

**THE EFFECT OF GREEN ACCOUNTING AND CORPORATE SOCIAL
RESPONSIBILITY DISCLOSURE ON PROFITABILITY IN MINING AND ENERGY
COMPANIES
(STUDY OF MINING AND ENERGY COMPANIES LISTED ON THE INDONESIA
STOCK EXCHANGE FOR THE PERIOD 2019–2022)**

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ABSTRACT

This study aims to examine the effect of disclosure of environmental costs, environmental performance, and CSR disclosure on company profitability as proxied using ROA (Return On Asset). The research was conducted on mining and energy companies that were listed on the IDX in 2019–2022, following the PROPER rank of the Ministry of Environment and Forestry during the 2019–2022 period. This research was conducted using associative research methods with a quantitative approach. The data source used is secondary data. The data collection technique uses documentation techniques using secondary data in the form of annual financial reports, company annual reports, and sustainability reports. Hypothesis testing uses multiple linear regression analysis techniques. The research results show that environmental costs have no effect on Return On Asset (ROA), environmental performance has no effect on ROA, and disclosure of Corporate Social Responsibility (CSR) has a positive effect on ROA. The implications of this research for companies are based on the results of research showing that CSR disclosure has an impact on company profitability. Therefore, companies can disclose CSR consistently. Companies that disclose CSR are seen by the community as environmentally friendly, which can increase public interest in choosing products from these companies.

Keywords: environmental cost; environmental performance; corporate social responsibility disclosure; profitability.

1. Introduction

The government has issued policies related to CSR and green accounting in several laws and regulations (Amalia, 2020). Regulations made by the government are binding and coercive for legal subjects. Strict penalties are applied to the consequences of violations (Ridha et al., 2019). Competition between companies is getting tougher, requiring the ability to innovate to compete and excel in achieving the company's vision and mission, both from the perspectives of finance, customers, business processes, and growth and learning (Kaplan & Norton, 1992). Asjuwita & Agustin (2020) contend that achieving superior performance in a company's various endeavors is always pursued with the intention of increasing profits. The existence of green accounting and CSR

evidence issued by the company raises a new question regarding the impact of the company's main goals that is profit.

According to the track record of the Badan Pusat Statistik (BPS) based on the 2017-2021 Export Commodity Analysis report, mining and energy sector companies have indirectly contributed to increasing national income (Sulaksono, 2015). On the other hand, various environmental and social problems arise (Mononen et al., 2022). In April 2000, there was an accident on the tanker King Fisher carrying 600,000 barrels of crude oil. This accident resulted in pollution of the waters of Cilacap Bay, Central Java, for a distance of 10 kilometers, starting from Area 70 in the Cilacap Village area, Teluk Penyu Beach, Tegal Kamulyan Beach, to Lengkong. On September 10, 2004, the MT Lucky Lady ship carrying 300 API light oil from Brunei Darussalam to supply the UP IV Cilacap oil refinery had an accident and hit a reef in Turtle Bay waters. This caused a tear in the ship's hull, in compartment no. 1 about 2 cm wide and about 4 m long. The leak resulted in an oil spill of 5300 m³. In April 2008, the tanker Palu Sipat experienced a leak and spilled 18,500 kiloliters of Middle Fuel Oil (MFO). Then, in October 2010, the tanker Alissa XVII also caused a Middle Fuel Oil (MFO) oil spill in the waters of Teluk Penyu Cilacap. As a result, thousands of traditional fishermen who usually operate on line 1 (0-3 miles) are worried about the impact of pollution on marine resources in the area. Dead fish began to appear at the surface of the sea, and dead birds, including grouse, were found in several places along the coast contaminated with crude oil. The mangrove ecosystem in the Segara Anakan area which is rich in biodiversity is also disrupted. Other oil spill cases include a pipe leak from the tanker Alenza XXVII in Cilacap waters in early July 2011 while unloading Arabic Light Crude Oil (ALC). In early September 2011, an oil spill occurred around the CIB 2 Pertamina UP IV Cilacap pier due to a leak in the disposal pipe of the MT Medelin Atlas ship which was loading and unloading Arabian Light Crude Oil (ALC). On May 20 2015, there was a Marine Fuel Oil (MFO) spill from a leak on the MT Martha Petrol vessel which contained 24,000 kiloliters of MFO 180 and 5,000 kiloliters of MFO 380 (Wibowo, 2018). Besides that, since 1974, PT. Freeport has been draining tailings through The Aghawagon River and Ajkwa River have yet to find a solution. Tailings waste is the residue from the processing of PT Freeport Indonesia's mining products, Products where the tailings waste is in the form of sludge. The flow of tailings into rivers around the mine causes environmental pollution by arsenic (As), mercury (Hg), lead (Pb), and cadmium (Cd) which may form if tailings are not handled properly.

