

THE EFFECT OF ENVIRONMENTAL PERFORMANCE AND LEVERAGE ON FINANCIAL PERFORMANCE

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Abstract

Purpose: *This study aims to determine the effect of environmental performance and leverage on financial performance.*

Method: *The approach used in this research is quantitative method. This study uses secondary data from annual reports of manufacturing companies listed on the Indonesia Stock Exchange for the 2020-2021 period, amounted to 46 samples. The analysis technique used is multiple linear regression.*

Results: *The result indicates that environmental performance has a positive and significant effect on financial performance and leverage has a negative and significant effect on financial performance.*

Limitations: *This study's limitations are the short research period from 2020-2021 and only use two variables as the independent variables.*

Contribution: *The results obtained can be used as an evaluation material for the company and provide insight for investors in making investment decisions. This study can also be used as a reference for further research.*

Keywords: *Environmental performance, leverage, financial performance, PROPER, DER, ROA*

1. INTRODUCTION

In an increasingly open economy, the business world needs to develop based on performance appraisals that can motivate companies to increase their competitiveness (Umami, 2021). Activities organized by the company to obtain profits based on value from all aspects, one of which is financial, can advance the company by viewing and analyzing the financial statements. Financial performance can be reflected in the company's profit, as a representation of the achievements of the company's operational activities and used as a determinant of investment policy where high profits are indicated by a company having good financial performance. Financial performance can be seen based on the profitability ratio to measure the company's ability to profit (Sudana, 2019). Thus, the financial performance of this study was measured using Return on Asset (ROA).

Company performance can also be seen through environmental performance as a form of corporate responsibility to the environment and society which is often referred to as social responsibility. The government has established a number of regulations and one of them, mandates companies to carry out social responsibility as stated in Undang-Undang Perseroan Terbatas Tahun 2007 Tentang Perseroan Terbatas.

Many companies are currently starting to implement these regulations and many companies are choosing not to implement them. PT Bina Usaha Cipta Prima, a company that produces cotton yarn, has been proven to pollute the Citarum watershed by not seriously managing wastewater and B3 waste storage. As a result, the company was punished by a Panel of Judges to pay compensation worth IDR 838 million (Putraaji, 2022). An environmental pollution case also occurred at PT Semen Tonasa due to the spillage of diesel fuel into the Pangkajene river caused by the company's negligence. Waste pollution to the river has an impact on hampering public activities and health, as well as the special environment of river biota becomes polluted from upstream to downstream and estuaries (Tebaran, 2021).

The above phenomena show that some companies in Indonesia still have not fulfilled their responsibilities to prevent and protect the surrounding environment from the environmental impacts caused by company activities. The Ministry of Environment and Forestry has established the Company Performance Rating Program (PROPER) since 2002 with the aim of assessing and encouraging the improvement of the company's role in environmental conservation programs. PROPER is a program to assess the company's environmental performance through colour ratings from the best, namely gold, green, blue, red, to the worst, namely black. The existence of PROPER can provide a signal to the public and investors regarding the company's reputation in environmental management.

Based on the Ministry of Environment and Forestry (2020), the company's trend to follow PROPER tends to increase from year to year starting from 2002-2003 to 2019-2020. This means that companies in Indonesia have recognized and realized the importance of environmental responsibility. However, the existence of PROPER has not fully obtained the expected results. The PROPER assessment for 2019-2020 period was carried out on 2,038 companies with the assessment results announced that the gold ratings amounted to 32 companies, the green ranks amounted to 125 companies, the blue ranks amounted to 1,629 companies, the red ranks amounted to 233 companies, and the black ranks amounted to 2 companies. The existence of companies that obtain red and black ratings indicates that there are still companies that contribute highly to environmental pollution.

Another factor affecting financial performance is leverage. The company needs funds in carrying out its operation and investment activities. The use of long-term debt as the company's working capital is referred to as leverage. Leverage is able to show the capital structure and state of health of the company's debt which are elements of financial risk. If the leverage value is high, it can be interpreted that the company relies on loans or debts from external parties (Sari, 2020).

