

THE INFLUENCE OF ENVIRONMENTAL COST AND ENVIRONMENTAL PERFORMANCE TOWARDS COMPANY'S VALUE MODERATED BY OWNERSHIP STRUCTURE

Duffin

Accounting Study Program, Institute of Business Information Technology and
Business
daufquest@gmail.com

Abstract

This research aims to determine the influence of environmental cost and environmental performance towards company's value. This study also examines the moderating effect of managerial ownership and institutional ownership on environmental cost and environmental performance towards company's value. The object of this research is the participants of PROPER assessment that participates three years consecutively from year 2019-2021 that also listed in Indonesia Stock Exchange (IDX). The data analysis technique used in this study are the multiple linear regression and residual test. The results are: (1) environmental cost has negative and no significant influence towards company's value, (2) environmental performance has positive and significant influence towards company's value, (3) managerial ownership has moderating effect only on environmental cost relationship towards company's value, and (4) institutional ownership has moderating effect only on environmental cost relationship towards company's value. The theoretical implication is managerial and institutional ownership can strengthen environmental cost disclosure towards company's value. The practical implications are the board of directors must consider optimum ownership structure to monitor and ensure that environmental cost disclosure is mandatory and make sure the operation of the companies is all according to the PROPER assessment standards.

Keywords: Environmental cost; environmental performance; company's value; ownership structure; PROPER assessment

Introduction

Public companies who actively traded shares in the capital market, company's value is one of the determinants of stock prices. Current and potential investors are most likely to assess the profitability of those companies in determining their investment decisions. However, as environmental activists and societies sound the emergence of the environmental issues loudly in these past several years, not only investors, but also other stakeholders of companies are concerned with the companies' contributions to save the environment where they operate and to minimize the effects of global warming that pose a serious threat to the live being.

The Influence of Environmental Cost and Environmental Performance towards Company's Value Moderated by Ownership Structure

The led to accounting, as one the producer of financial statements, must fulfill the needs of stakeholders of the information related to the environment friendly actions taken by the companies, in which this information is not provided by the usual financial accounting process. Green accounting or called as environmental accounting, includes the cost and benefits of the environmental-related activities of a company into the financial report of a company. Its purpose is to communicate about a company's action regarding environmental safety to the community and stakeholder (Hendratno, 2016). Therefore, this will fulfill the needs of the stakeholders regarding the information needed about the environmental activities of the company. By providing such information, this will establish the goodwill of a company that is being seen as serious in maintaining the environment safety while operating its business. This will signal investors that the company will be sustainable in its operations. Thus, the company's value will be increased as the investors respond to the signal.

In response to the needs of the stakeholders about environmental activities, the Financial Services Authority (Otoritas Jasa Keuangan) issued the Financial Services Authority Policy POJK No. 51/POJK.03/2017 about Implementation of Sustainable Finance for Financial Services Organization, Emiten and Publicly Traded Company that requires publicly-traded companies in Indonesia to issue sustainability report to complement the annual report as integral part of the reports needed to be published.

The information of environmental accounting can be found in the environmental cost disclosure of companies in its sustainability report. Recognizing such cost is a wise management decision, as it will help a company to perform more accurate costing and other strategic management decisions (Rounaghi, 2019). By being aware of environmental cost, the companies may invest in more eco-friendly technologies that will benefit the future of the company, thus becoming sustainable for future global environment challenges. Besides protecting the environment, the company's value can increase with the good image built on being concerned with environmental issues. The influence of environmental cost towards company's value is confirmed by (Agustia, Sawarjuwono, & Dianawati, 2019) research, where environmental cost has significant influence towards company's value. However, (Carandang & Ferrer, 2020) found that environmental cost has no significant influence towards company's value.

Companies engaged in environmental accounting will be measured with its environmental performance (Moesono, Beoang, Prayogo, & Samosir, 2021). In Indonesia, companies will get Company Performance Rating Program in Environmental Management (PROPER) by the Ministry of Environment (KLH), which is a rating based on an assessment of a company's commitment on protecting the environment. Based on the rating, the companies will be assessed and classified to certain category which shows the performance of the companies in protecting the environment of its business operations, ranging from the lowest (black) to the highest (gold) category.