Aspects of excessive mining exploitation can also have a negative impact. Some of the environmental problems caused by mining in Indonesia include the destruction of forests and wildlife habitats, damage to groundwater and surface water due to the use of chemicals and mining waste, air pollution due to dust and emission of toxic gases such as sulfur dioxide and carbon monoxide, social conflicts between mining and surrounding communities affected by environmental and social impacts from mining to climate change. Negative changes to the operations of these mining companies, especially climate change, have become a real global issue that can be felt by all of the world's population (Irama, 2020). The emergence of various natural and social problems caused by mining and energy activities has awakened various parties to revise the goals achieved by the company so that it does not only focus on profit, but also considers a balanced, sustainable business concept. The triple bottom line which includes three basic criteria that include profit, people, and planet was developed by Elkington in 1994.

Green accounting better known as the concept of environmental accounting (W Sri et al., 2018), reflects the existence of environmental activities in company operations that encourage companies to improve environmental performance (Wireza, 2017). Previous research carried out regarding environmental accounting and its relationship to profitability by Chasbiandani et al. (2019), shows that environmental accounting has a significant positive effect on profitability. Disclosure of environmental accounting and CSR has been widely observed in various multinational companies, especially those operating in the mining sector. Therefore, it is quite clear that green accounting has become a trend in the business world (Abdurrahman, 2019) and CSR disclosure has a major effect on providing positive value to community empowerment, economic improvement, and environmental safety (Haris & Purnomo, 2016). Companies make economic aspects a top priority in boosting profitability (Hartono, 2018). However, environmental and social elements are often neglected and not seen as a priority, which causes a relatively low level of disclosure by companies.

2. Literature Review

Legitimacy theory is a theory that states that organizations or companies must continuously ensure that they have operated within the norms upheld by society so that their activities can be accepted by outsiders (Dowling & Pfeffer, 1975). The legitimacy theory explains that companies need to maintain their legitimacy in the eyes of stakeholders by demonstrating that they meet the expected social and environmental demands (Suchman, 1995). Industry is one of the main factors participating in the destruction of nature because the raw materials used contain various chemical substances, and the emissions released by the industry have the potential to pollute the environment. Therefore, the environmental responsibility report, which includes disclosure of GRI index information, is one of the industry's efforts to report on its business operations in the context of exploring, controlling, and protecting nature and the environment. The index is expected to help create profitability for entities so that they can continue and be accepted by society.

Stakeholder theory Freeman (1984) states that all stakeholders have the right to obtain information about company activities that can influence their decision-making. Stakeholder theory emphasizes that in addition to protecting their own interests, companies need to protect the interests of stakeholders including customers, employees, owners, communities, and shareholders. (Kristianti, 2018) states that financial performance is a company's achievement over a certain period to achieve profit goals.

Financial performance can be measured by ratios. Financial ratio analysis aims to measure the performance efficiency of financial managers in financial reports and financial records (Wardiyah, 2017). The value of the profitability ratio is directly proportional to the company's profit. The higher the value of the profitability ratio in a company, the better the profits obtained by the company. Accurate and complete environmental information is needed to produce good environmental performance (Deswanto & Siregar, 2018). Ratio profitability Return On Asset (ROA) can measure a company's ability to generate profits from the assets used. Return On Asset (ROA) can project a company's ability to generate profits in the future based on the company's track record of generating profits in the past (Faizah, 2020).