Several previous studies examining the effect of environmental performance and leverage on financial performance yielded different results. Research by Herawati and Putri (2017) states that environmental performance has no relevance to financial performance. Different results were obtained by Anindito and Ardiyanto (2012), Ikhsan and Muharam (2016), and Budiasih et al. (2017) who stated that environmental performance has a positive and significant impact on financial performance. Research by Krisdamayanti and Retnani (2020) provide an indication that there is no link between leverage and financial performance. Research by Utama and Muid (2014) and Mardaningsih et al. (2021) gives an indication of the relationship between leverage and financial performance, where the linkage tends to lead to negative results. The research of Rehman (2013) and Lestari and Dewi (2016) found that leverage has a positive and significant effect on financial performance. Irrelevant results suggest the relationship between the two variables needs to be retested.

The company to be raised in this study is a manufacturing company. The Ministry of Environment and Forestry assesses that the compliance of the manufacturing sector in environmental management is still low. Based on the 2019 PROPER assessment, of the 2,045 companies that applied for environmental compliance assessment, only 23 manufacturing companies obtained green rank and one company obtained gold rank. According to the Research Director of the Centre of Reform on Economics (CORE) Indonesia, Piter Abdullah, the assessment of environmental performance in the manufacturing industry that is still low is not entirely correct. According to him, the difference is caused by differences in characteristics and a wide distribution of the manufacturing industry so it is advisable to assess the manufacturing sector with a clear grouping (Nurcaya, 2020). Therefore, researchers added control variables namely company age, company size, and industry type.

Apriliani and Dewayanto (2018) stated that the age of the company affects the company's financial performance significantly. Company size as a control variable in research by Ikhsan & Muharam (2016) found that the larger the size of the company indicates the greater the ROA. According to Soewarno (2011), the type of industry is divided into two, namely high-profile and low-profile companies. Based on research by Apriyanti and Budiasih (2016) there are differences in financial performance between high-profile and low-profile industries. The high social and environmental impact of high-profile industries encourages this industry group to perform higher social responsibility than low-profile which then has an impact on financial performance (Lucyanda and Siagian, 2012). On that basis, the author raised the title of research on the effect of environmental performance and leverage on financial performance in manufacturing companies listed on the IDX for the 2020-2021 period.

2. Library Review and Hypothesis Development

2.1 Good Management Theory

According to Donaldson and Preston (1995), companies must satisfy their stakeholders by building good relationships and accommodating their interests, one of which is through social responsibility activities. This theory states that companies that able to understand the stakeholders will achieve better company financial performance (Waddock and Graves, 1997). Positive appreciation from stakeholders will be obtained by companies that carry out social responsibility, which is then able to encourage sales and minimize losses, leading to an increase in company profits (Dean, 1998).

2.2 Slack Resource Theory

The slack resource theory states that a company is able to carry out its activities because of the resources it has. These resources are usually dedicated to helping companies adapt to various conditions, both internal and external pressures (Buchholtz et al., 1999). According to Waddock and Graves (1997) as the company's financial performance improves, the company will have the availability of more funding resources to invest into social responsibility activities such as the manufacture products that are safe for consumption, employee health and safety insurance, and environmentally friendly operational waste treatment. Social and environmental activities are intended to increase the competitive advantage of the company through its image, reputation, and long-term cost savings.

2.3 Signalling Theory

The concept of signal theory is that shareholder's views regarding the company's prospects for increasing future value are based on information submitted by the company's management (Brigham and Houston, 2014). Information asymmetry between company management and external parties can be prevented by increasing signalling in the form of disclosure of both financial and non-financial information through company reports. One of the information can be a PROPER rating that gives a signal related to the company's reputation in environmental management and a leverage level that indicates the company's health condition (Suwardjono, 2010)

2.4 Financial Performance

Financial performance is defined as a measurement that shows the results of business activities carried out and the financial status of a company over a certain period of time (Rudianto, 2013). The success of achieving the company's targets can be measured through the analysis of financial statements by ensuring that the company applies financial regulations correctly. Financial ratio analysis is defined as a way of financial statements analysis by combining the numbers recorded in financial statement posts to find the relationship between these posts (Kasmir, 2019). The results of the calculation of financial ratios will show the health status of an enterprise. One of the financial ratios, namely the profitability ratio, functions as an assessment of the company's ability to obtain profits effectively during a certain period (Sudana, 2019).

