The lowest score is 2, which means that there are sample companies that are in the 'red' criterion in environmental matters, which means they have made efforts to manage the environment but only partially achieve results that are in accordance with the requirements as stipulated in the laws and regulations, while the highest score is 5 which means having the 'gold' criteria, which shows that the company is very concerned about and cares for the environment. The social disclosure (CSR) carried out shows average - average of 0.5678. This means that the average sample company has disclosed 56.78% from total disclosure as much as 79 items. CSR disclosure has a minimum value of 0.35 at PT. Lippo Karawaci Tbk in 2009 with a total disclosure of 28 items out of 79 disclosure and a maximum value of 0.78 at PT. Astra Argo sustainable Tbk year 2018 with total disclosure 62 items from 79 disclosure. Inner dependent variable this research namely performance finance measured with *return On Assets* (ROA) showing flat - flat of 14.6786. This means that the average sample company tends to have a fairly good financial performance. Lowest financial performance as big 0.28 which owned by PT Various Mine Tbk. Matter This This shows that the company has less investment opportunities good and shows that management has poor performance Good with assets And management. Performance finance highest reached 87.11 owned by PT Medco Energi Internasional Tbk, This shows that the company has a good investment opportunity Good And management own performance Which Good in manage assets.

### Testing Assumption Classic

Before doing the regression to determine the effect or not between the independent variable to the independent variable then need held testing assumption classic. Following This is results testing classic assumption in research This.

#### a. Test Normality

Test normality in study This use test *one-sample Kolmogorov-Smirnov*, Because test normality with chart in a manner visual Can visible normal whereas in a manner statistics Can on the contrary. Mark significant from residual Which distributed in a manner normal is if the value of *asympt. Sig. (2-tailed)* in *one-sample Kolmogorov-Smirnov* test more than  $\alpha = 0.05$ . Normality test in study this can seen on table 4.2 under This.

Table 4 Results Test Normality

N	Environmental Performance	Financial performance	CSR
160	0.000	0.000	0.166

*asympt. Sig. (2-tailed)*

Based on the results of the normality test in table 4.2 above with use method *one sample komogrov-smirnov* show that the value of sig Environment performance 0.000, environment finance 0.000, and finance 0.166. Thus, 2 residual values smaller than the significance of 0.05 or  $0.000 < 0.05$ , and CSR 0.166  $> 0.05$ , then these 2 data No distributed in a manner normal and 1 normally distributed data. Because data the No uniform normally distributed, the researcher transforms the data can seen on table 4.3.

Table 5 Results Test Transformation Normality

N	Unstandardized residual
160	0.003

*asympt. Sig. (2-tailed)*

Based on results test normality on table 4.3 on Which Already transformed data show that mark the residual is 0.005. Thus, the data from this study are not distributed in a manner normal because mark the residual smaller than  $\alpha$  significance 0.05 or  $0.005 < 0.05$ .

#### b. Test Multicollinearity

Multicollinearity measurement in this study is seen from *tolerance* value and *variance inflation factor*. If the tolerance value  $> 0.10$  And mark VIF  $< 10$  so model regression the free from multicollinearity. Following served testing multicollinearity.

Table 6 Results Test Multicollinearity

Variable	tolerance	VIF
Performance Environment (X1)	0.9 99	1,001 _
CSR ( X2 )	0.9 99	1,001 _

Based on table 6 above, the results show that between variable independent No happen multicollinearity. Matter This can seen from the tolerance value and VIF value where the value of tolerance own mark > 0.10 or 0.9 99 > 0.10 And mark VIF < 10 or 1.1 001 < 10.

c. Test Autocorrelation

Study This use test Durbin Watsons For determine the presence of autocorrelation in a regression model. Explanation about autocorrelation will displayed in table 4.5 under This.

Table 7. Autocorrelation Test Results

Durbin-Watson
1,882

Based on table 7 above shows the value of Durbin Watson equal to 1, 882 While from the DW table with a significance of 0.05 and the amount of data (n) = 160, and k = 2 obtained a dl value of 1.7163 and du of 1.7668. With this obtained 4 - du = 2.2332. So got concluded du < dw < 4 - du (1.7668 < 1.975 < 2.2332), then it can be concluded that No happen autocorrelation in model regression the .

d. Test Heteroscedasticity

The heteroscedasticity test in this study used the test glejser because the results are more accurate. A good regression model ie model regression Which No contain heteroscedasticity, Where can be shown with a significant level of less than 5%. As for results from test glejser can seen on the table 4.6 in lower This

Table 8 Results Test Heteroscedasticity

Variable	Significance
Performance Environment (X1)	0.991
CSR ( X2 )	0.84

Based on table 9 above it can be seen that the regression model used in this study did not occur heteroscedasticity, this can be seen from the probability of significance for all independent variable above 0.05 or 5%. Environmental performance variables show level significant as big 0.991 And variable CSR show level significant as big 0.84 matter This show that No happen heteroscedasticity in study This Because mark its significance more than 0.05%.