Environmental accounting is defined as the prevention, reduction, and/or avoidance of impacts on the environment. There are several opportunities, starting with repairing incidents that have

resulted in disasters for these activities (Putri et al., 2019). According to (Risal et al., 2020), environmental accounting is a process that includes environmental costs presented in the preparation of accounting reports made by companies or institutions. The laws related to environmental accounting and CSR disclosure in Indonesia are as follows:

- Undang-Undang Nomor 17 Tahun 2003 tentang Keuangan Negara
- Undang-Undang Nomor 32 Tahun 2009 tentang Perlindungan dan Pengelolaan Lingkungan Hidup
- Peraturan Pemerintah Nomor 47 Tahun 2012 tentang Pelaporan Keuangan dan Pengungkapan Aspek Lingkungan dalam Pelaporan Keuangan Perusahaan
- Peraturan Pemerintah Nomor 99 Tahun 2012 tentang Pengendalian Pencemaran Air
- Peraturan Menteri Keuangan Nomor 70/PMK.02/2012 tentang Pelaporan Keuangan Berkelanjutan pada Instansi Pemerintah
- Undang-undang Nomor 23 Tahun 1997 tentang Pengelolaan Lingkungan Hidup
- Undang-Undang Nomor 25 Tahun 2007 tentang Penanaman Modal Undang-undang ini mengatur mengenai penanaman modal di Indonesia
- Undang-Undang Nomor 32 Tahun 2014 tentang Perubahan atas Undang-undang Nomor 7 Tahun 1992 tentang Perbankan
- Peraturan Menteri Keuangan Nomor 113/PMK.02/2012 tentang Pelaporan Keuangan Berkelanjutan pada Badan Usaha Milik Negara
- Peraturan Menteri Lingkungan Hidup dan Kehutanan Nomor P.20/Menlhk/Setjen/Kum.1/1/2018 tentang Pedoman Pelaporan Lingkungan Hidup untuk Perusahaan dan Izin Lingkungan
- Undang-undang Nomor 40 Tahun 2007 tentang Perseroan Terbatas
- Financial Services Authority (OJK) Rule No. 51/POJK.03/2017 concerning Sustainability Reporting for Issuers or Public Companies
- Peraturan Menteri BUMN Nomor PER-05/MBU/06/2013 tentang Pedoman Pelaksanaan Tanggung Jawab Sosial dan Lingkungan Badan Usaha Milik Negara
- Indonesia Stock Exchange Regulation Number I-A concerning Obligations of Public Companies to Submit Information or Material Information
- Regulation of the Minister of Finance Number 60/PMK.010/2017 concerning Guidelines for Financial Reporting of Non-Profit Organizations
- GRI (Global Reporting Initiative) Sustainable Development Reporting Guidelines, version 2016

According to Mowen et al. (2014), environmental costs can be referred to as environmental quality costs. Just like product quality, activities related to the environment are activities carried out due to poor environmental quality that have actually occurred or are likely to occur. environmental costs associated with creating, detecting, remediating, and preventing environmental degradation. Through this definition, environmental costs, also known as quality costs, can be grouped into four analogous categories:

- Prevention costs
- Detection fee
- Internal failure costs
- External failure costs

According to Chanifah et al. (2019), environmental conditions around the company can be reflected in the company's environmental performance. Measurement of environmental performance can be done using the PROPER rating. PROPER establishes water pollution control assessment criteria that encourage the internalization of environmental and social cost factors into business. According to Elkington (1994), CSR is defined as the concept of "triple bottom line", in which companies must consider the social, environmental, and financial impacts of their business activities. According to Wood (1991) and Frederick (1960), CSR is an obligation owned by the company to pursue social goals in addition to economic and legal goals. Meanwhile, according to Carroll (1991), CSR is a concept in which companies consider the impact of their actions and business decisions on society, the environment, and other stakeholders and are responsible for overcoming negative impacts and promoting positive impacts.

