



The Impact of Environmental Performance and Environmental Disclosures on Economic Performance

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ABSTRACT

Purpose : This study aims to ascertain how economic performance is impacted by environmental performance and environmental disclosures.

Method : The study population consists of LQ45-indexed enterprises registered on the Indonesia Stock Exchange between 2015 and 2019. With a total sample size of 65 financial statement data and annual reports, they were ascertained using the purposive sampling technique. SEM-PLS (Structural Equation Modeling based on Partial Least Squares) data analysis methods with SmartPLS 3.3 were employed for this investigation.

Findings : Environmental performance significantly negatively affects economic performance, according to an examination of a study on 13 companies indexed LQ45 in 2015–2019 with 65 financial statement data and annual reports. Ecological transparency, nevertheless, has a very good implication for economic performance. The results of this study have significance for LQ45 firms listed on the Indonesia Stock Exchange, helping them become more environmentally conscious. It can be a strategy for LQ45 companies to get PROPER awards from the government. Additionally, it can serve as a guide when creating environmental rules.

Novelty : This study is to measure the economic performance that can be seen from the practice of work on the results of the value of environmental disclosure and environmental performance. This study also explores environmental performance (X_1) and environmental disclosure (X_2). This study formulates the relationship between environmental performance and the company's economic performance. And a study of the relationship of environmental disclosure with the company's economic performance. So that the resulting hypothesis is stronger and more accurate about economic performance resulting from environmental disclosure and environmental performance.

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INTRODUCTION

Economic performance describes various indicators of achievement of economic aspects carried out and provided by the company to shareholders and all stakeholders. Economic performance describes the company's contribution to implementing a sustainable business strategy. To realize good economic performance will not be separated from environmental performance and environmental disclosure

To improve performance, companies need investors to get funds to keep them operating. The environment performance of the firm will have an impact on the wise decision-making of investors. This evaluation will give the market a positive impression of the company. Consequently, one of the factors that must be considered in determining how to influence a company's economic success is environmental performance. Finding (Singh et al., 2016) (Sila & Cek, 2017) It is determined that environmental performance positively affects economic performance. However, the results show a poor correlation between financial performance and the corporate environment (L. W. Lu & Taylor, 2018). Many businesses have come to understand the value of social and environmental responsibility by proactively carrying out this responsibility. Activities related to corporate social responsibility and the environment can assess an organization's environmental performance. The management system should include environmental performance to protect the environment and inform interested parties.

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Environmental performance is a key source of information for obtaining high levels of efficiency in production, increasing productivity with safety standards, minimizing costs associated with environmental damage, and opening up new markets (Porter & Van Der Linde, 2017). The environmental management system includes environmental performance measurement as an important component. It is a real and tangible indicator of how well the organization uses its environmental management system. Based on the company's success Participation The company's environmental performance is evaluated One of the efforts taken by the Ministry of Environment (KLH) to enhance corporate structure in environmental management with the use of information tools is the PROPER program. Ecological policies and environmental targets govern the evaluation of environmental performance. There are many different interpretations of environmental performance measurement, including quantitative and qualitative. While qualitative is the process, quantitative refers to the outcome of the process. Stakeholders will evaluate economic performance. The more competent the workforce, the more independent the company will realize its goals. The more smoothly it will operate ethical behavior and financial success, precisely by embracing corporate social responsibility. The consequences of violating this rule include the company's common interest in environmental preservation, neglect of environmental management, and poor environmental performance (A. A. Nasution et al., 2020).

The Ministry of Environment's Corporate Performance Rating Program (PROPER) can be used to assess a company's environmental performance. It is a program that evaluates the obligations of a company or activity to manage waste, hazardous and toxic materials and prevent pollution or environmental damage. Many companies are listed on the Indonesia Stock Exchange, for example, companies engaged in agriculture, mining, primary and chemical industries, other industries, and consumer goods industries, in the Ministry of Environment and Forestry's Environmental Management Performance Rating Program (PROPER). Industry Ministry of Industry Republic of Indonesia in 2012 – 2014. As part of their environmental protection initiative, As part of their environmental preservation mission, they have also administered an environmental management system. (Wahyuningrum et al., 2020). This precise assessment uses annual report data and annual financial reports. With this PROPER, it is hoped that it will encourage companies to improve environmental management, increase the company's role in carrying out ecological control, create a stimulant effect in meeting environmental regulations, and add value to the preservation of natural resources (Deswanto & Siregar, 2018).