By reaching the highest category, it shows how every operation of a company is integrated with environmental concerns, therefore, shows how responsible the company is in sustainability of the environment to the internal and external stakeholders. If

environmental performance is reported through environmental disclosure, the stakeholders will support the environmental activities of the company, which will increase the company's value, reflected through the increasing share price (Rinsman & Prasetyo, 2020). According to (Yadav, Han, & Rho, 2016) research, they found that environmental performance has significant influence towards company's value. Meanwhile, according to Calderon, (Pérez-Calderón, Milanés-Montero, & Ortega-Rossell, 2012) research, environmental performance has no significant influence towards company's value.

As they are valuable information besides the financial information, environmental cost and environmental performance information are disclosed as part of sustainability report as mandated by the Financial Services Authority every year. The urgency of this information is rising at the point of the creation of International Sustainability Standards Board (ISSB) by IFRS Foundation at COP 26 held on 3 November 2021. The Board will be responsible for creating standards that will create high quality, transparent, reliable and comparable reporting by companies on climate and on environmental, social and governance (ESG) matters. Therefore, companies especially publicly traded ones must prepare to implement the sustainability standards in preparing sustainability report that includes environmental cost and environmental performance in order to show its responsiveness to climate change and environmental activities. This will help the companies to increase their value through non-monetary performance (Sa'diyah & Hilabi, 2022).

Inconsistencies in research results lead to other factors that may help environmental cost and environmental performance to further influence the company's value, which is ownership structure. It is one of the good corporate governance proxies that can influence the company's value (Adinegara & Sukamulya, 2021). Ownership structure comprises of managerial ownership and institutional ownership. Jensen and Meckling in (Herawaty, 2008) stated that managerial ownership successfully becomes a mechanism to reduce agency problems by aligning managers' interest with shareholders (Mowen, Hansen, & Heitger, 2022). Their research showed that if the managers own more shares of the company, they will follow the interest of the shareholders as the shareholders action may affect the stock prices that the managers own. It means that the managers will ensure that the sustainability reporting of environmental cost and environmental performance are reported well. This will increase the company's value as stakeholders will seek such information to measure the commitment of the company regarding environmental activities. Meanwhile, institutional ownership can increase the controlling towards a company to prevent opportunistic behavior from the managers (laela Ermaya & Mashuri, 2018). The institutional investor will monitor the company and it will reduce the agency problem. The institutional investor will make sure that the company complies with the Financial Services Authority Policy in reporting the sustainability report every year. Thus, if the company always follows the wants of the institutional investor in sustainability reporting that includes environmental cost and environmental performance, they will always have the access for such information in

The Influence of Environmental Cost and Environmental Performance towards Company's Value Moderated by Ownership Structure

assessing the company's commitment in environmental activities. This will increase the company's value in the long term. Therefore, both ownership structure can influence the interest of the management investing in eco-friendly technologies that can reduce the environmental cost in the future and integrates its action with environmental concerns to increase its environmental performance.

The research has the purpose in contributing the findings of the influence of environmental cost and environmental performance towards company's value to solve the inconsistencies of research and to test the potential of ownership structure to moderate the environmental cost and environmental performance influence towards company's value as ownership structure can influence the disclosure of both information that are important in sustainability reporting which has been an obligation for publicly traded companies in Indonesia.

Research Methods

The research is conducted using quantitative methods. The data used is secondary type data, in the form of annual report and sustainability report of companies listed in PROPER assessment from year 2019-2021. The data source is from www.idx.co.id and from the respective companies' website. The sampling technique used in this research is non-probability sampling method, specifically purposive sampling technique. The sample in this research is chosen by using these criteria:

1. The company is listed in IDX for three years consecutively from 2019 – 2021.
2. The company is listed in PROPER assessment for three years consecutively from 2019 – 2021.
3. The company submits annual report and sustainability report for three years consecutively from 2019 – 2021.

