IJEC
International Journal of Economics
https://ejournal.ipinternasional.com/index.php/ijec

e-ISSN: 2961-712X
DOI: **10.55299/ijec**

The Effect of Ownership Structure on the Level of Environmental Responsibility Disclosure in Annual Report

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ABSTRACT

This study aims to examine the effect of ownership structure on the level of environmental responsibility disclosure in the annual report. The ownership structure consists of government ownership, managerial ownership, foreign ownership, and institutional ownership. The measurement of the level of environmental responsibility disclosure is based on the GRI Index. This study uses secondary data in the form of annual reports of companies listed on PROPER and BEI in 20 13, 201 4, and 201 5. The total sample of this research is 90 company annual reports which were selected by *purposive sampling*. The research method used is classical assumption test and hypothesis test with multiple linear regression method. The results of this study indicate that the variables of government ownership, foreign ownership and institutional ownership have a positive and significant effect on the level of disclosure of environmental responsibility. However, managerial ownership has no significant effect on the level of responsibility disclosure environment.

***Keywords** : GRI, disclosure of environmental responsibility, ownership structure*

Introduction:

Environmental pollution that occurs is very detrimental to the community**.** This condition causes public anxiety about the company's lack of concern for the environment. Handayani (in Wijayanti, 2012) states that environmental problems are an important factor that must be considered because poor environmental management is also related to various disasters that have occurred recently, such as water pollution due to industrial waste, floods and landslides that occur in almost all parts of the world. areas in Indonesia, forest fires that occurred in Sumatra and Kalimantan, the case of PT Freeport in Irian Jaya, and mud floods in Sidoarjo, which until now have not been handled properly.

So reporting on environmental activities within the company needs to be disclosed. According to Sadjirto (in Amirawati, 2012), reports on environmental activities are one type of non-financial information, but have a very important role for organizations. For the company, this report is an indicator of the company's success and is considered a positive step for investors and *stakeholders,* especially with regard to the company's image. Almilia (2010) states that investors' understanding of information or disclosures presented by the company is important information for investors in making decisions decision.

In disclosing environmental activities, the government plays an active role through the Capital Market and Financial Institution Supervisory Agency (BAPEPAM LK) with Bapepam - LK Regulation Number: XK6 attachment to decision Number: Kep-431/BL/2012 dated August 1, 2012 concerning Submission of Annual Reports of Issuers or Public Companies. The government also issued Law no. 40 of 2007 concerning Limited Liability Companies in article 66 that the annual report must contain at least the implementation of social and environmental responsibility, article 74 paragraph (1) Companies that carry out business activities in and/or related to natural resources are obliged to carry out social responsibility and the environment, article 74 paragraph (2) Social and environmental responsibilities as referred to in paragraph (1) company obligations that are budgeted and calculated as company costs whose implementation is carried out with due observance of compliance and fairness, article 74 paragraph (3) Companies that do not carry out their obligations as referred to in paragraph (1) is subject to sanctions in accordance with the provisions of laws and regulations, article 74 paragraph (4) Further provisions regarding social and environmental responsibility are regulated by government regulations .

Formulation of the problem

Based on the background of the problem above, the formulation of the problem in this study is

a. Does government ownership affect the level of disclosure of environmental responsibility in the report annual?
b. Does managerial ownership affect the level of environmental responsibility disclosure in the report annual?

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c. Does foreign ownership affect the level of environmental responsibility disclosure in the report annual?
d. Does institutional ownership affect the level of disclosure of environmental responsibility in the report annual?

Literature Review:
Stakeholder Theory

The term *stakeholder* from the definition of Gray et al (in Iryanie, 2009) states that *stakeholders* are parties with an interest in the company that can influence or can be influenced by the company's activities, the *stakeholders* include the community, employees, government, *suppliers* , capital markets and others. - other.

Structure Ownership

Ownership structure is a comparison between the number of shares owned by *insiders* and the number owned by investors (Jahera and Aurburn in Indrayani, 2009). The ownership structure can be explained from two points of view (Ituriaga and Sanz in Faizal, 2004 in Kristanto, 2010)

Corporate Environmental Performance Rating Program (PROPER)

According to the Regulation of the Minister of Environment of the Republic of Indonesia No. 05 of 2011 article 1 regarding the Company Performance Rating Program in Environmental Management, the meaning of PROPER, namely:
PROPER is the environmental management of the efforts of the person in charge of the business and/or activity in controlling environmental pollution and/or damage as well as the processing of hazardous and toxic waste.