It is impossible to separate the company's environmental performance from the disclosure of environmental information. Environmental disclosure is the practice of disclosing how a company's operations affect the physical or natural surroundings in which it operates (Wilmshurst & Frost, 2000). Although environmental disclosure is mandatory, there are still discrepancies in the disclosure's substance as of today.. Disclosure of environmental, social, and economic performance in the revised annual report aims to reflect the level of accountability and transparency of the company to stakeholders. Environmental disclosure is expected to have more effective communication between management and stakeholders. So companies can benefit if they make efforts to preserve the environment sustainably, such as by increasing the interest of potential investors. In line with research (Mahmes, 2016; Menike, 2020; Tze San et al., 2015), environmental disclosure has a positive effect. However, his analysis shows no relationship between asset returns and environmental disclosure. (Nor et al., 2016) The performance environment can present opportunities to improve the company's image and public relations to attract more investors and increase their willingness to invest, which can increase the company's share price. The company's value is also higher if the share price is higher.

Environmental disclosure is the process of disclosing how an organization's operations affect the physical or natural environment in which it works (Wilmshurst & Frost, 2000). The correlation between company value, environmental performance, and financial performance is that if the company pays attention to social, economic, and environmental aspects, the company's value will increase and be sustainable because the company's sustainability is a balance of economic and social, as well as society.. (Miratul Khasanah & Oswari, 2018) Financial performance, share price, and cost of capital are non-financial environmental performance elements (Sutami et al., 2011) If the business is actively involved in various environmental management actions in a controlled manner, environmental performance will be excellent as well. Due to the company's aggressive efforts in environmental management and high performance, it is projected that the government will support the growth of strong economic performance.

Disclosure of environmental information is necessary because it involves the existence of a social contract. Financial Services Authority Regulation Number 29/POJK.04/2016 Article 4 states that the company's annual report must contain information on activities related to social and environmental responsibility to interested parties. Based on Government Regulation (PP) No. 47 of 2012, paragraph 2, It is written that every company has social and environmental responsibilities as a legal subject. (PP Nomor 47, 2012). Environmental disclosure procedures can be seen as an organization's attempt to inform stakeholders about its actions to protect the environment. This practice plays an important role in the life of the company in society and influences the actions of the company. Managers usually use this tactic to prevent social and environmental conflicts. Environmental disclosure is the practice of including environmental information in an organization's annual report. According to (Mutmainah & Indrasari, 2017), companies need to provide environmental information in their annual reports so that communities can monitor the steps they are taking to enforce their social responsibilities. Businesses will get favorable outcomes, such as public attention, trust, and support. The purpose of environmental disclosure is to provide relevant and significant

information for users' financial statement decision-making. Environmental disclosures in annual reports are still voluntary, so whether or not such disclosures exist in the company's annual report depends on each company itself.

In Indonesia, Environmental information has not been required to be disclosed by all companies under financial accounting standards. They discover that multinational corporations share more information while exhibiting worse performance levels. They conclude that these companies find pollution shelters by working on a global scale and hoping to share information regarding their performance will legitimize the operations. Economic performance measures how well a company performs each year compared to its competitors in the same industry (companies that are engaged in the same business). The company's brand became famous for its annual returns. The company's excellent financial performance reduces the need for social and environmental initiatives. Environmental and labor investment may not significantly impact the economy (Saputra & Murwaningsari, 2021).

There is a theory that is an indication signal of guidance given by the company's internal to external parties regarding the company's current and future condition (Brigham et al., 2014). The signal theory highlights the significance of the company's information dissemination about the investment decisions of parties outside the company. Data is very important for investors and business actors because the report provides a record or description of past, current, and future conditions. It also shows the company's viability and the future of the securities market. The annual report is one type of information produced by a corporation that can provide a signal to parties outside the company, particularly investors. Every year, the report can take the form of company information regarding the financial statements of the company's status. All corporate reports can be in the form of accounting or non-accounting reports provided annually.