3. Research Methodology

3.1 Population and Sample

This research uses a quantitative or numerical approach. Quantitative methods involve the process of collecting, analyzing, interpreting, and writing research results (Creswell & Creswell, 2018). The data used in this study are in the form of numerical data from the environmental costs incurred by each company in the research sample, the amount of net profit earned by the company, and the total assets owned by the company. The population for this study is composed of companies listed on the IDX for the 2019 and 2022 periods, namely 74 companies. The sample in this study was selected using a purposive sampling method with the following criteria:

- Mining companies that consistently listed on the Indonesia Stock Exchange between 2019 and 2022
- Companies that publish annual reports for the period 2019–2022
- Companies participating in the Performance Rating Program (PROPER)
- Companies that publish sustainability reports or disclose the Global Report Initiative (GRI) index in a row during 2019–2022

With the purposive sampling method, the resulting total samples were 14 companies, with a total of 56 observations. The data in this study were secondary data and were collected using documentation techniques. The data were analyzed using multiple linear regression statistical tests.

3.2 Variable Measurement

3.2.1 Profitability (ROA)

According to (Brigham et al., 2017), ROA, or Return on assets, has the advantage of measuring the efficiency of asset use, enabling comparisons between companies, showing the company's ability to generate profits, and acting as a performance measurement tool. The higher the ROA, the more efficient the company is in utilizing its assets (Brigham & Houston, 2019). Measuring profitability using ROA has been used by previous studies (Lestari & Kusuma, 2022; Lindawati et al., 2022; Lutfillah & Amadea, 2022; Machmuddah et al., 2020; Edy, 2020; Sahputra et al., 2020; Setiyawati & Basar, 2017; Tisna et al., 2020).

$$ROA = \frac{Net\ profit}{Total\ Assets} \times 100\%$$

3.2.2 Environmental Costs

In this study, environmental costs are measured by comparing the company's spending on corporate social responsibility (CSR) activities with the net profit earned for one year. This is in accordance with research that has been conducted by (Meiyana & Aisyah, 2019; Tunggal & Fachrurrozie, 2014). The formula used for measuring environmental costs is as follows:

$$Environmental\ Costs = \frac{CSR\ costs}{Net\ profit}$$

3.2.3 Environmental Performance

The goal of PROPER is to encourage the industry to apply green economy principles while complying with environmental regulations (Purnama, 2018). In general, the PROPER performance rating is divided into five colors: gold, green, blue, red, and black. The compliance criteria that are ranked are blue, red, and black, while the criteria for assessing aspects that are more than required are green and gold. Green and gold assessments are carried out through performance screening based on summary documentation of environmental management (Angelia & Suryaningsih, 2015; Meiyana & Aisyah, 2019). In this assessment, companies with a gold rating will get a score of 5, companies with a green rating will get a score of 4, companies with a blue rating will get a score of 3, companies with a red rating will get a score of 2, and companies with a black rating will get a score of 1 for measuring environmental performance.

Table 1 Proper Criteria

Color Indicator	Criteria
Gold	Has consistently demonstrated environmental excellence in its production process.
Green	Has carried out environmental management more than the requirements in the regulations
Blue	Has carried out environmental management according to the requirements in the regulations
Red	Environmental management does not comply with regulatory requirements
Black	Occurrence of negligence or intentional causes of environmental pollution or environmental degradation

3.2.4 Disclosure of CSR

Disclosure of CSR uses the GRI index. A score of one is given if the index is disclosed, and zero if the index is not disclosed. The disclosure variable is measured using the CSR Index, which is stated in the formula (Lestari & Kusuma, 2022; Ningtyas & Triyanto, 2019; Nur Fadila & Utiyati, 2016; Putu & Purnama, 2013; Tunggal & Fachrurrozie, 2014; Wijayanti, 2021)):

$$CSRI = \frac{\sum X_{ij}}{n_j}$$

Information:

CSRI_j : Corporate Social Responsibility Disclosure index perusahaan j

N_j : Number of items for company j

X_{ij} : Dummy variable score 1 if item I is disclosed.