2.5 Environmental Performance

Environmental performance is a company's effort to voluntarily create a green environment by integrating concern for the environment into its operational activities and communication with stakeholders (Suratno et al., 2006). Environmental performance is measured through the Company Performance Rating Assessment Program in Environmental Management (PROPER) as a program of the Ministry of Environment and Forestry to encourage company compliance with environmental management through ranking company achievements based on article 1 paragraph (1) of Decree of the Minister of State for the Environment No. 127/MENLH/2002. The results of the assessment are published regularly to the public. Thus, incentives and disincentives of the company's good name will be obtained based on its compliance rating (Setyaningsih, 2016).

Research by Anindito and Ardiyanto (2012), Ikhsan and Muharam (2016), and Budiasih et al. (2017) stated that environmental performance has a positive and significant impact on financial performance. The better the environmental performance shown through the PROPER rating, the more the company gets a positive reaction and legitimacy from stakeholders which can then increase the company's profit in the long run. Based on the previous theory, a hypothesis can be formulated as follows:

H₁: Environmental performance has a positive and significant effect on financial performance.

2.6 Leverage

According to Agustia (2013), leverage is long-term debt in the form of external loans that are used to finance the company's operating activities and show the risks borne by the company. High risk means that the company's ability to make a profit

in the future can be said to be uncertain because there are debts and interest costs that must be paid. The determination of whether the company is healthy or not can be calculated using the leverage ratio. The lower the leverage indicates that the company's income through funds from external parties is higher than the cost of funding that must be repaid.

Research by Rehman (2013) and Lestari and Dewi (2016) found that leverage has a positive and significant effect on financial performance. If the company is not able to effectively manage the capital derived from debt, it will have an impact on reducing the company's profits and be captured as a negative signal by external parties. Conversely, effectively managed debt can have a positive effect and have an impact on increasing a company's profits. The greater the company's debt, the more the company can finance its operational activities to increase profits accompanied by increased risk.

H₂: Leverage has a positive and significant effect on financial performance.

3. Research Methodology

3.1 Population and Sample

The population used in this study is manufacturing companies listed on the IDX. The selection of samples was carried out using the purposive sampling method with predetermined criteria and obtained as many as 46 companies from 217 companies as research samples. The sample selection criteria used are manufacturing companies listed on the IDX for the 2020-2021 period, companies that issue financial statements in rupiah currency and have complete information and data according to research variables, and manufacturing companies that participated in the PROPER program for the 2019-2020 period.

The data used in this study are secondary data obtained through the literature and documentation study method by taking data from the annual financial statements published on the IDX in 2021 and the environmental management performance assessment program (PROPER) document published by the Ministry of Environment in 2020 (time-lag). The independent variables in this study are environmental performance (X₁) and leverage (X₂), the dependent variable is financial performance (Y), and the control variables are company age (Z₁), company size (Z₂), and industry type (Z₃).

3.2 Operational Variables

Environmental Performance (KL)

Disclosure of environmental performance is measured by PROPER rating which is categorized into five colours namely gold, green, blue, red, and black. The approach taken is dummy variables based on the company's PROPER color rating. Companies with the highest colour rating, namely gold will be given a dummy value of 5, a green colour rating will be given a dummy of 4, a blue colour rating will be given a dummy of 3, a red colour rating will be given a dummy of 2, and the lowest rank namely black will be given a dummy of 1 (Anindito and Ardiyanto, 2012).

Leverage (DER)

Debt to Equity Ratio (DER) will be used in this study as an indicator to measure leverage. DER can be calculated by the following formula:

$$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Financial Performance (ROA)

ROA is related to measuring the percentage of a company's potential to make a profit by utilizing the company's assets after tax. The higher the ROA, the higher the level of profitability of the company (Sudana, 2019).

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$$

Company Age (AGE)

The age of the company is measured through the difference between the year of study and the year the company is listed on the IDX. The formula is as follows:

$$AGE = \text{Year of research} - \text{Year of establishment of the company}$$

Company Size (SIZE)

The size of the company can be measured through a natural logarithm of the total assets owned by the company (Sujarweni, 2019). The formula for the company size is as follows:

$$SIZE = \ln(\text{Total Asset})$$

Industry Type (TI)

The type of industry is proxied with companies that belong to the high-profile and low-profile industries. Measurement of industrial type is carried out using dummy variables, namely by giving a score of 1 if the company is included in the high-profile industry and a score of 0 for the low-profile industry (Sembiring, 2005).

