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THE INFLUENCE OF ENVIRONMENTAL ACCOUNTING AND FOREIGN OWNERSHIP ON COMPANY PERFORMANCE WITH SOCIAL RESPONSIBILITY AS A MODERATION

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Abstract. The improvement of company performance serving as the highlight of a company is achieved through continuous environmental preservation-to prevent such industrial conflicts as natural damage due to exploitation, waste and pollution from environmentally detrimental business operational activities-as the company grows, and involves foreign investments. In other words, environmental accounting disclosure and foreign ownership are expected to improve company performance. This research aims to examine the effect of environmental accounting and foreign ownership on company performance with social responsibility as a moderator, involving 42 samples derived from 14 infrastructure, utilities and transportation companies listed on the Indonesia Stock Exchange in 2020 - 2022. Hypotheses are tested by multiple regression analysis and moderated regression analysis (MRA) utilizing SPSS. The results of the research exhibit that foreign ownership positively affects company performance, but environmental accounting negatively affects company performance; and social responsibility does not moderate the effect of environmental accounting and foreign ownership on company performance.

Keywords: environmental accounting; foreign ownership; company performance; social responsibility; infrastructure, utilities and transportation companies

I. INTRODUCTION

Company performance is a very important thing for the company. Company performance is the result or achievement that has been achieved by company management in carrying out its function of managing company assets effectively during a certain period (Sibarani & Marviana, 2021). Companies in various sectors pay close attention to their performance, including companies in the infrastructure, utilities and transportation sectors. Various infrastructure, utility and transportation companies in carrying out their operational activities certainly require large areas of land. The target chosen by most companies is deforestation and tree felling.

Currently, environmental problems are also a concern for all parties. Company growth must be balanced with increased environmental preservation to prevent various industrial conflicts such as natural damage due to exploitation, waste and pollution caused by business operational activities that are detrimental to the environment. Corporate responsibilities related to the environment carried out by the company must of course be reported, such as reporting financial activities in financial reports.

Most companies basically aim to maximize profits. This goal can be achieved if the company has capital to carry out its operational activities. One source of company funds or capital is investment from investors. One type of investor is a foreign investor. Foreign share ownership is ownership by individuals or groups from abroad who invest their capital. Foreign parties in the company are parties who are considered concerned about improving good corporate governance.

The case of an infrastructure sector company experiencing a decline in performance is PT Wijaya Karya tbk (WIKA) in 2020. The management of PT Wijaya Karya tbk (WIKA) estimates that the project will be stopped for 3 months in line with the implementation of the Large-Scale Social Restrictions (PSBB) policy due to the lack of workforce in the field. The temporarily suspended projects amounted to 13% of the total 208 projects. This policy caused a decrease in revenue and net profit in 2020 in the range of 25% to 50%.

The implementation of environmental responsibility must be specified in detail as a means of controlling corporate responsibility. Environmental problems are the main concern of parties such as stakeholders, especially investors. Environmental reports are needed by stakeholders to determine decisions and also as a tool to improve the company's image. Therefore, environmental accounting is something that needs to be considered.

This research can be a medium to convey to companies that the company's existence must be in accordance with community norms in order to gain legitimacy by carrying out social and environmental activities and disclosing them in a report, providing an illustration that for the sake of company sustainability, monitoring of the company's internal performance is also needed so that there is a need for additional parties. Such as foreign investors to carry out supervision so as to minimize the occurrence of irregularities, and can help companies to continue to maintain good relations with the community for the sake of company sustainability and determine appropriate policies for company operations.

The aim of this research is to examine the influence of environmental accounting on company performance, the influence of foreign ownership on company performance, and the influence of environmental accounting and foreign ownership on company performance with moderation, namely social responsibility.

II. LITERATURE REVIEW

Variable

The theories used in this research are legitimacy theory, agency theory, and stakeholder theory. Legitimacy theory is a theory based on the idea that if society is aware that the company operates in harmony with society itself, the company's presence can continue (Pratama Deviyanti, 2022).

The implicit contract with society requires companies to as much as possible avoid and prevent conflicts with society, especially regarding different company environments.

Sustainable social and environmental awareness plays an important role in a company's sustainability in order to gain legitimacy.

Agency theory is a theory that explains the relationship between the owner/principal (principal) and the manager/agent (agent). This theory requires a manager/agent to provide information in the form of reports to the principal regarding the company's performance in each period. In other words, the agent has an obligation to improve the welfare of the principal as the owner of the company and maximize profits to provide benefits to the principal. The financial management perspective explains that one of the company's goals is to maximize the prosperity of the owners/shareholders (Ardianingsih & Ardiyani, 2021).

Having additional supervision over management actions will create pressure for managers to manage investments well and appropriately. Ownership of foreign shares in a company can minimize the occurrence of irregularities committed by managers and the company's performance will continue to improve and be continuous.