3.2.5 Hypothesis Development

The environmental costs incurred by the company reflect the company's social and environmental responsibility. These costs include all expenses incurred by the company, such as costs for waste disposal and other costs required to preserve the environment (Zahroh & Hidayat, 2016). Based on previous research, environmental costs have a positive effect on financial performance (Freddy Aliamutu et al., 2023; Rahmadani Hapsari et al., 2021; Ratna Wangi & Lestari, 2020; Setiawan et al., 2018)

H1: Environmental costs have a positive effect on profitability

Environmental performance can be measured using the PROPER rating. Companies with a good PROPER rating will get a positive image from the community and at the same time be able to maintain environmental balance and increase long-term profitability. Several studies have shown that environmental performance has a positive effect on company profitability (Nisa et al., 2020; Hapsari et al., 2021).

H2: Environmental performance has a positive effect on profitability

CSR (Corporate Social Responsibility) is the concept that companies have social responsibility towards the surrounding community and environment in addition to economic responsibility to achieve profits. CSR involves corporate voluntary activities that aim to have a positive impact on society and the environment, such as reducing carbon emissions, providing education and training for the community, and assisting in building social infrastructure (Carroll, 1979). Based on previous research, CSR disclosure has a positive effect on financial performance. (Chasbiandani et al., 2019; Maqbool & Zameer, 2018; Meiyana & Aisyah, 2019; Setiawan et al., 2018; Sulistiawati & Novi, 2016; Tunggal & Fachrurrozie, 2014).

H3: Disclosure of CSR has a positive effect on profitability

The model used to test the hypothesis of this research is:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Information :

Y = Return On Assets (ROA)

- a = Constant
- b = Regression coefficient of each independent variable
- X1 = Environmental costs
- X2 = Environmental performance
- X3 = Disclosure of CSR
- e = standard error

The classic assumption test, normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test are performed to ensure that the regression model and each variable are feasible for hypothesis testing. A coefficient of determination test is also performed to determine the magnitude of the influence of independent variables on the dependent variable.

4. Results

In general, the results of the classical assumption test show no serious problems. The regression model in this study did not experience symptoms of multicollinearity, heteroscedasticity, autocorrelation, and normality.

Table 2 Determination Coefficient Test

Model Summary			
Model	R Square	Adjusted R Square	Standard Error of the Estimate
1	0.818	0.802	0.033063

The results of the regression analysis produce a coefficient of determination, or adjusted R^2 of 0.802. A mark-adjusted R *square* of 0.802 indicates that there are variations in environmental costs, environmental performance, and CSR disclosure that are able to explain variations in profitability of 80.2%. Meanwhile, another 19.8% is explained by variables outside this research model.

Table 3 Multiple Linear Regression Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	sig
		B	Std. Error	Beta		
1	(Constant)	0,046	0,021		2,206	0,034
	Environmental Cost	-0,203	0,127	-0,120	-1,599	0,119
	Environmental Performance	-0,003	0,005	-0,046	-0,619	0,540
	CSR Disclosure	0,791	0,065	0,929	12,263	0,000

a. Dependent Variable: ROA

A constant value of 0.046 has a positive value. The positive sign means that it shows a unidirectional influence between the independent variable and the dependent variable. This means that all independent variables are 0% or do not change, so the value of profitability is 0.046. The value of the environmental cost regression coefficient is -0.203. This value shows the environmental cost variable profitability. This means that if the environmental cost variable increases by 1%, then the profitability variable will decrease by 0.203. The value of the environmental performance regression coefficient is -0.003. This value indicates the environmental performance variable with profitability. This means that if the environmental performance variable increases by 1% then the profitability variable will decrease by 0.003. CSR disclosure coefficient regression value of 0.791 This value shows the CSR disclosure variable profitability. This means that if the CSR disclosure variable increases by 1%, the profitability variable will increase by 0.791.