3.3 Design Analysis and Hypothesis Test

This research uses quantitative data analysis methods using SPSS as a statistical test tool. The tests performed are described as follows:

3.3.1 Descriptive Statistics Analysis

Descriptive statistics analysis is carried out to provide an overview of the characteristics of research variables in the form of minimum, maximum, mean, and standard deviation values (Ghozali, 2018).

3.3.2 Classical Assumption Test

According to Ghozali (2018) the classical assumption test consists of various tests including:

a. Normality Test

Normality test is carried out to detect whether a regression model has normally distributed residual values.

b. Multicollinearity Test

Multicollinearity test is carried out to check if there is a strong relationship between independent variables in multiple linear regression models.

c. Autocorrelation Test

Autocorrelation test to check whether there is a correlation between the residual (disruptor error) of the corresponding period (t) and the residual of the previous period (t-1) in a linear regression model.

d. Heteroscedasticity Test

Heteroscedasticity test to see if there is a common variance among the members in the regression model.

3.3.3 Multiple Linear Regression Analysis

This study used multiple linear regression analysis. The results of the analysis obtained a regression coefficient to find out whether the hypothesis made will be accepted or rejected. As for the equation model of multiple linear regression, it is shown as follows:

Regression Model 1

This regression model is used to look at the effect of environmental performance and leverage on financial performance without including control variables. The regression equation used is as follows:

$$Y ROA = \alpha_0 + \beta_1 KL + \beta_2 DER + \varepsilon$$

Regression Model 2

This regression model is used to see the effect of environmental performance and leverage on financial performance by including control variables namely company age, company size, and industry type. The regression equation used is as follows:

$$Y ROA = \alpha_0 + \beta_1 KL + \beta_2 DER + \beta_3 AGE + \beta_4 SIZE + \beta_5 TI + \varepsilon$$

Description:

Y ROA	= Financial Performance
α_0	= Constant
$\beta_1 - \beta_5$	= Regression Coefficient
KL	= Environmental Performance
DER	= Leverage
AGE	= Company Age
SIZE	= Company Size
TI	= Industry Type
ε	= Error

3.3.4 F Test (Simultaneous)

The F test shows whether all independent variables simultaneously affect the dependent variables (Ghozali, 2018).

3.3.5 t Test (Partial)

The t-test was performed to see how much the independent variable partially affected the dependent variable, whether significant or not (Ghozali, 2018).

3.3.6 Correlation Coefficient Test (R2)

The correlation coefficient test is carried out to measure how far the independent variable's ability to explain the variation of dependent variables is (Ghozali, 2018).

3.3.7 Robustness Test

The robustness test is intended to find out whether the research model has provided accurate information to corroborate the results of existing research. The robustness test in this study was carried out by explaining and retesting independent variables against dependent variable by replacing financial performance proxies (ROA) with Return on Equity (ROE) and Net Profit Margin (NPM).

4. Results and Discussions

4.1 Descriptive Statistics Analysis

Table 1. Descriptive Statistics Analysis Results

	N	Minimum	Maximum	Mean	Std. Dev
ROA	46	0,0006	0,3099	0,07559	0,0686
KL	46	2,00	5,00	3,0435	0,4694
DER	46	0,0748	3,3434	0,8378	0,6199
AGE	46	1,00	39,00	20,8913	11,0116
SIZE	46	25,4470	33,4547	29,2954	1,6177
TI	46			0,7826	0,4170

Source: Data processed using SPSS (2022)