Table 1. Sample Determination according to Criteria

No	Criteria	Total
1	Companies of listed in IDX for three years consecutively from 2019 – 2021	79
2	Companies which do not listed in PROPER assessment for three years consecutively from 2019 – 2021	(12)
3	Companies which do not submit annual report and sustainability report for three years consecutively from 2019 – 2021	(43)
Total of Sample		24
Total of Data Observation (3 years)		72
Data of Companies with Negative Net Income for the Year		(8)
Sample Used in the Data Processing		64

Source: Processed Data by the Writer (2022)

This research will use multiple linear regression, specifically using the ordinary least square (OLS) regression. To ensure that the regression model is free from classical assumption problems, some of the classical assumption tests will be conducted:

- a. Normality test, conducted using Kolmogorov-Smirnov test.
- b. Heteroscedasticity test, conducted using scatterplot.
- c. Multicollinearity test, conducted using tolerance and variation inflation factor (VIF) test.
- d. Autocorrelation test, conducted using Durbin-Watson test.

This research will use 5% significance value and the coefficient of determination will be determined with Adjusted R Square percentage. For hypothesis test, the test that will be conducted is t-test which is to show the significance of an independent variable towards dependent variable. Besides that, there will be t-test conducted to test the moderating effect of the moderating variables on independent variables towards the dependent variables. The regression models are shown below:

$$Q = \alpha + \beta_1 EC + \beta_2 EP + e$$

Information:

Q = company's value

α = constant

$\beta_1 - \beta_2$ = multiple regression coefficient

EC = environmental cost

EP = environmental performance

To measure the moderating effect of managerial ownership and institutional ownership, it will be tested by using the residual method. The residual analysis will test the deviation influence of a model with lack of fit focus among independent variables (Kurniasari & Ghazali, 2013). If the significance and the coefficient of regression is negative when the regression of dependent variable is tested towards the absolute residuals of the regression between independent variables towards moderating variables, then it can be concluded that the moderating variables has influence in moderating the independent variables towards dependent variable. The Moderated Regression Analysis (MRA) is not used for this research as it will cause multicollinearity issues in the regression model (Fassott, Henseler, & Coelho, 2016). The models to test the moderating effect of managerial ownership and institutional ownership towards the influence of environmental cost and environmental performance towards company's value are as follows:

Model 2:

$$MO = \alpha + \beta_3 EC + e$$

$$|e| = \alpha + \beta_3 Q$$

Model 3:

The Influence of Environmental Cost and Environmental Performance towards Company's Value Moderated by Ownership Structure

$$MO = \alpha + \beta_4 \text{PROPER} + e$$

$$|e| = \alpha + \beta_4 Q$$

Model 4:

$$IO = \alpha + \beta_5 \text{EC} + e$$

$$|e| = \alpha + \beta_5 Q$$

Model 5:

$$IO = \alpha + \beta_6 \text{PROPER} + e$$

$$|e| = \alpha + \beta_6 Q$$

Information:

- Q = company's value
 α = constant
 $\beta_3 - \beta_6$ = multiple regression coefficient
 EC = environmental cost
 EP = environmental performance
 MO = managerial ownership
 IO = institutional ownership
 e = residual

Hasil dan Pembahasan

Descriptive Statistics

The descriptive analysis for this research showed the analysis of each variable's mean, standard deviation, minimum value, and maximum value. The table below showed each variable's descriptive statistics analysis:

Table 2. Descriptive Statistics

Variables	N	Min	Max	Mean	Std. Dev.
EC	64	0.00	73.74	1.47	9.29
PROPER	64	3	5	3.59	0.75
MO	64	0.00	0.32	0.03	0.07
IO	64	0.44	1.00	0.71	0.17
Q	64	0.57	664.42	28.14	119.35

Source: Processed Data from SPSS (2022)

Table 3 showed that:

1. For environmental cost (EC) variable, the average is 1.4711. It means that on average, the companies' CSR cost is 1.4711 times from their net income after tax. The standard deviation of the variable is 9.28972. The minimum value is 0.00. The maximum value 73.74. The data for environmental cost is heterogenous as the standard deviation is more than the average.