Stakeholder theory is a theory that describes which parties the company is responsible for (Freeman, 1984). Stakeholder theory is a theory which states that a company is an entity that does not only operate for its own interests but is obliged to provide benefits to its stakeholders or stakeholders because stakeholders are parties who also have an interest in the process of achieving organizational goals. By implementing a CSR program, stakeholders will be able to feel the benefits provided by the company because the company pays attention to the social and environmental conditions around it. Apart from that, disclosing it in the sustainability report will also provide benefits for stakeholders in making decisions to estimate the results that will be obtained when investing in the company.

According to Hutabarat (2020) company performance is the achievements that the company has achieved in a certain period which reflects the company's level of health. According to Ikhsan (2008) environmental accounting is the activity of recording, measuring and identifying environmentally related costs that arise as a result of a company's operational activities that have an impact on the environment and can be used to support management decisions related to the company's business as well as an effort to increase the company's social and environmental responsibility. and to determine the company's operational performance based on environmental protection.

According to Pratama, Nurlaela & Titisari (2020), ownership structure explains the proportion of share ownership in a company, as well as the actions taken by the share owners. Shareholders have the right to vote at the General Meeting of Shareholders (GMS).

According to Article 1 No. 3 of Law no. 40 of 2007 concerning Limited Liability Companies (hereinafter referred to as the PT Law), environmental social responsibility is the company's commitment to participate in sustainable economic development in order to improve the quality of life and a beneficial environment, both for the company itself, the local community and society in general.

Research Framework

Companies must prioritize, pay attention to, and be committed to the environmental conditions around the company in addition to carrying out their operational activities. Apart from external factors, there are internal factors that are considered to influence company performance. One of these internal factors is the ownership structure. The share ownership structure is considered to have an impact on the role of shareholders in formulating company policies because shares are proof of ownership of a company by a person or entity in the form of securities. The following is the structure of the research framework:

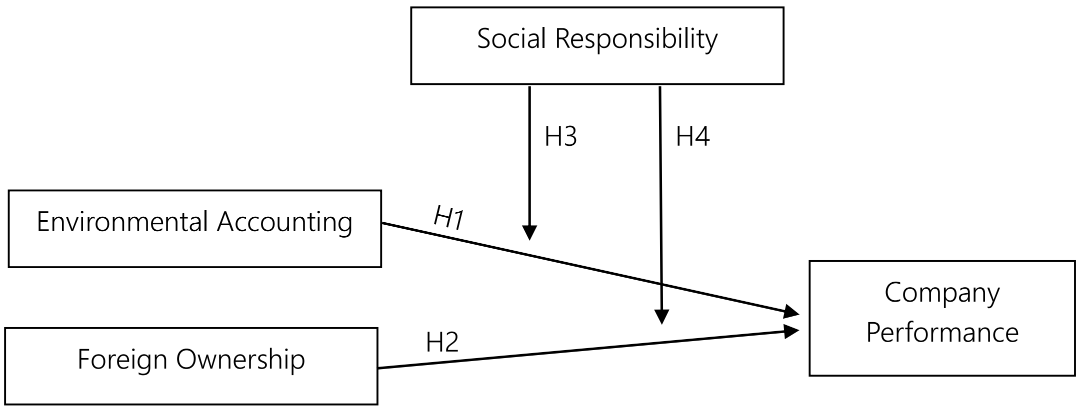

Figure 1. Research Framework

Hypothesis Development

The Effect of Environmental Accounting on Company Performance

Increased public sympathy indicates that the company has gained legitimacy. Legitimacy theory explains that there is an implicit contract between the company and the community that requires the company to stay within the boundaries of community norms and rules. Therefore, the company must be able to provide benefits to the surrounding community, one of which is by increasing social and environmental care. Based on the legitimacy theory above, it can be predicted that environmental accounting has a positive effect on improving company performance.

This is in line with the research of Nursamsiah, Lutfi, Apriani, Farida, and Prawira (2019), environmental accounting has a good impact on company performance and is significantly positively related to the financial organization of the company.

H1 : Environmental accounting has a positive effect on company performance.

The Effect of Foreign Ownership on Company Performance

Agency theory says that high foreign ownership in the company makes managers try to disclose high CSR because foreign ownership in the company is a party that is concerned about disclosing social responsibility. In addition, with foreign ownership in the company, the corporate governance system becomes better. Based on this theory, it can be predicted that foreign ownership is considered to affect company performance because with foreign ownership, the company will be able to increase profits so that company performance increases. This is in line with Tjahjadi & Tjakrawala's research (2020) which states that foreign ownership has a positive effect on company performance.

H2 : Foreign ownership has a positive effect on company performance.

The Effect of Environmental Accounting on Company Performance with Social Responsibility as Moderator

Stakeholder theory explains that companies have responsibilities to internal and external parties. One of them is to present an environmental report or sustainability report. This report can be a reference for management or investors to determine policies and decisions for the sustainability of the company. Based on this theory, it can be predicted that social responsibility is able to moderate the positive effect of environmental accounting on company performance.

H3 : Social responsibility is able to moderate the positive effect of environmental accounting on company performance.

The Effect of Foreign Ownership on Company Performance with Social Responsibility as a Moderator

Based on agency theory, the higher the foreign investment in the company, the better the management of the company will be because the supervision of the company's management will increase. Good and sustainable social responsibility is very influential to attract foreign investors to invest in the company. Based on this theory, it can be predicted that social responsibility is able to moderate the positive effect of foreign ownership on company performance.