Based on the table above, information was obtained that the financial performance variable has an average value of 0.7559 with a standard deviation of 0.0686. The highest value of 0.3099 is owned by SIDO company, while the lowest value of 0.0006 is owned by PEHA company. The environmental performance variable has an average value of 3.0435 which indicates that the majority of companies obtained a well-categorized blue PROPER rating (score 3), with a standard deviation of 0.4694. The highest value in environmental performance data of 5 is owned by SIDO company, while the lowest value of 2 is obtained by 3 companies. Leverage has an average value of 0.8378 with a standard deviation of 0.6199. The highest value of 3.3434 is owned by INAI company, while the lowest value of 0.0748 is owned by IFII company. Company age has an average value of 20.8913 with a standard deviation of 11.0116. The highest value of 39 is owned by the MERK company, while the lowest value of 1 is owned by the IFII company. The company size variable has an average value of 29.2954 with a standard deviation of 1.6177. The highest value of 33.4547 is owned by ASII company, while the lowest value of 25.4470 is owned by PANI company. Industry type has an average value of 0.7826 with a standard deviation of 0.4170. Companies classified as high-profile industries consist of 36 companies, while low-profile consists of 10 companies.

4.2 Classical Assumption Test

Normality Test

Table 2. Normality Test Results

	Unstandardized Residual	
	Model 1	Model 2
N	46	46
Kolmogorov-Smirnov Z		
Asymp. Sig. (2-tailed)	0,065	0,094

Source: Data processed using SPSS (2022)

Kolmogorov Smirnov (KS) values obtained from the tables of model 1 (0.065) and model 2 (0.094), greater than 0.05 (α). The results suggest that the residual values in both regression models are normally distributed.

a. Multicollinearity Test

Table 3. Multicollinearity Test Results

Model 1		
	Tolerance	VIF
KL	0,999	1,001
DER	0,999	1,001
Model 2		
	Tolerance	VIF
KL	0,900	1,112
DER	0,985	1,016
AGE	0,866	1,154
SIZE	0,855	1,170
TI	0,968	1,033

Source: Data processed using SPSS (2022)

In the multicollinearity test table of models 1 and 2, the test results on each of the independent variables involved in the regression model showed a tolerance value greater than 0.10. The VIFs of each variable are worth less than 10. This suggests that the assumption of being free from the symptoms of multicollinearity has been met by regression models 1 and 2.

e. Autocorrelation Test

Table 4. Autocorrelation Test Results

N	k	dU	Durbin-Watson	4-dU	Results
Model 1					
46	2	1,618	2,054	2,382	No autocorrelation occurs
Model 2					
46	5	1,775	1,849	2,225	No autocorrelation occurs

Source: Data processed using SPSS (2022)

In the autocorrelation test table of model 1, a Durbin-Watson value of 2.054 was obtained. The dU values used in this test were obtained from the Durbin-Watson table with 46 observational data and 2 independent variables. The test results showed that Durbin-Watson values were between dU and 4-dU ($1.618 < 2.054 < 2.382$), meaning that there were no autocorrelation symptoms in the regression model 1. In the autocorrelation test table of model 2, a Durbin-Watson value of 1.849 was obtained. The dU values used in this test were obtained from the Durbin-Watson table with 46 observational data and 5 independent variables. The test results showed that Durbin-Watson values were between dU and 4-dU ($1.775 < 1.849 < 2.225$), meaning that there were no autocorrelation symptoms in the regression model 2.

b. Heteroscedasticity Test

Table 5. Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0,003	0,005		-0,583	0,563
	KL	0,002	0,002	0,199	1,334	0,189
	DER	0,000	0,001	-0,062	-0,418	0,678
2	(Constant)	0,071	0,090		0,789	0,435
	KL	0,021	0,011	0,303	1,912	0,063
	DER	-0,004	0,008	-0,068	-0,450	0,655
	AGE	0,000	0,000	0,041	0,255	0,800
	SIZE	-0,003	0,003	-0,147	-0,902	0,372
	TI	-0,007	0,012	-0,094	-0,616	0,541

Source: Data processed using SPSS (2022)

Based on the table above, the results of the model 1 heteroscedasticity test using the Park Test show a Sig. value of 0.189 for the environmental performance variable and 0.678 for the leverage variable greater than 0.05 (α). It can be concluded that the regression model 1 has no symptoms of heteroscedasticity. The results of the heteroscedasticity test of model 2 using the Glejser Test obtained a Sig. value of 0.063 for environmental performance variables, 0.655 for leverage, 0.800 for company age, 0.372 for company size, and 0.541 for industry type, all values greater than 0.05 (α). It can be concluded that regression model 2 has no symptoms of heteroscedasticity.