Methodology:

This study uses data obtained from the annual reports of companies listed on the IDX for the period 2013-2015 by accessing the website www.idx.co.id and entering the PROPER assessment criteria for the period 2012-2013, 2013-2014 and 2014-2015 by accessing www.proper.menlh.go.id website . Other sources that support this research are literature/library studies in the form of journals, articles, books and previous studies.

Operational Definition of Variables and Scale Measurement

Based on the bibliography and the formulation of the hypothesis, the variables used are as follows:

Independent Variable

Independent/independent variables are types of variables that explain or influence other variables (Indriantoro and Supomo, 1999:63). In this study, the independent variables are as follows:

1. Ownership Government

Government ownership in this study uses the percentage of Indonesian government share ownership. The amount of government shares is measured by the ratio of the number of government shareholdings to the company's total shares. The measurement method above is based on measurements made by Amran and Devi (in Diba, 2012).

2. Ownership Managerial

Managerial ownership is a situation where the manager owns the company's shares or in other words the manager is also the owner or shareholder of the company (Faizal, 2004). Measurement of the influence of management ownership on environmental responsibility using the percentage of shares owned by management. Managerial ownership is measured using the formula: (Dwi K., 2012)

$$MO = \frac{\text{Shares owned by management}}{\text{Total Number of shares}}$$

3. Ownership Foreign

Foreign ownership in this study uses the percentage of share ownership of foreign (foreign) parties/entities. The amount of shares of foreign parties/entities is measured by the ratio of the number of foreign shareholdings to the total shares of the company. The measurement method above is based on measurements made by Amran and Devi (in Diba, 2012).

4. Ownership Institutional

An institution is an institution that has a great interest in the investments made, including stock investments (Murwaningsari, 2009). The proportion of institutional ownership is measured based on the percentage of ownership, namely the number of institutional shares to the number of shares outstanding (Murwaningsari, 2009).

Variable Dependent

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The dependent variable measured in this study is the level of environmental responsibility disclosure whose information is obtained from annual report data. In addition, indicators for measuring environmental responsibility require *a checklist* containing disclosure *items* that will be matched with disclosures in the annual report *.*

The assessment and reporting of environmental responsibility in the global accounting discourse is known as the GRI/ *Global Reporting Initiative* . According to Suhardjanto, Tower, and Brown (in Wijayanti, 2012), GRI is a discourse on environmental reporting for entities and *stakeholders* as a sustainable company contribution. Even in his research, the IER *index* which refers to the GRI is considered more appropriate to implement environmental reporting in Indonesia. In this study, GRI is used as a proxy for environmental disclosure which includes 9 aspects namely materials, energy, water, biodiversity, emissions, effluent and waste, products and services, compliance, transportation and overall with 30 indicator *items .*

The level of disclosure of environmental responsibility is carried out in the following way (Wijayanti, 2012):

1. Giving a score or number (1) for companies that have made environmental disclosures in accordance with *these items* , while a number (0) is given for companies that have not disclosure
2. The scores obtained by each company will be added up to get a total score
3. Calculating the level of environmental disclosure of each company by dividing the total score disclosed by the total GRI index score, namely :

$$TJL = \frac{\text{Total Score used}}{\text{Total GRI Index score}}$$

Research Result and Discussion:

Linear Regression Analysis Results multiple

Multiple regression analysis in this study examines the effect of government ownership, managerial ownership, foreign ownership, and institutional ownership on the level of environmental responsibility disclosure in companies listed on PROPER and BEI for the period 2009-2011. The results of multiple linear regression test, namely as following:

Table 1. Linear Regression Analysis multiple

Variable	Coefficient No Standardized		Coefficient Standardized	T Count	Sig.	Hypothesis
	B	Std. Error	Beta			
Constant	0.145	0.022		6,628	0.000	
X1	0.240	0.049	0.447	4,926	0.000	H1 accepted
X2	0.188	0.333	0.050	0.564	0.575	H2 rejected
X3	0.120	0.034	0.333	3.521	0.001	H3 accepted
X4	0.099	0.041	0.234	2.438	0.017	H4 accepted
			R		=	0.575
			Adjusted R^2		=	0.299
			R *Square*		=	0.330
			Standard Error of estimate		=	0.095
			Fcount		=	10,473
			Fsig		=	0
			N		=	90