H4 : Social responsibility is able to moderate the positive effect of foreign ownership on company performance.

III. RESEARCH METHODOLOGY

This research uses a quantitative approach. The population in this study were all infrastructure, utilities and transportation sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2020 - 2022, totaling 106 companies. The sampling technique used purposive sampling technique and obtained 42 samples. The data source in this study is secondary data in the form of financial reports, annual reports, and company sustainability reports. The data collection method used is the data analysis method used is descriptive statistical analysis.

IV. RESULTS AND DISCUSSION

Results of Hypothesis Testing Data Analysis

A. Test Coefficient of Determination (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,613[a]	,376	,344	,02569

The R Square value is 0, 376 which indicates that the value of the influence of variables X1 and X2 on Y is 37.6%, while the remaining 62.4% is influenced by other factors.

B. Multiple Linear Regression Analysis Test

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,070	,005		13,727	,000
	X1 terhadap Y	-,176	,086	-,261	-2,047	,047
	X2 terhadap Y	,078	,019	,524	4,114	,000

The constant value has a positive value of 0.070 which indicates a unidirectional influence between the independent variable and the dependent variable. The regression coefficient value for X1 is -0.176 which shows a negative effect and the regression coefficient value for X2 is 0.078 which shows a positive effect.

C. F Test Results

ANOVA[a]

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,016	2	,008	11,743	,000[b]
	Residual	,026	39	,001		
	Total	,041	41			

The F significance value of 11.743 is greater than the F table value (11.743> 4.08 with a significance level of 0.000.

D. Results of the t-test

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,070	,005		13,727	,000
	X1 terhadap Y	-,176	,086	-,261	-2,047	,047
	X2 terhadap Y	,078	,019	,524	4,114	,000

The X1 variable has a significant value of 0.047 <0.05 and the X2 variable has a significant value of 0.000 <0.05.

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E. Moderate Regression Analysis (MRA) Interaction Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,069	,005		13,218	,000
	X1	-,424	,350	-,628	-1,212	,233
	X2	,146	,073	,982	2,006	,052
	X1*Z	,421	,551	,397	,764	,450
	X2*Z	-,131	,134	-,475	-,974	,336

The significant value of variable X1 with variable Z is 0.450> 0.05 and the significant value of variable X2 with variable Z is 0.036> 0.05.

Discussion

The Effect of Environmental Accounting on Company Performance

The allocation of funds for environmental management activities carried out by the company has carried out its obligations to increase even though the company has carried out its obligations to manage the environment and disclose the costs incurred in the sustainability report as recommended. The existence of environmental costs is considered a burden for the company because it reduces profits which makes ROE also decrease. The results of this study support the results of research by Angelina & Nursasi (2021) which state that the higher the environmental costs, the lower the company's performance.

The Effect of Foreign Ownership on Company Performance

The increase in company performance occurs because of the supervision of foreign investors who monitor all activities including the performance of managers to ensure that the company is well managed. Agency theory also states that the existence of foreign ownership will make the corporate governance system good. Therefore, with increasing foreign ownership in the company, it will be able to improve company performance by increasing the profitability obtained. The results of the study are in line with the research of Tjahjadi & Tjakrawala (2020) which states that foreign ownership has a positive effect on company performance.

The Effect of Environmental Accounting on Company Performance with Social Responsibility as Moderator

The company's activities to protect the surrounding environment by allocating environmental costs have not received positive feedback from the community so that social responsibility activities have not been able to increase legitimacy from the community. This activity is also considered insufficient to improve the company's positive image in the eyes of the community so that it has not been able to raise the company's attractiveness. Even though the company has carried out its obligations, it does not guarantee that the company's legitimacy will increase because the reaction of the community may not only pay attention to social responsibility factors but there are other factors that are of concern to the community.

The Effect of Foreign Ownership on Company Performance with Social Responsibility as a Moderator

Social responsibility disclosure is not good enough to provide positive signals in attracting foreign investors to invest because of the diverse types of stakeholders. Investor decision making is not based on social responsibility reports alone but also other factors such as environmental performance with PROPER assessment. PROPER assessment is considered more valid than just social responsibility reporting. This is because there are still some companies that present social responsibility reports that are not complete enough.

V. CONCLUSION

The conclusion of this study is that the higher the environmental costs, the lower the company's performance. The higher the foreign ownership owned by the company will further improve the company's performance. In addition, social responsibility proved unable to moderate the effect of environmental accounting and foreign ownership on firm performance.

The company should be more careful in allocating company expenses or expenses so that there is no significant decrease in profit or profit. The company should also continue to make innovations and developments in addition to carrying out its social responsibility to foster a positive image.

This study contributes to the field of accounting, namely obtaining empirical evidence that the influence between environmental accounting, foreign ownership, company performance, and social responsibility.

The limitations of this study are that there are quite a number of companies that experienced losses in the observation period as a result of the Covid- 19 pandemic and quite a number of companies that do not provide complete report data such as sustainability reports so that quite a number of companies were excluded from the sample due to incomplete company data.

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