DISCLOSURE DETERMINANTS OF HAZARDOUS TOXIC WASTE IN INDONESIA

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ABSTRACT

This study aims to examine the effect of Suppliers, Consumers, community, Shareholders, and Employees on Hazardous Toxic Waste Disclosures in Indonesia by compiling its index. This study uses primary and secondary data. The primary data were obtained by distributing the Hazardous Toxic Waste Disclosure questionnaire to academics, environmental service officials, suppliers, consumers, local communities, shareholders, and company employees. Meanwhile, the secondary data were obtained from the annual reports of manufacturing companies, Management of Mineral, Gas, and Coal Mining, as well as hospitals listed on the Indonesia Stock Exchange (IDX) between 2012-2019. A purposive sampling technique was used, and the independent variables include Suppliers, Consumers, Community, Shareholders, and Employees controlled by Company Size, and Profitability, while the dependent variable is Hazardous Toxic Waste Disclosure. The data were processed using the descriptive test and multiple linear regression. The Stakeholder Theory was used to solve the problem of low Hazardous Toxic Waste Disclosure in Indonesia. The results showed 21 items of the Hazardous Toxic Waste Disclosure index. In a previous study, Suppliers, Consumers, Communities, and employees positively affected...
INTRODUCTION

The developing industrial activities are expected to improve the living standard of the Indonesian population. However, they have both positive and negative impacts (Euler, Krishna, Schwarze, Siregar, & Qaim, 2017). The positive impact includes producing goods and services, job creation, and improving people's living standards. Meanwhile, the negative impact consists of waste pollution, which causes damage to natural resources and decreases life quality.

The cases of environmental damage in various parts of the world are caused by companies that pay insufficient attention to the management of Hazardous Toxic Waste produced (Ferronato & Torretta, 2019). The tragedy of environmental damage occurred in parts of the world such as Japan, India, the Soviet Union, Nigeria, and Indonesia due to the company's carelessness in managing Hazardous Toxic Waste. Therefore, the living creatures become victims.

Companies are required to make improvements and maintain sustainability in the future. The Indonesian government issued Law no. 40 of 2007 concerning Limited Liability Companies (2007), regulating their obligation to perform economic, social, and environmental responsibilities, better known as Corporate Social Responsibility (CSR). CSR implementation is regulated in Government Decree no. 47 of 2012 concerning Social and Environmental Responsibility of Limited Liability Companies (2012).

A survey conducted by the Indonesian Environmental Forum (WALHI) in 2015 reported that in 2011, 2012, and from January to March 2013, there were 107, 118, and 4 cases of environmental violations, respectively, the majority of which were caused by LB3. The emergence of this conflict is caused by the low quality of the company's environmental responsibility and disclosure of annual report (WALHI, 2015). Companies are under pressure from various parties because of pollution, hence, it is essential to provide transparent information about environmental activities.

The company's annual report is mainly utilized for decision-making by investors and potential investors. Furthermore, they require as much information as possible, including financial and non-financial data. (Osadchy et al., 2018) stated that the decision-making process for investors and potential investors tends to invest in companies with a good image, and business ethics can be obtained from environmental care actions conducted by the company.

Figure 1.1 shows a graph of Hazardous Toxic Waste Disclosure in manufacturing, mineral and coal companies, as well as hospitals listed on the IDX annual report between 2012 to 2019. The graph indicates a low and fluctuating dependent variable. The average Hazardous Toxic Waste Disclosure in 2012, 2013, and 2014, was 26.98%, 19.11%, and 19.81%, respectively.
Furthermore, it was 21.15% in 2015 and became 22.82% in 2016.

This Hazardous Toxic Waste disclosure report remains voluntary despite its numerous benefits, such as creating a good impression, supporting company continuity, increasing company legitimacy, and minimizing risk (Hahn & Lülf, 2014).

There is a need for Hazardous Toxic Waste Disclosure research. The first reason is that incorrect management of Hazardous Toxic Waste has caused significant environmental damage. This is due to the company's low awareness of LB3 management and low dependent variable in the annual report. Second, there is a relationship between environmental Disclosure and the company's financial performance. Several studies were conducted on CSR disclosure's effect on the company's financial performance (Xixi, Tongkun, & Yecheng, 2022) showed that there is a positive effect of CSR disclosure on the company's financial performance.