4.3 Multiple Linear Regression Analysis

Table 6. Multiple Linear Regression Analysis Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0,057	0,057		-1,010	0,318
	KL	0,057	0,018	0,391	3,145	0,003
	DER	-0,049	0,014	-0,443	-3,566	0,001
	R Square	0,336				
	Adj. R Square	0,305				
	Fcalculation	10,889				
	Sig. F	0,000				
2	(Constant)	0,123	0,159		0,771	0,445
	KL	0,066	0,019	0,452	3,458	0,001
	DER	-0,048	0,014	-0,431	-3,444	0,001
	AGE	0,001	0,001	0,196	1,471	0,149
	SIZE	-0,008	0,006	-0,189	-1,412	0,166
	TI	0,002	0,021	0,010	0,076	0,939
	R Square	0,385				
	Adj. R Square	0,308				
	Fcalculation	4,999				
	Sig. F	0,001				

Source: Data processed using SPSS (2022)

Regression Model 1

Based on data analysis using SPSS, the results of the regression equation of model 1 are obtained as follows:

$$Y = -0,057 + 0,057KL - 0,049DER + \epsilon$$

Based on the test results, the calculated F value is greater than the F_{table} ($10,889 > 3,21$) and a significant level of $0,000 < 0,05$, it can be concluded that H_0 is rejected and H_a is accepted, meaning that the environmental performance variables and leverage simultaneously have a significant effect on the financial performance variables.

The calculated value of the environmental performance variable is 3.145 with a significant rate of 0.003 and a beta value of 0.066. Because the $t_{calculation} > t_{table}$ or $3.145 > 2.01669$ and $Sig. < 0.05$ or $0.003 < 0.05$, it can be concluded that H_0 is rejected and H_a is accepted, meaning that environmental performance variable have a positive and significant effect on financial performance variable. The calculated value of the leverage variable is -3.566 with a significant rate of 0.001 and a beta value of -0.048. Since $-t_{calculation} < -t_{table}$ or $-3.566 < -2.01669$ and $Sig. < 0.05$ or $0.001 < 0.05$, it can be concluded

that Ho is rejected and Ha is accepted, meaning that the leverage variable has a negative and significant effect on the financial performance variable.

The adjusted value of R square in regression model 1 is 0.305. This suggests that the ability of independent variables in model 1 to explain dependent variable is 30.5% and the remaining 69.5% is explained by other variables not discussed in this study.

Regression Model 2

Based on data analysis using SPSS, the results of the regression equation of model 2 are obtained as follows:

$$Y = 0,123 + 0,066KL - 0,048DER + 0,001AGE - 0,008SIZE + 0,002TI + \epsilon$$

Based on the test results, the calculated F value is greater than the F_{table} ($4,999 > 2,44$) and a significant level of $0,001 < 0,05$, it can be concluded that Ho is rejected and Ha is accepted, meaning that the environmental performance variables and leverage simultaneously have a significant effect on the financial performance variables.

The calculated value of the company age variable is 1.471 with a significance level of 0.149. Because the $t_{calculation} < t_{table}$ or $1.471 < 2.02108$ and $Sig. > 0.05$ or $0.001 > 0.05$, it can be concluded that Ho is accepted and Ha is rejected, meaning that the company age variable does not have a significant effect on the financial performance variable. The calculated value of the company size variable is -1.412 with a significant rate of 0.166. Since $-t_{calculation} > -t_{table}$ or $-1.412 > -2.02108$ and $Sig. > 0.05$ or $0.001 > 0.05$, it can be concluded that Ho is accepted and Ha is rejected, meaning that the variable company size has no significant effect on the variable financial performance. The calculated value of the industry type variable is 0.076 with a significant rate of 0.939. Because the $t_{calculation} < t_{table}$ or $0.076 < 2.02108$ and $Sig. > 0.05$ or $0.939 > 0.05$, it can be concluded that Ho is accepted and Ha is rejected, meaning that the industry type variable has no significant effect on the financial performance variable.

The adjusted value of R square in regression model 2 is 0.308. This suggests that the ability of independent variables and control variables in model 2 to explain dependent variable is 30.8% and the remaining 69.2% is explained by other variables not discussed in this study.