Financial performance is the actions are taken to achieve the economic targets to be completed, which can be indicated by the industry's annual returns and reported in the company's annual financial statements statements. In the era of market economy, apart from creating favorable, effective, and profitable economic performance conditions for businesses, it is also important to establish ethically sound economic performance behaviors or excellent corporate social responsibility. According to (Al-Tuwajri et al., 2004), Economic performance can be seen from two measures. Namely accounting-based measures (earnings per share, return on equity, return on assets) and market-based measures (share price, return on assets), claims, and so on).

Companies with strong environmental performance adhere to ethical standards because they engage in environmentally friendly practices. According to legitimacy theory, a company's strategy must consider legitimacy, especially when deciding how to position a business in its social environment. According to the notion of legitimacy, companies must ensure that their actions and results are respected by society. Better economic success can result from changing the environment that organizations need to operate at their best (Porter & Van Der Linde, 2017). A good environmental management structure will indirectly maintain business continuity in the future. This is a precautionary measure to lower future environmental costs, which could undermine economic performance. The company's reputation is better among stakeholders, and others who use financial statements are increasingly environmentally conscious. It attracts the attention of stakeholders and the wider community by using financial facts. Therefore, the company's economic performance will be better than the company's environmental performance. This is supported by research from (Sila & Cek, 2017; Singh et al., 2016), which proves that environmental performance positively affects economic performance.

The researchers showed that sustainability was derived from the company's self-sufficient reports for 2006 to 2019 and resulted in 887 sustainability report assessments. This process is a result of evaluating the economic performance of sustainability. Sustainability business trends must evaluate reported and calculated business performance to influence economic, social, and environmental progress following business sustainability. Sustainability reporting shows how the company has developed sustainably. In making sustainable reporting, a study effort is needed to understand the company's nature. By gathering quantitative information from the analysis of corporate sustainability report texts, several studies educate readers on reporting practices for sustainability (Gunawan et al., 2022).

according to the inconsistency of the results of several previous research, this study reviews the effect of environmental performance and environmental information disclosure on the economic performance of LQ45 companies listed on the Indonesia Stock Exchange in 2015-2019. This study is likely to contribute to environmental performance and disclosure practices to improve economic performance and represent the current situation. In addition, this study examines a more in-depth theory of environmental performance (X_1) and environmental disclosure (X_2). The study of this idea is formulated in terms of the relationship between environmental performance and the company's economic performance. And the second is a study of the relationship between environmental disclosure and the economic performance of companies so that the resulting hypothesis is stronger and more accurate.

Relationship of Environmental performance (X_1) to economic performance

Environmental performance is the company's performance to create a excellent environment. In this global industrial era, companies are required to be concerned with profit matters and responsible and contribute to the surrounding environment. Researchers have conducted an analysis using color indicators, starting with gold for the businesses with the best environmental performance ratings, then green, blue, red, and black for those with the worst environmental performance ratings. (Astuti et al., 2014) Company research must provide environmental facts to

stakeholders to increase public awareness and increase the company's reputation. Investors know the company's environmental management level through the publication of environmental data.

The Ministry of the Environment will assess businesses with a good reputation for environmental performance or high ratings. This rating improves the company's image in the eyes of consumers and readers of the annual report because it is considered to have contributed to increasing environmental awareness and reducing the negative impact of the company's business activities. This can attract creditors or investors to extend credit to the business (Rosaline et al., 2020).

When a company incurs costs related to the environment, it will automatically build a good image in the eyes of stakeholders so that the company will get a positive response from the market because it has carried out social responsibility and cares about the environment. This is in line with stakeholder theory which describes the relationship between companies and stakeholders and also illustrates that companies must act following the interests of stakeholders (Sari & Asrori, 2022)

Another thing that can be considered to attract potential investors is to improve environmental performance. One of the good and bad assessments of a company's environmental performance can be seen in the PROPER rating in the company's annual report. The better the PROPER rating a company achieves, the better its environmental performance, and it automatically becomes a good signal (good news) for investors. The better the environmental performance of a company, the better the economic performance of the company, so that the market will respond positively through fluctuating stock prices due to good investment decisions so that the company's economic performance increases.

Another study examined the relationship between sustainability reports on disclosure practices and economic success as determined by PROPER (Environmental Management Performance Rating Program) (Iriyanto & Nugroho, 2014). A good rating is a proxy for environmental performance, while stock returns are used to evaluate economic performance (Dewi & Wirasedana, 2017). Corporations will disclose more social information because of their improved environmental performance. Therefore, companies with vital environmental records should share data on environmental quantity and quality more openly than companies with poorer environmental records.

