

THE EFFECT OF ENVIRONMENTAL PERFORMANCE AND CORPORATE SOCIAL RESPONSIBILITY ON THE FINANCIAL PERFORMANCE OF MANUFACTURING COMPANIES IN THE PLASTIC AND PACKAGING INDUSTRY SUB SECTOR LISTED ON THE INDONESIA STOCK EXCHANGE

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Abstract

The purpose of this study is to determine the influence of environmental performance and corporate social responsibility on financial performance in manufacturing companies in the plastic and packaging industry sub-sector listed on the Indonesia stock exchange. The population of this study is 16 manufacturing companies in the plastic and packaging industry sub-sector listed on the Indonesia Stock Exchange in 2021-2023. The number of samples that meet the criteria that have been determined is 13 manufacturing companies in the plastic and packaging industry sub-sector listed on the Indonesian stock exchange. This study uses a quantitative approach using secondary data sourced from the Indonesia Stock Exchange. The data analysis technique used was a multiple linear regression analysis test using the evIEWS version 12 application. The results of this study show that the best estimation model selection in this study is in the REM (Random Effect Model). The results of this study show that environmental performance has a positive and significant effect on financial performance and corporate social responsibility has a negative and insignificant effect on financial performance. Based on the results of the simultaneous test (F Test) it is shown that all independent variables have a simultaneous or joint effect on the dependent variables. Based on the predictive ability of these two variables, financial performance was 13% while the remaining 87% was influenced by other variables outside this study.

Keywords : *financial performance, environmental performance, corporate social responsibility.*

INTRODUCTION

The development of the industrial world today is running so rapidly that it creates increasingly strong competition in the face of the current era of globalization. Industrial progress will certainly be able to cause fierce competition between companies. Competition can foster the motivation of every company to utilize the company's potential to the maximum extent possible so that the company is able to improve the performance of its entity. The main goal of a company is to maximize profits or wealth, especially for its shareholders. A company will not be able to stand on its own without a group of people or entities that help fund the company. The plastics and packaging industry plays an important role in the supply chain for other strategic sectors such as the food and beverage, pharmaceutical, cosmetics, and electronics industries (Kalalo et al., 2020).

In 2021, the development of the financial performance of the plastics and packaging industry sub-sector showed a relatively low figure of 3-4% with a packaging production value of around IDR 102-105 trillion due to fluctuations in the price of raw materials, especially plastic resins which were influenced by world oil prices. The Covid-19 pandemic that hit in 2020-2021 disrupted the global supply chain which led to raw material shortages and price increases, then slightly better in 2022 by 5% with a production value of IDR 107.1-110.1 trillion, as many companies began to improve and adjust their supply chain strategies by reducing raw material shortages and smoothing production to financial performance. In 2023, the growth target will be higher by 6% with the value of packaging production will reach IDR 116.8 trillion. However, despite hopes for better growth, external factors such as the pandemic and fluctuations in raw material prices remain a challenge to the development of this industry (Investor.id, 2023). During 2023, there are 3,694 companies that are PROPER participants. The results of the

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compliance evaluation of 3,694 companies showed that there were 79 companies with a gold rating, 196 companies with a green rating, 2,131 companies with a blue rating, 1,065 companies with a red rating, and 233 companies subject to law enforcement or not operating/suspended. If grouped by their business field, the total number of companies participating in PROPER is 3,694 companies consisting of 1,596 companies engaged in agroindustry, 1,398 companies engaged in manufacturing infrastructure and services, and 700 companies engaged in energy and oil and gas mining. Throughout 2021, the amount of plastic waste has increased by 6%. Graph 1.2 of 2022 shows that plastic is the second largest contributor of waste after food waste. The packaging industry, so far, has been closely linked to various manufacturing sectors, especially food and beverages.