Based on these results, multiple linear regression equations can be obtained as follows:

$$Y = 0.145+ 0.240X_1 + 0.188X_2 + 0.120X_3 + 0.099 X_4$$

Coefficient of Determination Test (R2)

Based on the data (table 4.5) it is known that the amount of *adjusted* R2 is $^{0.299}$. This means that 29.9% of the variation in the dependent variable, namely the level of environmental responsibility disclosure can be explained by the independent variables including government ownership, managerial ownership, foreign ownership, and institutional ownership. The rest (100%-29.9%=70.1%) is explained by other variables outside the model studied in the study this.

F Uji test

Based on the results of the F test (table 4.5), the result is that the significance level is 0.000 < 0.05 so that all independent variables, namely government ownership, managerial ownership, foreign ownership, and institutional ownership simultaneously or jointly affect the dependent variable, namely the level of responsibility disclosure. environment. In the feasibility test of this model, it was found that the

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regression equation model had been tested and declared good.

t test

Based on the results of the t-test analysis in table 4.5, it can be concluded as follows: :

1. The government ownership variable (X1) has a t value of 4.926 and a sig value of 0.000 <0.05 with a coefficient of 0.240. This means that H0 is rejected and H1 is accepted so that government ownership has a statistically positive and significant effect on the level of disclosure of environmental responsibility (TJL).
2. The managerial ownership variable (X2) has a t value of 0.564 and sig 0.575>0.05 with a coefficient of 0.188. This means that H_0 is accepted and H_2 is rejected so that managerial ownership has no statistically significant effect on the level of environmental responsibility disclosure (TJL).
3. Foreign ownership variable (X3) has a t value of 3.521 and sig 0.001 <0.05 with a coefficient of 0.120. This means that the foreign ownership variable is significant and has a positive coefficient direction. This means H_0 rejected H3 is accepted so that foreign ownership has a statistically positive and significant effect on the level of environmental responsibility disclosure (TJL).
4. Institutional ownership variable (X4) has a t value of 2.438 and sig 0.017 <0.05 with a coefficient of 0.099. This means that H0 is rejected H4 is accepted so that institutional ownership has a statistically positive effect and significant to the level of environmental responsibility disclosure (TJL).

Discussion:

The Effect of Government Ownership on the Level of Disclosure of Liability Environment

In this study the government ownership structure is measured by the number of government ownership shares to the total company shares. The results of hypothesis testing show that H1 is accepted which indicates that government ownership has a statistically positive and significant effect on the level of disclosure of environmental responsibility (TJL) with a probability of 0.000 or less than the *level of significance of* 0.05 (0.000 <0.05) and coefficient 0.240. Statistically, the positive beta coefficient value indicates a unidirectional effect, which means that the higher the government ownership, the higher the level of environmental responsibility disclosure. According to Dwi K. (2012) Government ownership is ownership of company shares by the government. Companies that have a government ownership structure will be more politically sensitive because government activities will get more attention from the public. The government has an interest in the company's compliance with applicable regulations so that the public interest in general is not disturbed (Satyo in Suaryana, 2010).

In addition, the government has issued a Limited Liability Company Law no. 40 of 2007 article 1 paragraph 3 states that social and environmental responsibility is the company's commitment to participate in sustainable economic development in order to improve the quality of life that is beneficial, both the company itself, the local community, and society in general. The government also issued a regulation of the Republic of Indonesia Law Number 32 of 2009 concerning Environmental Protection and Management and the Regulation of the State Minister of the Environment No. 05 of 2011 concerning the Company Performance Rating Program in Environmental Management. With regulations from the government, companies whose shares are owned by the government will encourage companies to carry out and report environmental responsibility because it has been regulated by law.

The Effect of Managerial Ownership on the Level of Disclosure of Responsibilities Environment

In this study the managerial ownership structure is measured from the number of managerial ownership shares to the total managerial shares. The results of hypothesis testing show that H2 is rejected which indicates that managerial ownership has no statistically significant effect on the level of environmental responsibility disclosure (TJL) with a probability of 0.575 or greater than *the level of significance of* 0.05 (0.575>0.05) and the coefficient 0.188. In previous research, no one has conducted research on managerial ownership affecting the level of environmental responsibility disclosure, but this study is in accordance with Hapsoro's (2007) research that the proportion of managerial ownership has no effect on the level of voluntary disclosure and non-compliance with mandatory disclosures. Based on the significant results that companies whose shares are owned by management have less contribution to the level of disclosure of environmental responsibility. This is because the level of disclosure of environmental responsibility is influenced by the ownership structure that other.