2. For environmental performance (PROPER) variable, the average is 3.59. It means that on average, the PROPER rank achieved by the companies is Blue rank. The standard deviation of the variable is 0.750. The minimum value is 3. The maximum value 5. The data for environmental performance is homogenous as the standard deviation is less than the average.
3. For managerial ownership (MO) variable, the average is 0.0269. It means on average, the companies' managerial ownership percentage is 2.69%. The standard deviation of the variable is 0.07284. The minimum value is 0.00. The maximum value is 0.32. The data for managerial ownership is heterogenous as the standard deviation is more than the average.
4. For institutional ownership (IO) variable, the average is 0.7106. It means on average, the companies' institutional ownership percentage is 71.06%. The standard deviation of the variable is 0.17264. The minimum value is 0.44. The maximum value is 1.00. The data for institutional ownership is homogenous as the standard deviation is less than the average.
5. For company's value (Q) variable, the average is 28.1377. It means that on average, the companies' value is 28.1377 times of its assets' book value. The standard deviation of the variable is 119.34646. The minimum value is 0.57. The maximum value is 664.42. The data for company's value is heterogenous as the standard deviation is more than the average.

Classical Assumption Tests

Classical assumption tests are used to determine whether in an ordinary least square (OLS) regression has classical assumption problems or not. Below are some of the classical assumption tests results on model 1 before testing the hypothesis:

Normality Test

Normality test is a test conducted with the purpose to measure the data distribution of a set of data, whether the data is normally distributed or not. Normality test can be conducted by using Kolmogorov-Smirnov test, where the data is normally distributed if the residual of the regression has significance value more than 0.05. The result of the Kolmogorov-Smirnov test is shown at table below:

Table 3. Normality Test using Kolmogorov-Smirnov Test

Unstandardized Residual			
<hr/>			
N			63
Test Statistic			0.107
Asymp. Sig. (2-tailed)			0.072
<hr/>			

Source: Processed Data from SPSS (2022)

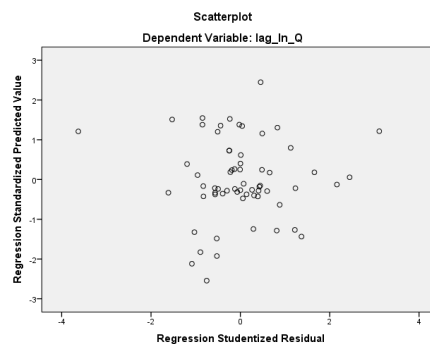
The Influence of Environmental Cost and Environmental Performance towards Company's Value Moderated by Ownership Structure

As shown by table 4 above, the significance value of the residual is 0.072, which is more than 0.05. This means that the data is normally distributed. The number of data tested is 63, this is because the data are going through lag transformation to produce more stable data to be used in the multiple regression analysis.

Heteroscedasticity Test

Heteroscedasticity test is a test to determine whether the regression model has difference in the variance of the residuals from one data to another. If the residuals are homogenous, then there is no heteroscedasticity problem in the regression model. This research use scatterplot to show whether the residuals are homogenous or not. The figure below shows the scatterplot of the regression model:

Figure 1. Heteroscedasticity Test using Scatterplot



Source: Processed Data from SPSS (2022)

As shown by the figure above, the points are scattered randomly and they are not showing regular patterns, therefore there is no heteroscedasticity for the residuals.

Multicollinearity Test

Multicollinearity test is conducted to test whether there is correlation among independent variables in the regression model. To test whether there is multicollinearity problem in a regression model, the tolerance value and variance inflation factor (VIF) test are used. If the tolerance value of each independent variable is more than 0.10 and the VIF value is less than 10, then there is no multicollinearity problem on the independent variables. The result of tolerance value and VIF value are shown below:

Table 4. Multicollinearity Test using Tolerance Value and VIF Value

Variables	Collinearity Statistics	
	Tolerance	VIF
EC	0.961	1.040
PROPER	0.961	1.040

Source: Processed Data from SPSS (2022)

As shown by the table above, each independent variable has tolerance value of more than 0.10 and VIF value of less than 10. It means that there is no multicollinearity problem on the independent variables.