Referring to data from the Central Statistics Agency (BPS) in 2022, the production value of the packaging industry reached IDR 87.6 trillion, continuing to grow and increase to IDR 93.2 trillion in 2023. This is due to the existence of very serious and sustainable environmental pollution. Considering that plastic is a type of waste that is difficult to decompose and tends to be environmentally friendly. The decline in environmental performance can be seen from the continuously increasing portion of plastic waste. Although the plastic waste data does not only come from companies in the food and beverage sub-sector, it does not mean that this is not a big problem for the company. This has a great impact on society and the environment, especially the sea. Reporting from the Country Manager of Plastics Bank Indonesia stated that the amount of plastic waste in Indonesia can continue to grow, currently there are around 4.9 million tons of plastic waste that is not managed properly and 83% of the waste leaks into the sea. Referring to the Indonesia Packaging Federation in alineaid.com, plastic is the dominance of packaging materials in Indonesia, reaching 44%, while the use of paperboard is 28% and rigid plastic is 14%. This is also reflected in data stated by the Ministry of Environment and Forestry of the Republic of Indonesia, which states that the production of waste plastic in Indonesia reaches up to 5.4 million tons per year with the food and beverage industry at the top of the order in plastic use.

The issue of Corporate Social Responsibility (CSR) arises due to various pressures from outside parties, such as intensive research efforts from various non-governmental organizations on the role of companies in the surrounding community. Issues about environmental damage, workers' rights neglected by companies, financial scandals or social problems that arise as a result of activists from Non-Governmental Organizations (NGOs) to carry out research and demand that the company contribute to the community and the surrounding environment. One example is PT Tirta Fresindo Jaya (Mayora Group) in Gowa Regency absorbing a lot of local workers to work in the company. However, on the other hand, the issue that is currently developing is the existence of environmental pollution caused by PT Tirta Fresindo Jaya (Mayora Group). It is important to know that one of the Corporate Social Responsibility (CSR) programs is also to keep the environment good. In addition, there are still many people who have not been empowered around the company PT Tirta Fresindo Jaya (Mayora Group). This means that community skill development has not been carried out so that people are not yet functional, independent, and unable to meet their own needs through their skills. The company's contribution to society is emphasized not only on the environment and employment but can be in the form of business capital assistance to the community.

IMPLEMENTATION METHOD

In completing this research, the researcher uses quantitative methods and uses secondary data or data obtained indirectly through intermediary media produced by other parties. According to Sugiyono (2020) Quantitative data is a research method based on positivistic (concrete data), research data in the form of numbers that will be measured using statistics as a calculation test tool, related to the problem being researched to produce a conclusion. This study aims to determine the influence of Environmental Performance and Corporate Social Responsibility on Financial Performance in Companies in the Plastic and Packaging Industry Sector Listed on the Indonesia Stock Exchange in 2021-2023.

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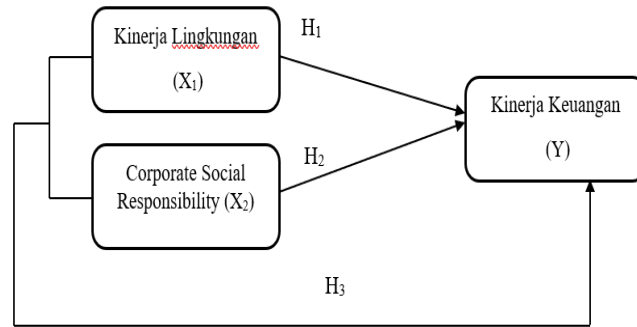


Figure 1. Conceptual Framework

The population in this study is companies in the plastic and packaging industry sector listed on the Indonesia Stock Exchange in the period 2021 to 2023 which totals 16 companies.

The method of determining the sample in this study uses the purposive sampling. Purposive sampling is a sample determination technique with certain considerations. So the companies that are sampled in this study are as many as 13 companies.

RESULTS AND DISCUSSION

The purpose of this study is to determine the influence of environmental performance and corporate social responsibility (CSR) on the financial performance of manufacturing companies in the plastic and packaging industry sub-sector listed on the Indonesia stock exchange. The data analysis technique used for this study is a multiple linear regression analysis technique to obtain a comprehensive picture of the influence of independent variables on dependent variables.