4.4 Robustness Test

Table 7. Robustness Test Result (ROE)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-0,081	0,105		-0,770	0,445
KL	0,078	0,034	0,326	2,316	0,025
DER	-0,041	0,025	-0,225	-1,602	0,116
R Square	0,151				
Adj. R Square	0,112				
Sig. F	0,000				

Source: Data processed using SPSS (2022)

The significance value of t of the environmental performance variable is 0.025 with a beta value of 0.078. This means that environmental performance has a positive and significant effect on the financial performance proxied by ROE. This result is consistent with the result of the main model. The Sig. t value of the leverage variable is 0.116 with a beta value of -0.041. That is, the leverage variable has no significant effect on the financial performance proxied with ROE. This result is inconsistent with the result of the main model.

Table 8. Robustness Test Result (NPM)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-0,055	0,067		-0,813	0,421
KL	0,061	0,022	0,363	2,847	0,007
DER	-0,055	0,016	-0,429	-3,368	0,002
R Square	0,304				
Adj. R Square	0,271				
Sig. F	0,000				

Source: Data processed using SPSS (2022)

The significance value of t for the environmental performance variable is 0.007 with a beta value of 0.061, meaning environmental performance has a positive and significant effect on financial performance proxied with NPM. The Sig. t value of the leverage variable is 0.002 with a beta value of -0.055, meaning leverage has a negative and significant effect on financial performance proxied with NPM. These results are consistent with the results of the main model.

4.5 Discussions

Based on the results of the H1 test from the regression model 1, it was found that environmental performance has a positive and significant influence on financial performance which can be seen from the level of significance (0.003) which is below

0.05. That is, hypothesis 1 in the study is statistically supported. This shows that the more the company increases its concern for its environment, the better its financial performance will be in the future. This result is in line with researches conducted by Anindito and Ardiyanto (2012), Ikhsan and Muharam (2016), and Budiasih et al., (2017). Companies that obtain gold, green, and blue PROPER ratings have a higher tendency to save costs by reducing raw materials and energy consumption, minimizing waste, and complying with increasingly stringent environmental regulations, thus impacting the profits earned by the company and then improving the financial performance of companies proxied by ROA.

Based on the H2 test from regression model 1, it was found that leverage has a negative and significant influence on financial performance which can be seen from the level of significance (0.001) which is below 0.05. That is, hypothesis 2 in this study is not statistically supported. A negative value describes a relationship in the opposite direction where if leverage increases by one percent then financial performance decreases by one percent. This shows that high leverage indicates the company's low future financial performance. This result is in line with the researches conducted by Utama and Muid (2014) and Mardaningsih et al., (2021). The higher the DER rate indicates the amount of debt of the company compared to its capital. This means that the costs borne by the company to fulfill its obligations will be even greater and have an impact on reducing the company's profitability.

Based on additional testing of control variables with regression model 2, it was obtained that independent variables (financial performance and leverage) and control variables (company age, company size, and industry type) simultaneously had an influence with a contribution of 30.8% to financial performance. The remaining 69.2% is explained by other factors that were not studied. The partial test results show that the variables of company age, company size, and industry type have no significant relationship with financial performance. Based on additional tests, the Robustness Test found that environmental performance has a positive and significant effect on ROE, environmental performance has a positive and significant effect on NPM, and leverage had a negative and significant effect on NPM. These results are consistent with the results of the main study. The results that leverage has no effect on ROE are inconsistent with the results of the main study.

5. Conclusions

Based on the results of the analysis and discussion that has been carried out, it is proven that environmental performance has a positive and significant relationship with financial performance, meaning that the more the company increases its concern for the environment, the better the company's financial performance will be. The leverage variable is proven to have a negative and significant relationship with the company's financial performance, meaning that the higher the leverage level, the lower the company's future financial performance. Environmental performance and leverage jointly affect the financial performance of manufacturing companies listed on the IDX for the 2020-2021 period.

Limitations and Advanced Studies

This study uses limited variable data from 2020-2021, thus the results of the study are less able to show the influence between variables in the long term. Further research is expected to use a long research period and add other research variables that are not included in this study to produce for a more accurate.

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