Multiple linear regression analysis aims to determine the linear relationship between two or more independent variables. Based on the results of multiple linear analysis tests in this equation, it can be concluded that the multiple linear regression equation is as follows:

$$Y = 0.046 - 0.203X_1 - 0.003x_2 + 0.791X_3 + e$$

The results of hypothesis testing on the first hypothesis show that the environmental cost variable has a t-count of -1.599 and a significance value of $0.119 \geq 0.050$. This means that H1, which states that environmental costs have a positive effect on profitability, is rejected. The results of hypothesis testing on the first hypothesis show that the environmental performance variable has a t-count of -0.619 and a significance value of $0.540 \geq 0.050$. This means that H2, which states that environmental costs have a positive effect on profitability, is rejected. The results of hypothesis testing on the third hypothesis show that the CSR disclosure variable has a t-count of 12.263 and a significance value of $0.000 \leq 0.050$. This means that H3, which states that CSR disclosure has a positive effect on accepted profitability,

5. Discussion

The results of testing the first hypothesis in this study stated that environmental costs had no effect on Return On Assets (ROA). The results of the data analysis show that the regression coefficient is -0.203 and the tcount is -1.599, which is less than the table of 2.032, and the significance level is 0.119, which is greater than 0.050. So it can be concluded that environmental costs have no effect on ROA. Environmental costs show how companies allocate costs for each environmental activity (Diniyah, 2021). Environmental costs show how the company allocates costs for each environmental activity. The legitimacy theory states that companies try to maintain their legitimacy in the eyes of stakeholders, such as the general public, government, and consumers. One way companies maintain legitimacy is by adopting business practices that are considered socially and environmentally responsible. Companies are aware of the pressure from their stakeholders, such as the general public and the government, to reduce their negative impact on

the environment. Therefore, they invest resources in environmentally friendly practices, such as reducing greenhouse gas emissions or better waste management. While the costs of implementing this practice may increase, the company expects that it will provide long-term benefits in terms of legitimacy and good relations with stakeholders. In this case, high environmental costs do not directly affect the company's profitability because the main goal is to maintain legitimacy. By gaining legitimacy from stakeholders, companies can build trust, improve brand image, and expand market share. In the long term, this can bring financial benefits that outweigh the environmental costs. This is not in line with research that has been conducted (Freddy Aliamutu et al., 2023; Hapsari et al., 2021; Wangi & Lestari, 2020; Setiawan et al., 2018). However, according to research (Dewata et al., 2018; Kholmi & Nafiza, 2022; Kusuma, 2022; Lestari & Kusuma, 2022; Lindawati et al., 2022; Sahputra et al., 2020),

Environmental performance reflects the company's efforts to create a good and environmentally friendly environment (Tahu, 2019). Environmental performance is a way for companies to voluntarily incorporate attention to the environment into their operational activities and relationships with the parties involved (stakeholders). This goes beyond the legal responsibility of the company. The results of testing the second hypothesis in this study stated that environmental performance had no effect on Return On Asset (ROA). The results of the data analysis show that the regression coefficient is -0.003 and the t-count is -0.619, which is less than the t-table of 2.032, and the significance level of 0.540 is greater than 0.050. So it can be concluded that environmental performance has no effect on ROA. In the context of legitimacy theory, it can be explained why environmental performance does not have a significant effect on company profitability. The legitimacy theory states that companies try to maintain their legitimacy in the eyes of stakeholders, such as the general public, government, and consumers. One way to maintain legitimacy is to adopt business practices that are considered socially and environmentally responsible. In terms of environmental performance, companies are aware of the pressure from their stakeholders to operate in an environmentally friendly manner. However, the impact of environmental performance on profitability is limited if the company prioritizes maintaining legitimacy rather than seeking direct profits. Companies may choose to invest in sustainable practices that may incur additional costs but are deemed essential to meet stakeholder expectations and maintain their legitimacy. In some cases, environmental performance is an important element in building a company's reputation as a responsible entity. By having a positive environmental performance, companies can improve their brand image in the eyes of consumers and the general public, which can bring long-term benefits such as higher customer trust, consumer loyalty, and a larger market share. Even though these benefits are not immediately apparent in the current financial statements, they can be an important factor in increasing a company's profitability in the long term. This is not in line with research (Nisa et al., 2020; Putri et al., 2019; Hapsari et al., 2021). However, according to research (Damayanti & Widyowati, 2022; Kusuma, 2022; Sahputra et al., 2020).