The Effect of Foreign Ownership on the Level of Environmental Responsibility Disclosure

In this study, the structure of foreign ownership is measured by the number of foreign ownership shares to the total foreign shares. The results of hypothesis testing show that H3 is accepted which indicates

e-ISSN: 2961-712X
DOI: **10.55299/ijec**

that foreign ownership has a statistically positive and significant effect on the level of environmental responsibility disclosure (TJL) with a probability of 0.001 or less than *the level of significance of* 0.05 (0.001 <0.05) and a coefficient of 0.120. Statistically, the positive beta coefficient value indicates a unidirectional effect, which means that the higher the foreign ownership, the higher the level of environmental responsibility disclosure. This result is inconsistent with research by Karim, Lacina and Rutledge (in Chairi, 2008) that high foreign ownership tends to have lower environmental disclosures. This is because companies with a higher concentration of foreign ownership are more closed to environmental disclosure information because they are under more careful investigation from other countries and the international community (Karim, Lacina and Rutledge, 2006).

The Effect of Institutional Ownership on the Level of Disclosure of Liability Environment

The results of hypothesis testing show that H_4 is accepted which indicates that institutional ownership has a statistically positive and significant effect on the level of environmental responsibility disclosure (TJL) with a probability of 0.017 or less than *the level of significance of* 0.05 (0.017 <0.05) and coefficient 0.099. The results of this study are inconsistent with research by Karim, Lacina and Rutledge (in Chairi, 2008) that institutional ownership has no effect on environmental disclosure. Based on the results of this study, it was found that institutional ownership has a positive and significant effect on the level of environmental responsibility disclosure in the company's annual report. This is in accordance with the *stakeholder theory* , according to Ghozali and Chariri (in Iryanie, 2009) the *stakeholder theory* says that the company is not an entity that only operates for its own interests but must be able to provide benefits to its *stakeholders.*

Conclusion:

Based on the results of research and testing that have been carried out, the following conclusions are obtained:

1. The results of data analysis show that government ownership has a statistically positive and significant effect on the level of environmental responsibility disclosure. This means that the higher the government ownership, the higher the level of environmental responsibility disclosure, because the government has issued a Limited Liability Company Law no. 40 of 2007 article 74 Article 1 paragraph 3 states that social and environmental responsibility is the company's commitment to participate in sustainable economic development in order to improve the quality of life that is beneficial, both the company itself, the local community, and society in general. This is in accordance with the stakeholder theory which says that the company is not an entity that only operates for its own interests but must be able to provide benefits to its stakeholders (Ghozali and Chairir in Iryanie, 2007). 2009).
2. The results of data analysis show that managerial ownership has no statistically significant effect on the level of environmental responsibility disclosure. In previous research, no one has conducted research on managerial ownership affecting the level of environmental responsibility disclosure, but this study is in accordance with Hapsoro (2007) research that the proportion of managerial ownership has no effect on the level of voluntary disclosure. and non-compliance with mandatory disclosures. Based on significant results that companies whose shares are owned by management have less contribution to the level of environmental responsibility disclosure. This is because the level of disclosure of environmental responsibility is influenced by the ownership structure that other.
3. The results of data analysis show that foreign ownership has a statistically positive and significant effect on the level of environmental responsibility disclosure. This result is inconsistent with research by Karim, Lacina and Rutledge (in Chairi, 2008) that high foreign ownership tends to have environmental disclosures. The results of this study are consistent with the research of Cormier, Magnan and Van Velthoven (in Chariri, 2008) that foreign ownership has an effect on environmental disclosure. Therefore, the higher the foreign ownership, the higher the disclosure of corporate environmental responsibility, so it can be concluded that the third hypothesis is received.
4. The results of data analysis show that institutional ownership has a statistically positive and significant effect on the level of environmental responsibility disclosure. The results of the study are not consistent with the research of Karim, Lacina and Rutledge (in Chairi, 2008) that institutional ownership has no effect on disclosure environment.

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DOI: **10.55299/ijec**

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