According to the Stakeholder Theory, (Vasi & King, 2012) discovered that companies need to establish positive relationships with their stakeholders to build a positive reputation by supplying Hazardous Toxic Waste information. Stakeholders are divided into normative and derived. The normative type has a reciprocal relationship with the company. They consist of suppliers, consumers, local communities, shareholders, and employees.

Meanwhile, derivative stakeholders do not have a reciprocal relationship and can affect the company's reputation when ignored. Stakeholders, protests derivatives can affect the stability and reputation of the company. The company's status can be changed to normative stakeholders when managing its derivative counterpart. The derived stakeholders consist of environmental activists, the press, and radical groups.

This study identifies factors influencing Hazardous Toxic Waste Disclosure by using the basis of normative stakeholder theory. In terms of normative...
The population in this study are manufacturing companies, mineral and coal companies, as well as hospitals listed on the Indonesia Stock Exchange (IDX) from 2012 to 2019. A purposive sampling technique was used, where the sample was selected based on predetermined criteria. The sample selection framework is based on the following company criteria:

1. Companies selected as samples are manufacturers, mineral and coal, as well as hospitals. This is based on the KLH statement that the producers of LB3 are companies (Bisnis Indonesia, 2014).
2. The company publishes a complete annual report between 2012-2019.

RESEARCH METHOD

According to Government Regulation No. 22 of 2021, Hazardous Toxic Waste has become an essential matter that should be managed directly. Previous studies have established disclosure guidelines for waste in general, while others have analyzed Waste Disclosure by measuring the number of words and the level of the disclosure's content. Furthermore, there is also a Waste Disclosure measure with a quantitative value. This study measures the Hazardous Toxic Waste Disclosure in detail through the manufacturing stages of the weighted items.

The novelty of this study is compiling the Hazardous Toxic Waste Disclosure index based on guidelines, previous studies, and opinions of normative stakeholders (Suppliers, Consumers, Local Communities, Shareholders, and Employees). The Normative Stakeholder Theory was used to solve the problem of low Hazardous Toxic Waste Disclosure in Indonesia.
The operational definition of the study variables is defined based on the observed characteristics of the independent (Suppliers, Consumers, Local Communities, Shareholders, Employees), control (Company Size, Profitability), and the dependent variables (LB3 Disclosure).

To determine the independent effect on the dependent variable, a quantitative analysis method was conducted using panel data. The data were processed using multiple linear regression with the help of the Eviews program.

**RESULT AND DISCUSSION**

The results of the arrangement of Hazardous Toxic Waste disclosure items were obtained from GRI, following Clarkson et al. (2008); Setiadi (2016); Suhardjanto et al., (2007); Suhardjanto & Choiriyah (2010); Wiseman (1982), and government policies, namely Government Regulation no. 22 of 2021, Minister of Environment and Forestry Regulation No. 55 of 2015, Minister of Environment and Forestry Regulation No. 63. Table 1.1 presents the LB3 disclosure items.

<table>
<thead>
<tr>
<th>No</th>
<th>Hazardous Toxic Waste Disclosure items</th>
<th>Researcher</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Type</td>
<td>Suhardjanto et al., (2007); Minister of Environment and Forestry Regulation No. 55 of 2015 LB3 Characteristic Test; PP 22 the year 2021</td>
</tr>
<tr>
<td>2</td>
<td>Total weight by the type</td>
<td>Setiabudi (2016); GRI 4</td>
</tr>
<tr>
<td>3</td>
<td>Reduction efforts</td>
<td>Crakson et al., (2008); PP 22 year 2021</td>
</tr>
<tr>
<td>4</td>
<td>Storage</td>
<td>PP 22 the year 2021</td>
</tr>
<tr>
<td>5</td>
<td>Collection</td>
<td>PP 22 the year 2021</td>
</tr>
<tr>
<td>6</td>
<td>Transport information</td>
<td>Wiseman (1982); PP 22 the year 2021</td>
</tr>
<tr>
<td>7</td>
<td>Utilization</td>
<td>PP 22 the year 2021</td>
</tr>
<tr>
<td>8</td>
<td>Recycling</td>
<td>Clarkson et al., (2008); Clarkson et al., (2013)</td>
</tr>
<tr>
<td>9</td>
<td>Processing</td>
<td>Clarkson et al., (2013); PP 22 the year 2021</td>
</tr>
<tr>
<td>10</td>
<td>Hoarding</td>
<td>PP 22 of 2021; Minister of Environment and Forestry Regulation Number 63 of 2016 LB3 Hoarding Test</td>
</tr>
<tr>
<td>12</td>
<td>Hazardous Toxic Waste’s total weight by disposal method</td>
<td>GRI4</td>
</tr>
<tr>
<td>13</td>
<td>Financing</td>
<td>PP 22 the year 2021</td>
</tr>
<tr>
<td>14</td>
<td>Percentage of Hazardous Toxic Waste transported for international shipments</td>
<td>GRI4</td>
</tr>
</tbody>
</table>
The FGD results showed 21 items of Hazardous Toxic Waste Disclosure. The participants thought these items were mandatory for Hazardous Toxic Waste producing companies, but Disclosure remained voluntary. Furthermore, Hazardous Toxic Waste Disclosures are used to provide additional information published in the company's annual report (Reza & Ullah, 2019).