Autocorrelation Test

Autocorrelation test is a test to detect whether the residual is independent from one observation to another. A good regression model must be free from autocorrelation. One way to test the whether the autocorrelation exist or not is by using Durbin-Watson test. If the Durbin-Watson (DW) value is between dU and $4 - dU$, then the regression model is free from autocorrelation. The table below shows the DW value of the regression model:

Table 5. Autocorrelation Test using Durbin-Watson Test

Model	Durbin-Watson
1	1.806

Source: Processed Data from SPSS (2022)

As shown by table 6 above, the Durbin-Watson value is 1.806. The total independent variables of model 1 is two variables, so $k = 2$. Then, the number of data (n) is 63. Therefore, based on the DW 5% table, the dU value is 1.6581 and $4 - dU$ value is 2.3419. Thus, it can be concluded that the DW value is between dU and $4 - dU$, means that the model is free from autocorrelation.

Hypothesis Test

In multiple linear regression analysis, t-test is used to show the partial impact of each independent variable towards the dependent variable. The t-test is used to test H_1 and H_2 of this research. Meanwhile for H_{3a} , H_{3b} , H_{4a} , and H_{4b} will be tested by using residual test, which is to test the moderating capability of the moderating variables on independent variables towards the dependent variable. With 95% degree of confidence, the hypothesis will be rejected if t_{count} is less than t_{table} and accepted if t_{count} is more than the t_{table} . Below is the result of t-test for model 1:

Table 6. t-Test Result on Model 1

Variables	t_{count}	Sig.
EC	-0.354	0.724
PROPER	2.415	0.019

Source: Processed Data from SPSS (2022)

As shown by table 7 above, the environmental cost (EC) variable has t_{count} of -0.354, which is more than t_{table} of -1.99897, and the significance value is 0.724, which is more than 0.05. The coefficient of regression is negative. It means that environmental cost has negative and no significant influence towards company's value. Thus, H_1 is

The Influence of Environmental Cost and Environmental Performance towards Company's Value Moderated by Ownership Structure

rejected. Meanwhile for environmental performance (PROPER) variable, has t_{count} of 2.415, which is more than t_{table} of 1.99897, and the significance value is 0.019, which is less than 0.05. The coefficient of regression is positive. It means that environmental performance has positive and significant influence towards company's value. Thus, H_2 is accepted.

To test the moderating effect of managerial ownership and institutional ownership on each of independent variables (environmental cost and environmental performance) towards dependent variable (company's value), residual test is used. This test will be free from multicollinearity problem as it often happens on the moderated regression analysis (MRA) model. This test will test the H_{3a} , H_{3b} , H_{4a} , and H_{4b} hypothesis. A moderating variable is said to have a moderating effect when the coefficient of regression is negative, and the significance value is less than 0.05. Below are the tables showing the residual test of managerial ownership as moderating variables on environmental cost and environmental performance towards company's value:

Table 7. Residual Test on Managerial Ownership as Moderating Variable on Environmental Cost towards Company's Value

Variable	B	Sig.
Q	-0.71	0.001

Dependent Variable: Abs_Res_EC_MO

Source: Processed Data from SPSS (2022)

Table 8. Residual Test on Managerial Ownership as Moderating Variable on Environmental Performance towards Company's Value

Variable	B	Sig.
Q	-0.016	0.429

Dependent Variable: Abs_Res_PROPER_MO

Source: Processed Data from SPSS (2022)

As shown by table 8 above, the coefficient of regression is negative and the significance value is 0.001, which is less than 0.05. It means that managerial ownership has moderating effect on environmental cost towards company's value. Thus, H_{3a} is accepted. Meanwhile, as shown by the table 9 above, the coefficient of regression is negative. However, the significance value is 0.429, which is more than 0.05. It means that managerial ownership has no moderating effect on environmental performance towards company's value. Thus, H_{3b} is rejected.

Below are the tables showing the residual test of institutional ownership as moderating variables on environmental cost and environmental performance towards company's value:

Table 9. Residual Test on Institutional Ownership as Moderating Variable on Environmental Cost towards Company's Value

Duffin

Variable	B	Sig.
Q	-0.002	0.044
Dependent Variable: Abs_Res_EC_IO		
Source: Processed Data from SPSS (2022)		

Table 10. Residual Test on Institutional Ownership as Moderating Variable on Environmental Performance towards Company's Value

Variable	B	Sig.
Q	-0.000053	0.947
Dependent Variable: Abs_Res_PROPER_IO		
Source: Processed Data from SPSS (2022)		

As shown by table 10 above, the coefficient of regression is negative and the significance value is 0.044, which is less than 0.05. It means that institutional ownership has moderating effect on environmental cost towards company's value. Thus, H_{4a} is accepted. Meanwhile, as shown by the table 11 above, the coefficient of regression is negative. However, the significance value is 0.947, which is more than 0.05. It means that institutional ownership has no moderating effect on environmental performance towards company's value. Thus, H_{4b} is rejected.