**Analysis Regression linear Double**

The results of multiple regression calculations using SPSS 17 that is as follows:

Table 9 Results Equality Regression Model 1

Variable	B	Significance
(Constant)	0.385	0.000
Performance Environment (X1)	0.049	0.000

Based on table 9 so can written equality regression as following:

$$Y_{CSR} = 0.385 + 0.049 KL + e$$

From equality regression in on can interpreted as following:

- a. Constant = 0.385, meaning that if environmental performance is constant or still so CSR of 0.385. The environmental performance regression coefficient is 0.049, meaning that if performance environment increases 1% then it will be followed by an increase CSR of 0.049.

Table 10 Results Equality Regression Model 2

Variable	B	Significance
(Constants)	-11,216	0.000

Performance Environment (X1)	5.014	0.000
CSR ( X2 )	13,869	0.029

Based on table 10 so obtained equality regression as following:  $YKK = -11.216 + 5.014 KL + 13,869 CSR + e$  From equality regression in on can interpreted as following:

Constant = -11.216, meaning that environmental performance and CSR are constant or still, hence performance financial amount -11,216 Coefficient regression performance environment as big 5.014, It means when performance environment increase as big 1% so will followed enhancement performance finance of 5.014. The CSR regression coefficient is 13.869, meaning that when CSR increases by 1% it will be followed by an increase in financial performance of 13,869 .

Research results This in line with Putra ( 2018) stated CSR disclosure has influence positive and significant against performance finance , and CSR is not it deep intervening variable in mediate connection performance environment with performance finance . this result support theory signal stated \_ that information good company \_ can become signal For attract related investors with taking decision investment . When investors read disclosure company's CSR activity , then matter That will influence decision they For withhold shares and attract new investors . With thus , profitability company will increase performance finance company [4].

Also supported by Meiyana & Aisyah (2019) who stated size company influential positive significant to performance finance , p This prove that the more big size something company so will the more performance also increases finance company. Corporate Social Responsibility effect positive significant to performance finance , that is the more Lots Corporate Social Responsibility activities carried out company so will the more performance also increases finance company . Corporate Social Responsibility as able intervening variable mediate influence on performance environment to performance finance . Corporate Social Responsibility as intervening variables do not capable For mediate influence on costs environment to performance finance . And finally , Corporate Social Responsibility as able intervening variable For mediate influence on size company to performance finance[3; 4].

Whereas based on performance environment showing There is positive relationship \_ with performance finance , research this is supported by Rusmaningsih & Setiadi (2021) Test results to performance environment , research This prove performance variable environment at the company manufacture in line with prediction based on theoretical . Variable performance environment it turns out is influencing factors \_ performance finance company . Significance value of 0.018 and less from 0.05. With thereby concluded that performance environment influential to performance finances , so hypothesis 1 which states that performance environment influential to performance finance accepted . Based on results study This found that company in effort produce performance good environment \_ will need cost many of which have an impact on decreasing corporate financial performance (ROA), besides That taking decision economy For moment This No can seen from condition finance just . However with the existence of corporate social responsibility (CSR) capable give a positive image from society and also stakeholders so can increase performance finance . Companies that disclose corporate social responsibility (CSR) have great influence \_ to company in increase performance finance[1; 5].

Also supported by Septiadi (2016) showing that if there is additional environmental costs by 1 unit, then the company's financial performance will increase by 0.106 units. The results of the t statistical test show that the environmental cost variable (X2) has a tcount of 2.119 > ttable of 2.036933 with a significance value of 0.029 < 0.05, it can be it is stated that X2 has a contribution to Y. A positive t value indicates that variable X2 has a direct relationship with Y. So it can be concluded that H2 accepted, namely environmental costs have a positive and significant effect on the company's financial performance[8]7]

#### 4. CONCLUSION

Variable performance environment influential significant to performance finance. This can be seen from the significant value of environmental performance of 0.000. The significant value is less than 0.05. So that hypothesis 1 Which state that performance environment influential to performance finance Ha accepted And Ho rejected. Matter This shows if the company's environmental performance increases it will responded positive by investors through enhancement price share company Which can improve company's financial performance. Environmental performance variables have a significant effect on *corporate Social Responsibility* (CSR). This can be seen from the significance value below 0.05, which is equal to 0.000. So that hypothesis 2 states environmental performance influences *Corporate Social Responsibility* (CSR) Ha accepted And Ho rejected. Matter This show that company Which show results performance environment Which Good will tend For disclose result the in report complete corporate social responsibility in the report

annual company. *Corporate Social Responsibility* (CSR) variable has a significant effect on financial performance. This is evident from the large level of significance which is below 0.05, namely 0.029. So that hypothesis stated that *Corporate Social Responsibility* (CSR) had an effect on  $H_a$  accepted and  $H_o$  rejected financial performance. This shows that Companies will tend to report the results of their social responsibility in the annual report, with the aim of getting a positive response para investors through enhancement price share so that will very influential on performance company finance. Variable *Corporate Social Responsibility* (CSR) can not afford to be intervening variable between environmental performance and financial performance. Matter This proven with magnitude beta influence direct is of 0.316 while the indirect effect  $(0.316 \times 0.111) = 0.035$  so that the indirect effect is smaller than the direct effect and the magnitude of t count 0.10494 is smaller than t table 1.97519. So that it can be concluded that the effect of environmental performance on performance finance in a manner direct more big compared to with through *Corporate Social Responsibility* (CSR) as an indirect influence or intervening variable.

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