The hypothesis testing is used to analyze the influence of Suppliers, Consumers, Community, Shareholders, and Employees on Hazardous Toxic Waste Disclosures. The table below presents the results of multiple linear regression with panel data.

Table 1.2 Multiple Linear Regression Test Results Hazardous Toxic Waste Weighted Disclosure Factors

<table>
<thead>
<tr>
<th>Description</th>
<th>Coefficient</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.0811</td>
<td>0.2474</td>
</tr>
<tr>
<td>Supplier (X1)</td>
<td>0.0008</td>
<td>0.0097</td>
</tr>
<tr>
<td>Consumer (X2)</td>
<td>0.0176</td>
<td>0.0000</td>
</tr>
<tr>
<td>Local Community (X3)</td>
<td>0.1266</td>
<td>0.0039</td>
</tr>
<tr>
<td>Shareholders (X4)</td>
<td>-0.0009</td>
<td>0.0000</td>
</tr>
<tr>
<td>Employees (X5)</td>
<td>0.0107</td>
<td>0.0000</td>
</tr>
<tr>
<td>Company Size (X6)</td>
<td>-0.0179</td>
<td>0.0014</td>
</tr>
<tr>
<td>Profitability (X7)</td>
<td>-0.0002</td>
<td>0.1645</td>
</tr>
<tr>
<td>Fcount</td>
<td>2.4293</td>
<td></td>
</tr>
<tr>
<td>Sig F</td>
<td>0.0000</td>
<td></td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>0.1572</td>
<td></td>
</tr>
</tbody>
</table>

Source: Processed data (2021)

The results of multiple linear regression calculations using panel data with the eview 12 program produce the following equation:

\[ Y = 0.0811 + 0.0008X1 + 0.0176X2 + 0.1266X3 - 0.0009X4 + 0.0107X5 - 0.0179X6 - 0.0002X7 + e \]

The equation above explained that:

1) H1 states that the Supplier influences the Hazardous Toxic Waste Disclosure. The
analysis shows that the value of sig tcount 0.0097 <0.05 is in an area where H0 is rejected and Ha is accepted. This value is significant, which means that Suppliers influence LB3 Disclosure in manufacturing, mineral and coal companies, as well as hospitals in IDX between 2012-2019. The effect is positive at 0.0008, and the H1 statement accepted.

2) H2 states that consumers affect Hazardous Toxic Waste Disclosure. The analysis shows that the sig tcount value of 0.0000 <0.05 is in an area where H0 is rejected and Ha is accepted. This number shows a significant value, which means there is a consumer influence on LB3 disclosures in manufacturing, mineral and coal companies, as well as hospitals in IDX between 2012-2019. The effect is positive at 0.0176, and the H2 statement is accepted.

3) H3 states that Local Communities influence Hazardous Toxic Waste Disclosures. The analysis shows that the sig tcount of 0.0024 <0.05 is in an area where H0 is rejected and Ha is accepted. This number shows a significant value, meaning that local communities influence LB3 disclosures in manufacturing, mineral and coal companies, as well as hospitals on the IDX between 2012-2019. The positive effect is 0.1266, and the H3 statement is accepted.