Companies participating in PROPER (Company Performance Rating Program) increase shareholder confidence in their investment decisions, boosting the company's economic performance (Prasetyo et al., 2018). So, the hypothesis of this research is:

H₁: Environmental performance (X₁) positively affects economic performance

Relationship of Environmental Disclosure (X₂) to Economic Performance

Environmental disclosure is very important to businesses because it allows them to attract investors on the condition that their social disclosure practices are successful. The sample corporate disclosures on social and environmental issues in their two public reports, the annual report and the corporate social responsibility report, were evaluated using a three-dimensional social and environmental disclosure index driven by stakeholders takes into account the amount of exposure, the quality of the type of disclosure, and the quality of the disclosure item. The results show a strong and favorable relationship between corporate social and environmental disclosures, size, profitability, and industry categorization. Except for shareholders, who have affected the company's social and environmental exposure, and creditors, who have affected the company's disclosures. In addition to that related to environmental performance, the role of various important stakeholders in influencing the company's social and environmental disclosures was found to be generally weak (Y. Lu & Abeysekera, 2014)

Environmental disclosure is one of the pieces of information that can provide added value for the company. Environmental disclosure is the thing that investors can consider as stakeholders in making investment decisions. The company discloses social and environmental information properly to attract public attention and build a good reputation for the company. Companies with high environmental disclosures in their financial statements will increase the company's image in Indonesia in the eyes of stakeholders and be more reliable, so it is expected to increase profits and share price. Therefore, the quality of disclosure in The environment will affect the company's economic performance. The higher and better the quality of environmental disclosure made by the company, the higher and better the economic performance of the company.

Environmental disclosure is very important, on findings (Rahmawati & Subardjo, 2017), and has a significant effect on stock prices in businesses that pollute the environment. In addition, it is reported that these investors calculate the likelihood of future misstatements. They claim that comprehensive environmental disclosure will increase the confidence of stakeholders and investors and improve the company's reputation and financial performance in terms of profitability. (Bukhori & Sopian, 2017).

Government support in providing environmental disclosure results will also affect a company's economic performance. Environmental disclosure explains how concerned the corporation is about the environment. The magnitude of the company's concern for the environment can be expressed according to the annual report which can entice new investors as well as financial statement consumers so that it is expected to increase the company's economic performance. Increasing economic performance will be good news for the company so that stakeholders and users of financial statements will be more interested in the company, and the market will more positively res-

pond to the company with stock price fluctuations which will increase the company's stock return.

H₂: Environmental disclosure (X₂) positively affects economic performance

RESEARCH METHODS

The population in this study consists of companies indexed LQ45 on the Indonesia Stock Exchange (IDX) for the 2015-2019 period, which can be accessed on IDX's official website, www.IDX.co.id. The 2015-2019 sample is used because this data is the latest data released by the IDX. Research on corporate disclosure and performance was taken from a sample of 13 companies indexed LQ45 in 2015-2019, with 65 data on financial statements and annual reports. The criteria used in this study are: the sampling method used purposive sampling to analyze the sample more efficiently and meet the criteria according to the research. Researchers will empirically analyze the data that appears on the condition of the company's performance is directly proportional to environmental performance and environmental disclosure.

1. The company is LQ45 indexed and listed on the Indonesia Stock Exchange in 2015, 2016, 2017, 2018, and 2019.
2. LQ45 indexed companies that publish annual financial reports on the IDX website or other official websites during the observation period.
3. The LQ45 company received the PROPER award issued by the Ministry of Environment and Forestry during the observation period.
4. Disclosing data related to research variables and fully available data.
5. LQ45 company that presents financial statements in Rupiah (Rp).

Economic performance is the dependent variable of the study. Economic performance is measured by financial success in assets (ROA). Return on Assets (ROA) is an important financial statement metric with several applications. Because ROA is a standard indicator used by BI as bank supervisors and supervisors who have always prioritized assets whose funds come from the public, and because ROA is an objective measurement method based on available data, ROA needs to be used as a guide in measuring bank profitability. ROA measure can be used to measure the effectiveness of various corporate strategies, especially banking. It calculates the percentage ratio between the company's total assets and after-tax income.