Discussion

Environmental cost has significant influence on company's value

The result of t-test of environmental cost towards company's value is in accordance with (Carandang & Ferrer, 2020), in which the environmental cost has negative and no significant influence towards company's value. The CSR cost in the environmental cost calculation is reported in the sustainability report of each company listed in IDX. However, most companies did not disclose the amount of CSR cost related to the environment protection, as it is still a voluntary disclosure. Thus, the stakeholders will not find and notice on the environmental cost although there is sustainability report published each year. This results in no positive signal sent to the stakeholders, especially shareholders, which will increase the stock price if information about environmental cost is disclosed. In effect, the company's value is not increased.

Environmental performance has significant influence on company's value

The result of t-test of environmental performance towards company's value is consistent with the research findings by (Yadav et al., 2016), in which environmental performance has positive and significant influence towards company's value. The PROPER ranking earned by a company shows how well the company in conducting business operations with the concern of environmental protection practices. A high rank on PROPER assessment (which is gold color) earned by a company, will be a good way to show that the company is very concern on integrating the environmental concern on its business operation. This will give positive signal to the stakeholders, especially

The Influence of Environmental Cost and Environmental Performance towards Company's Value Moderated by Ownership Structure

shareholders that the company can be sustain in its operation for a long time. This will increase the stock price of the company, thus will increase the company's value.

Managerial ownership has moderating effect on environmental cost towards company's value.

Managerial ownership is the ownership of shares by the directors, commissioners, and managers of a company. If the management has the ownership of shares of the company, - which will lower the agency cost - then they will always make decisions that will increase the company's value, including decisions about the environmental cost. The management will develop strategies that will always integrate the environmental practices in the operational of the company. Some strategies are using eco-friendly technologies and office supplies, environmental-concern waste management, and development of green society in the operation area of the company, in which the external and internal stakeholders may take part as well. When the strategies are implemented, the company may earn legitimacy from the society around the company operates. The management's decision on environmental concerns can be seen through the environmental cost incurred in the company (Abdullah & Yuliana, 2018). Thus, stakeholders will notice what has been done by the management in protecting the environment, in which it will send positive signal to the shareholders. In the end, the company's value will be increased. Therefore, managerial ownership can strengthen the influence of environmental cost disclosure towards the company's value.

Managerial ownership has moderating effect on environmental performance towards company's value.

Environmental performance as measured by PROPER rank showed what the company has achieved on the standards required by the Ministry of Environment as the only stakeholders that can influence the standards. Thus, the management whether they have shares or not in the company, cannot influence on what the standards set by the ministry. The company only just can perform based on the standards, then will be assessed by the ministry to be given certain rank based on the assessment. The legitimacy of the company will be earned and lost from society once the rank that has been announced. This means that the positive signal will not be sent until the rank is released by the Ministry of Environment. Thus, managerial ownership cannot strengthen the influence of environmental performance disclosure towards the company's value.

Institutional ownership has moderating effect on environmental cost towards company's value.

Institutional ownership is the ownership of shares by certain institutions that will monitor the company's performance and operations. In order to increase their wealth, the institutional investors will monitor the management to perform the operations that will integrate the environmental concerns in the business operations, in which it is one of the ways to reduce agency problem. They will require regular update on how the management commitment in performing the strategies related to environmental protection. One of the indicators to show the management's commitment is through the environmental cost incurred and it will be reported in the financial statements that will

be read by the institutional investors. This will give positive signal to not only the institutional investors, but also other stakeholders as well. As addition, the company can earn legitimacy from the society as it will help to protect the environment where the company operates. The company's value will be increased as the reputation of the company is increased. Therefore, institutional ownership can strengthen the influence of environmental cost disclosure towards the company's value.

Institutional ownership has moderating effect on environmental performance towards company's value.