The Influence of Environmental Performance on the Company's Financial Performance

The results of the partial test (t-test) show that environmental performance has a positive and significant effect on financial performance. Environmental performance shows that the significance value is $0.1257 > 0.05$, then the environmental performance individually affects financial performance. This is in line with the theory of legitimacy that good environmentalists believe that by disclosing their performance it means describing good news for market participants. In the end, companies that have good environmental performance must provide more information on environmental quality and quality than companies that have poor or poor performance. The results of this study are in accordance with the (Ikhsan & Muharam, 2016) which states that Environmental Performance is expected to affect sales. If the environmental performance is good, the community will trust and be more satisfied with the products produced by the company and if the environmental performance is poor, then the community tends to be punitive by avoiding the products produced because they are considered unenvironmentally friendly and damage the ecosystem. Therefore, the shareholders and stakeholder Urging management to prioritize social and environmental responsibility. The results of this test are in line with the results of the research conducted (Suaidah & Kartini Putri, 2020) and (Hidayat & Aris, 2023). However, it is not in line with the results of the study (Dhinny Maulani Agustin & Yuni Rosdiana, 2022) and (Haryati & Rahardjo, 2013).

The Influence of Corporate Social Responsibility on Corporate Financial Performance

The results of the partial test (t-test) show that corporate social responsibility has a negative and insignificant effect on financial performance due to an increase in operational cost burden in the short term. CSR activities such as donations and social programs involve expenditures that do not necessarily generate income directly, so they can negatively affect financial ratios such as ROA and ROE. Corporate social responsibility shows that the significance value of $0.1257 > 0.05$, then individual corporate social responsibility has no effect on financial performance. The results of this study are not in line with the theory stakeholder which explains the company's responsibility to stakeholders which is expected to provide an improvement in financial performance. Improved financial performance is considered to be the result of increasing customer satisfaction levels. stakeholder to the company, one of which is by the step of disclosing social responsibility by the company. The results of this study are also not in line with the research conducted by (Dewi & Ardianingsih, 2024) and research conducted by (Dhinny Maulani Agustin & Yuni Rosdiana, 2022) which states that Corporate Social Responsibility has a positive effect on the company's financial performance.

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However, the results of this study are in line with the research (Hidayat & Aris, 2023) states that Corporate Social Responsibility nor does it have a significant effect on the financial performance proxied with ROA.

The Influence of Environmental Performance and Corporate Social Responsibility on the Company's Financial Performance

The results of the processing of eviews output data that have been studied show that the statistical F-value has a significance level of 0.027257. It can be concluded that the significance level is smaller than 0.05. So it can be concluded that the value of the F test of 0.027257 is smaller than 0.05 ($0.027257 < 0.05$) thus the results of this hypothesis test show that the third hypothesis is accepted. The results of this study are in line with legitimacy theory and stakeholder theory which explains that a company's financial performance is influenced not only by internal business strategies, but also by how the company interacts with the social environment and its stakeholders. This hypothesis can show that all independent variables (environmental performance and corporate social responsibility together (simultaneously) affect the dependent variables (financial performance). This means that 13% of financial performance (Y) can be explained by the two independent variables in this study, namely environmental performance and corporate social responsibility, while the remaining 87% is explained by other variables outside this study such as Good Corporate Governance, Intellectual Capital and Environmental Costs

CONCLUSION

Based on the results of the research on the influence of environmental performance and corporate social responsibility on the financial performance of manufacturing companies in the plastic and packaging industry subsector in 2021-2023, this study can be concluded as follows:

1. All independent variables, namely environmental Kineja and corporate social responsibility , simultaneously affect the bound variables of financial performance with a determination coefficient of 5%
2. Partially, the results of this study show that:
 1. Environmental performance has a positive and significant effect on the financial performance of manufacturing companies in the plastics and packaging industry sub-sector listed on the Indonesia Stock Exchange.
 2. Corporate social responsibility has a negative and insignificant effect on the financial performance of manufacturing companies in the plastic and packaging industry sub-sector listed on the Indonesia Stock Exchange.

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