Environmental performance is the first independent variable in this study and is determined by reviewing the achievements of businesses participating in the PROPER program. According to the PROPER performance rating system, companies are ranked in five different colors, with gold receiving the highest rating of 5, followed by green, blue, red, and black, which received the lowest score of 1, in that order (www.menlh.com).

The dependent variable in this study is economic performance. Return On Assets (ROA) measures economic performance. It compares the profit after tax with the total assets owned by the company expressed as a percentage (Ghozali & Latan, 2015). The first independent variable in this study is environmental performance, measured by looking at the achievements of companies participating in the PROPER program. The PROPER performance appraisal The method features a five-color ranking system for companies assessed sequentially with the highest score of 5 (five) for gold, 4 (four) for green, 3 (three) for blue, 2 (two) for red, and lastly, lowest 1 (one) for black (www.menlh.com). The second independent research variable is environmental disclosure, calculated by comparing the number of items disclosed by the company with the percentage of GRI disclosure items. The second independent variable in this study is environmental disclosure, which is calculated by comparing the number of items disclosed by the firm with the number of GRI disclosure items expressed in percentages (Ghozali & Latan, 2015).

SEM-PLS is used to analyze environmental performance and environmental disclosure using PROPER data. This study uses SEM-PLS because it uses manifest variables, multiple regression models, and observed variable path analysis in addition to being designed to analyze latent variables. (Nugraha et al., 2019). Measurement of variables using SEM-PLS is done because SEM-PLS can work efficiently with small sample sizes. This is consistent with findings by (Mohamad Nur Utomo, 2019) using sample data from 44 companies (2018-2019). The PROPER variable, which was processed with SEM PLS was also carried out by (Nuryaningrum, 2013) with the results of environmental performance having a positive influence on the company's profitability with a P-Value of 0.002, whose value is <0.05.

A. Outer Model Equation

Exogenous latent variable 1 (independent) $X_1 = \lambda X_1 \xi_1 + \delta_1$ 1

Exogenous latent variable 2 (independent) $X_2 = \lambda X_2 \xi_2 + \delta_2$ 2

Endogenous latent variables (dependent) $Y = \lambda Y \eta + \varepsilon$ 3

B. Inner Model Equation $\eta = \gamma 1 \xi_1 + \gamma 2 \xi_2 + \varsigma$ 4

X₁ : Environmental Performance

λX_1 : Outer Loading Environmental Performance:

X₂ : Environmental Disclosure

Table 1. Descriptive Statistical Analysis

| Variable | N | Min | Max | Mean | Median | Standard Deviation |
|--------------------------------|----|------|-----|------|--------|--------------------|
| Environmental Performance (EP) | 65 | 2 | 5 | 3.72 | 4 | 0.638 |
| Environmental Disclosure (ED) | | 0.1 | 0.7 | 0.35 | 0.29 | 0.184 |
| Economic Performance (EcP) | | -0.4 | 0.9 | 0.07 | 0.07 | 0.259 |

- λX_2 : Outer Loading Environmental Disclosure:
 Y : Economic Performance
 λY : Outer Loading Economic Performance:
 ξ_1 : Environmental Performance
 δ : Exogenous Latent Noise Variable
 ξ_2 : Environmental Disclosure
 ε : Endogenous Latent Noise Variable
 η : Economic Performance
 ς : Residual Value
 γ_1 : Path Coefficient of Environmental Performance on Economic Performance
 γ_2 : Path Coefficient of Environmental Disclosure of Economic Performance

RESULTS AND DISCUSSIONS

Descriptive statistical tests are used to describe each variable shown in table 1. Descriptive analysis is a type of research data analysis used to check the generalizability of single-sample research findings. The explanatory hypothesis was tested in this descriptive study. Whether or not the research hypothesis can be generalized is how the analysis develops (L. M. Nasution, 2017).

It can be analyzed that the environmental performance variable has a value between 2,000 to 5,000, with an average value of 4,000. The environmental disclosure variable is between 0.100 and 0.670, with an average value of 0.290. The economic performance variable has a value between -0.360 to 0.880 with an average value of 0.070.

The AVE measure can also be used to measure the reliability of the latent variable component scores, and the results are more conservative than composite reliability (CR). The AVE value will equal the average block communality value if all indicators are standardized.