Similar to managerial ownership, institutional ownership has no moderating effect on environmental performance towards company's value. This is because the institutional investors do not have the influence on the PROPER rank given by the Ministry of Environment, as the only external stakeholders that has influence on the ranking decision. What the institutional investors can do is only to monitor that the management will perform based on the standards set by the ministry in the PROPER assessment. Other than that, what rank that will be given by the ministry, the institutional investors have no influence on it. They cannot help the company to maintain its legitimacy on society as the legitimacy will be based on the ranking announced by the ministry. By having institutional ownership will not have effect on environmental performance towards company's value. Therefore, institutional ownership cannot strengthen the influence of environmental performance disclosure towards the company's value.

Conclusion

The environmental cost has negative and no significant influence towards company's value. This is due to few companies which disclose the environmental cost as one of the CSR cost components in the sustainability report, which in turn will no transmit positive signal to the stakeholders, especially shareholders. Thus, the stock price will not be affected, and it will not increase the company's value.

The environmental performance has positive and significant influence towards company's value. With high rank of PROPER assessment, it will transmit positive signal to the stakeholders, especially shareholders, which will increase the stock price, which in turn, will increase company's value.

The managerial ownership has moderating effect on environmental cost towards company's value. The management who owns shares of a company will develop strategies to integrate the environmental practices in the operational of the company which can be seen through the environmental cost occurred in the company. Thus, stakeholders will notice what has been done by the management in protecting environment, in which it will send positive signal to the shareholders. In the end, the company's value will be increased.

The managerial ownership has no moderating effect on environmental performance towards company's value. The management who has shares of the company cannot influence on the PROPER rank earned by the company, thus, the

The Influence of Environmental Cost and Environmental Performance towards Company's Value Moderated by Ownership Structure

company's value will not be increased until the rank is released by the Ministry of Environment.

The institutional ownership has moderating effect on environmental cost towards company's value. The institutional investors will always monitor the environmental concerns integrated into the business operation of a company. The results will be seen in the environmental cost reported by the management. Thus, the institutional ownership can moderate the environmental cost towards company's value, as the reputation of the company is increased.

The institutional ownership has no moderating effect on environmental performance towards company's value. Similar to managerial ownership, the institutional investors cannot influence the result of PROPER assessment. What the institutional investors do is just to monitor the management to perform the standards set by the Ministry of Environment. Thus, institutional ownership cannot moderate the environmental performance towards company's value.

The main theoretical implication of this research is that managerial ownership and institutional ownership can strengthen the influence environmental cost disclosure in sustainability report towards company's value. This means that both ownerships have the effect of monitoring the management to stay on the commitment of protecting the environment where the company operates.

The practical implication of the research is board of directors must consider optimum ownership structure to monitor and ensure that environmental cost disclosure inside sustainability report is mandatory in the future. The environmental cost disclosed must be according to the sustainability standards that will soon be developed. Not only that, the board of directors must also make sure the operation of the companies is all according to the PROPER assessment standards, so that the company may earn the highest rank and maintain it in the long term. As the external stakeholders, the government must establish a policy that oblige the publicly traded companies to disclose the environmental cost completely.

The researcher suggests for the next researcher who will do similar research to use other proxy for environmental cost, rather than just using the total CSR cost. Not only that, the environmental performance also needs another proxy that can complement the PROPER assessment rank to measure the influence more accurately.

The researcher also suggests for companies to start on disclosing environmental cost in the sustainability report to show their responsibility on environment quantitatively, as this is also one of the concerns of the stakeholders about the sustainability of the company. This, in turn, will increase the company's value in the future. The managerial ownership and institutional ownership must be considered as both ownership structure can moderate the environmental cost towards company's value, although environmental performance cannot be moderated. It means that both institutional investors and management must be focused on the commitment to always take care of the environment where the company operates. It is not only for the sustainability of the environment, but also for the company itself.