The results of testing the third hypothesis in this study state that CSR disclosure affects Return On Asset (ROA). The results of the data analysis showed that the regression coefficient was 0.791, the tcount was 12.263 (which was greater than the ttable of 2.032), and the significance level of 0.000 was less than 0.050. So it can be concluded that CSR disclosure affects ROA. In the context of legitimacy theory, CSR disclosure using the GRI index can help companies maintain and gain legitimacy in the eyes of stakeholders. In this case, CSR disclosure with the GRI index shows transparency, accountability, and company compliance with recognized international standards in

reporting social and environmental performance. Thus, the company can maintain good relations with stakeholders, such as the public, consumers, and the government. This indicates that the company is able to contribute to building a positive image and reputation, which in turn can increase consumer preferences, public trust, and support from the government. As a result, companies can experience long-term benefits such as increased sales, customer loyalty, and access to better business opportunities, which impacts profitability. In stakeholder theory, CSR disclosure using the GRI index is closely related to the needs and preferences of various stakeholders. Stakeholders, such as consumers, investors, and the general public, are increasingly emphasizing the importance of ESG factors in their decision-making. By making CSR disclosures that meet the GRI index standards, companies show their commitment to meeting stakeholder demands regarding social and environmental issues. In this case, companies can meet the expectations of ESG-concerned investors, which can increase investor interest, increase access to capital, and decrease the cost of capital. In addition, comprehensive and accurate CSR disclosure also allows companies to communicate with other stakeholders, such as the government and society, which can influence regulations, policies, and public support. By maintaining good relationships with stakeholders and considering their interests in decision-making, companies can reduce reputational, legal, and operational risks that can affect long-term profitability. This is consistent with research (Chasbiandani et al., 2019; Maqbool & Zameer, 2018; Meiyana & Aisyah, 2019; Setiawan et al., 2018; Sulistiawati & Novi, 2016; Tunggal & Fachrurrozie, 2014).

6. Conclusion

Based on the results of the data analysis conducted, several conclusions can be drawn. Firstly, it was found that environmental costs do not have a significant impact on Return On Asset (ROA). This suggests that the expenses incurred in relation to environmental activities do not directly affect the financial performance of the company as measured by ROA. Secondly, the analysis revealed that environmental performance also does not have a significant influence on Return On Asset (ROA). This implies that the company's overall environmental performance, such as its sustainability initiatives or eco-friendly practices, does not directly translate into improved financial performance as measured by ROA. On the other hand, the study identified a positive relationship between Disclosure of Corporate Social Responsibility (CSR) and Return On Asset (ROA). This suggests that companies that actively disclose their CSR activities and initiatives tend to achieve better financial performance as reflected by higher ROA values.

This study shows that CSR disclosure has a positive effect on profitability. Research showing the positive effect of CSR disclosure using the GRI index on profitability has several significant implications. First, these findings encourage companies to adopt broader and more measurable CSR practices. Companies need to improve the transparency and quality of their CSR disclosure by following the GRI index guidelines and reporting more comprehensive social and environmental issues. By doing this, companies can gain long-term benefits such as improved reputation, access to capital, and stakeholder trust, which contribute to increased profitability. Second, CSR disclosure using the GRI index assists companies in identifying risks and opportunities related to social and environmental issues. Through transparent reporting, companies can understand the impact of their operations on the environment and society. This helps reduce the risks associated with regulatory breaches or lawsuits as well as identify new, sustainable business opportunities. By taking advantage of these opportunities, companies can improve

operational efficiency, reduce costs, and create competitive advantages that contribute to profitability. Third, these findings also increase the company's attractiveness to investors and other stakeholders. Investors who consider social and environmental factors in making investment decisions tend to be attracted to companies that have good and transparent CSR performance. By implementing CSR disclosures according to the GRI index, Companies can demonstrate their commitment to responsible and sustainable business practices. In addition, good CSR disclosure can also increase the trust and support of other stakeholders. This has a positive impact on the company's reputation, sales growth, and public support, which can contribute to increased profitability. Overall, this study shows the importance of CSR disclosure using the GRI index in achieving sustainability and increasing company profitability. By adopting broad CSR practices, identifying associated risks and opportunities, and increasing stakeholder appeal, companies can achieve sustainable long-term benefits and build strong relationships with their stakeholders.

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