The extracted mean-variance shows that the AVE value of each construction is good because it exceeds 0.50 and meets the standard. The resulting external loading value is more significant than 0.70, as shown in Table 2. Therefore, the concurrent validity criteria have been met because each variable has a very good convergent validity value.

Table 3 describes the constructions, including indicators with higher cross-loading values than other constructs. Each latent construction has good reliability because it meets the requirements of the composite test and Cronbach's alpha reliability. In other words, each hand can predict latent constructs better than indicators from other constructs. Based on the composite reliability and Cronbach's alpha value of more than 0.70, the result is 1000.

The coefficient of determination is an important regression measurement because it can assess whether or not a regression estimation model is valid or, in other words, how well the endpoint of the regression line fits the actual data (Indrawan & Kaniawati Dewi, 2020). The R-Square value on the economic performance variable is 0.757 or 75.7%. Environmental performance and disclosure variables can determine financial performance by 75.7%; other variables explain the remaining 24.3%.

Evaluation of the the path coefficient is used to demonstrate how powerful the influence or the independent variable's influence on the dependent variable. While the determination of the coefficient (R-Square) is used to measure how much influence the endogenous variable has on other variables (Idawati & Pratama, 2020)

Table 4 shows that the environmental performance variable has a coefficient of -0.439, p-value = 0.015, and

Table 2. Outer loadings and Average Variance Extracted (AVE)

| | Environmental Performance | Environmental Disclosure | Economic Performance |
|-----|---------------------------|--------------------------|----------------------|
| EP | 1 | | |
| ED | | 1 | |
| EcP | | | 1 |
| AVE | 1 | 1 | 1 |

Table 3. Cross loadings, Composite Reliability dan Cronbach Alpha

| | Environmental Performance | Environmental Disclosure | Economic Performance |
|-----------------------|---------------------------|--------------------------|----------------------|
| EP | 1 | -0.839 | -0.832 |
| ED | -0.839 | 1 | 0.837 |
| EcP | -0.832 | 0.837 | 1 |
| Composite Reliability | 1 | 1 | 1 |
| Cronbach's Alpha | 1 | 1 | 1 |

a t-statistic of 2.451 for economic performance. The first hypothesis (H_1), It asserts that negative impact on financial performance, is rejected. Furthermore, the second hypothesis (H_2), which states that environmental disclosure has a significant positive impact on economic performance, is accepted. The environmental exposure values of parameter coefficients, p-values, and t-statistics for economic performance are 0.468, 0.008, and 2.667, respectively.

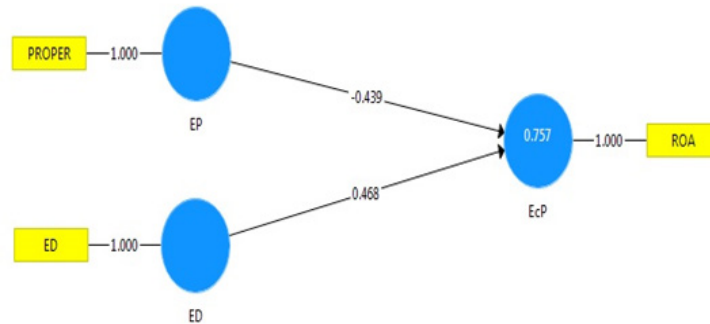


Figure 1. Path Coefficients

The Effect of Environmental Performance on Economic Performance

As shown in Figure 1, the test results show that environmental performance has a large and negative impact on economic performance. LQ45 enterprise performs more economically, the better its environmental performance. As a regulator, the government has actively participated in various environmental protection laws, such as Law Number 32 of 2009, in relation to Environmental Protection and Management. Environmental pollution is covered in terms of prevention, control, and legal certainty. The Ministry of Environment has also established an assessment program that handles hazardous and toxic waste (B3) and prevents pollution and environmental damage. The company's environmental performance is evaluated using the performance rating program in environmental management (PROPER). It also catalyzes businesses to increase their efforts to increase environmental awareness. However, the large amount of environmental damage created by the company's operations shows that implementing this government law is still far from expectations.