BIBLIOGRAPHY

- Abdullah, M. Wahyuddin, & Yuliana, Andi. (2018). Corporate environmental responsibility: An effort to develop a green accounting model. *Jurnal Akuntansi*, 22(3), 305–320. <https://doi.org/10.24912/ja.v22i3.390>
- Adinegara, Galih, & Sukamulya, Sukmawati. (2021). The Effect of Good Corporate Governance on the Market Value of Financial Sector Companies in Indonesia. *Jurnal Akuntansi Dan Keuangan*, 23(2), 83–94. <https://doi.org/10.9744/jak.23.2.83-94>
- Agustia, Dian, Sawarjuwono, Tjiptohadi, & Dianawati, Wiwiek. (2019). The mediating effect of environmental management accounting on green innovation-Firm value relationship. *International Journal of Energy Economics and Policy*, 9(2), 299–306. <https://doi.org/10.32479/ijeep.7438>
- Carandang, Jamil C., & Ferrer, Rodiel C. (2020). Effect of environmental accounting on financial performance and firm value of listed mining and oil companies in the Philippines. *Asia-Pacific Social Science Review*, 20(1). 117-134
- Fassott, Georg, Henseler, Jörg, & Coelho, Pedro S. (2016). Testing moderating effects in PLS path models with composite variables. *Industrial Management & Data Systems*. <http://doi.org/10.1108/IMDS-06-2016-0248>
- Hendratno, Setiani P. (2016). Corporate point of view in green accounting. *Binus Business Review*, 7(3), 247–253. <https://doi.org/10.21512/bbr.v7i3.1499>
- Herawaty, Vinola. (2008). Peran praktek corporate governance sebagai moderating variable dari pengaruh earnings management terhadap nilai perusahaan. *Jurnal Akuntansi Dan Keuangan*, 10(2), 97–108. <https://doi.org/10.9744/jak.10.2.PP.%2097-108>
- Kurniasari, Christiana, & Ghozali, Imam. (2013). *Analisis pengaruh rasio CAMEL dalam memprediksi financial distress perbankan Indonesia*. Fakultas Ekonomika dan Bisnis.
- laela Ermaya, Husnah Nur, & Mashuri, Ayunita. (2018). Kinerja Perusahaan dan Struktur Kepemilikan: Dampak terhadap Pengungkapan Lingkungan. *Jurnal Kajian Akuntansi*, 2(2), 225–237. <https://doi.org/10.33603/jka.v2i2.1746>
- Moesono, Juniarti, Beoang, Camelia Florensia, Prayogo, Meliani Fitri Salim, & Samosir, Parulian Adinata. (2021). Business Strategy and Environmental Performance. *Jurnal Akuntansi Dan Keuangan*, 23(2), 95–104. <https://doi.org/10.9744/jak.23.2.95-104>
- Mowen, Maryanne M., Hansen, Don R., & Heitger, Dan L. (2022). *Managerial accounting: The cornerstone of business decision-making*. Cengage learning.

**The Influence of Environmental Cost and Environmental Performance towards
Company's Value Moderated by Ownership Structure**

- Pérez-Calderón, Esteban, Milanés-Montero, Patricia, & Ortega-Rossell, Francisco Javier. (2012). Environmental performance and firm value: Evidence from Dow Jones sustainability index Europe. *International Journal of Environmental Research*, 6(4), 1007–1014.
- Rinsman, Theresia Coline Sari, & Prasetyo, Andrian Budi. (2020). The Effects of Financial and Environmental Performances on Firm Value with Environmental Disclosure as an Intervening Variable. *Jurnal Dinamika Akuntansi*, 12(2), 90–99. <http://dx.doi.org/10.15294/jda.v12i2.24003>
- Rounaghi, Mohammad Mahdi. (2019). Economic analysis of using green accounting and environmental accounting to identify environmental costs and sustainability indicators. *International Journal of Ethics and Systems*. <https://doi.org/10.1108/IJOES-03-2019-0056>
- Sa'diyah, Chalimatuz, & Hilabi, Igo Ilham. (2022). The Effect Of Corporate Governance On Company Value In The Indonesia Stock Exchange And Sharia Stock In Indonesia. *Jurnal Aplikasi Bisnis Dan Manajemen (JABM)*, 8(2), 404. <https://doi.org/10.17358/jabm.8.2.404>
- Yadav, Prayag Lal, Han, Seung Hun, & Rho, Jae Jeung. (2016). Impact of environmental performance on firm value for sustainable investment: Evidence from large US firms. *Business Strategy and the Environment*, 25(6), 402–420. <https://doi.org/10.1002/bse.1883>