In addition, some businesses have relatively low PROPER ratings, which indicates that they don't care about the environment. Investors' perception of a company can deteriorate due to its neglect of the environment. This sends an unfavorable signal that causes investor interest in the company to decline. Due to the lack of interest from outsiders, the company's revenues and profits have decreased, which affects the company's economic performance. The findings of this study are consistent with previous research (L. W. Lu & Taylor, 2018) that environmental performance hurts the company's financial performance. On the other hand, different (Sila & Cek, 2017; Singh et al., 2016). They believe that environmental performance has a positive influence on economic performance.

The Effect of Environmental Disclosures on Economic Performance

The test results show that environmental transparency significantly improves economic performance. This implies that an LQ45 firm performs more profitably the more environmental disclosures it makes. The findings of this study indicate that LQ45 companies share social information to build public legitimacy and that all of their operational actions have taken into account the environment. The legality of this community has an impact on the excellent image and reputation of the LQ45 company. Investors know how much companies care about managing their environment when disclosing environmental data. Corporations can send positive signals to investors and the

Table 4. Path Coefficients

| Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (O/STDEV) | P Values | Result | |
|--|-----------------|----------------------------|--------------------------|----------|--------|--------------|
| Environmental Performance Economic Performance | -0.439 | -0.396 | 0.179 | 2.451 | 0.015 | Reject H_1 |
| Environmental Disclosure Economic Performance | 0.468 | 0.508 | 0.176 | 2.667 | 0.008 | Accept H_2 |

general public if they work efficiently with regulations. Businesses' environmental disclosures in their financial accounts will make them more trustworthy and positively affect the economy. The findings of this study are consistent with the investigation conducted by (Mahmes, 2016; Tze San et al., 2015) that environmental disclosure has a positive effect on economic performance. They note that environmental exposure significantly increases asset returns. This contradicts the conclusion that environmental disclosure and asset returns have no relationship (Menike, 2020; Nor et al., 2016).

CONCLUSIONS

Research analysis of 13 LQ45 indexed companies in 2015-2019 with 65 financial statement data and annual reports shows that environmental performance hurts economic performance. Meanwhile, the disclosure of environmental information has a significant positive impact on economic performance. The results of this study have implications for LQ45 companies on the Indonesia Stock Exchange to increase company awareness of the environment.

Several studies in the past have shown that environmental performance outcomes have a significant impact on economic performance. Stakeholders consider the company's image better, so it is more actively involved in community initiatives. This is the result of increased environmental guidance. Corporations must pay attention to the interests of workers, customers, and society in addition to management, capital owners (investors and creditors), and creditors.

Currently, many companies are starting to realize the importance of social and environmental responsibility, so they voluntarily make environmental disclosures. Excellent environmental performance can be used as a source of information for companies to achieve efficient production levels. Hopefully, it can affect economic performance. Meanwhile, environmental disclosure is a process related to the impact of activities performed by the company on the environment. So that companies with high environmental performance and carrying out environmental disclosures well can show that the company can meet ethical requirements because it has assumed responsibility for the environment. This finding supports that sustainability in business has become an international trend. Business continuity requires company performance that can be measured, disclosed, and accounted for. This study finds that the direction of sustainability reporting for 13 companies has a significant value.

Publication of environmental information is closely related to the company's environmental performance. The process of disclosing an organization's environmental impact on the physical or natural environment in which it does business is known as environmental disclosure (Wilmshurst & Frost, 2000). The results of this study have a significant negative impact on economic performance because it is based on the n-company object listed in LQ 45, where the company has a high level of liquidity, a fairly large market capitalization, and is supported by solid company fundamentals. Environmental disclosures affect economic performance because of the differences in the information they contain. LQ45 companies already see themselves as confident in their position and able to ensure solid economic performance. Therefore, they are less concerned with the version of the environment. It is not always that companies listed in the LQ45 group will perform better if the focus of attention can be added on environmental performance and environmental disclosure because the work of companies listed in LQ45 is evaluated every six months for the period August 1 - January 31 and February 1 - July 31. It is very important to increase the environmental awareness of companies in light of the findings of several studies, which show that environmental performance has a significant negative impact on economic performance. And there needs to be a standardized standard for what items should be disclosed in a sustainability report. This could be a strategy for LQ45 companies to get a PROPER award from the government. In addition, it can be a reference for formulating regulations related to the environment. For investors, it can be used as a guide for making investment decisions.

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