4) H4 states that Shareholders affect Hazardous Toxic Waste Disclosure. The test data analysis shows that the sig tcount of 0.0000 <0.05 is in an area where H0 is rejected and Ha is accepted. This number shows a significant value, which means that shareholders (the majority) influence LB3 disclosures in manufacturing, mineral and coal companies, and hospitals in IDX between 2012-2019. The effect is negative at 0.0009, and the H4 statement is accepted.

5) H5 states that employees affect Hazardous Toxic Waste Disclosure. The test data analysis shows that the sig tcount of 0.0000 <0.05 is in the area where H0 is rejected and Ha is accepted. This number shows a significant value, which means that there is an employee's influence on LB3 Disclosure in manufacturing, mineral and coal companies, as well as hospitals on the IDX between 2012-2019. The effect is positive at 0.0107, and the H5 statement is accepted.

The multiple linear regression analysis results can be observed in the Adjusted R square of 0.1573. This shows that the Disclosure of Hazardous Toxic Waste in manufacturing, mineral and coal companies, as well as hospitals listed on the IDX between 2012 to 2019, is influenced by five variables, namely Suppliers, Consumers, Community, Shareholders, and Employees, to the extent of 15.7230%. The remaining 84.2800% is influenced by other variables that have not been studied.

Environmental information is provided to suppliers, consumers, communities, shareholders, and employees to ensure that the company is responsible for Hazardous Toxic Waste management. It also shows that the company is reliable and capable of being accountable to its stakeholders, minimizing risks.

There are no hidden obligations, and the company has proven its sustainability prospects. The Hazardous Toxic Waste management is an environmental concern that companies should perform (Yong, Lim, & Ilankoon, 2019). Organizations no longer have responsibilities that rely on a single bottom line, namely the company's value (corporate value), which is reflected only in its financial condition. Therefore, stakeholders need as much information as possible for decision-making. Suppliers, consumers, communities, shareholders, and employees have the power to promote companies to make more LB3 disclosures (Jouha, 2015).

This study uses the Majority Share Ownership variable, and the results have a negative effect on Hazardous Toxic Waste Disclosure. This indicates the more majority shareholders in the company, the fewer the names or groups that own shares. They
promptly request information disclosure from management. Furthermore, the company does not consider Disclosure in the annual report necessary.

The low majority ownership indicates that it is increasingly dispersed among people or organizations (Hope, 2013). To eliminate information asymmetry, it is vital to reveal the company's management of Hazardous Toxic Waste-related operations.

CONCLUSION

This study concluded that:

1. The results obtained indicate that Suppliers, Consumers, Local Communities, and Employees positively affect Hazardous Toxic Waste Disclosure in manufacturing, mineral and coal companies, and hospitals listed on IDX between 2012-2019. Companies need to maintain good relations with Suppliers, Consumers, Local Communities, and Employees to acquire a reputation by conducting Hazardous Toxic Waste Disclosures. Furthermore, these variables can influence the Disclosure of Hazardous Toxic Waste and have the power to encourage companies to disclose more Hazardous Toxic Waste. Stakeholders with power have the potential to influence the company's behavior to achieve its goals.

2. The results also indicate that the Majority Shareholder has a negative effect on Hazardous Toxic Waste Disclosure in manufacturing, mineral and coal companies, as well as hospitals listed on the IDX between 2012 to 2019. The distribution of company ownership promotes the broader Disclosure of information. The spread of company ownership enables management to disclose more relevant information to meet the demands of various shareholders. This means the greater the percentage of Share Ownership in the company, the fewer the individuals or organizations that own the company, resulting in low demand for Hazardous Toxic Waste's information disclosure. Management believes it is unnecessary to provide Hazardous Toxic Waste information in the annual report and not have to pay for it due to the company's high level of Majority.

These results provide practical, theoretical, and methodological implications.

1. Practical Implications
   a. These results show that the Disclosure of Hazardous Toxic Waste companies in Indonesia remains low. This is in accordance with the environmental damage caused by the company's management activities. To govern the LB3 Disclosure of corporations in Indonesia, transparent accounting rules are required. The results of creating these items can be incorporated into the development of LB3 Disclosure standards in Indonesia.
   b. Hazardous Toxic Waste Disclosures can be influenced by a company's interactions with normative stakeholders. A company's ultimate purpose is to provide other stakeholders with the information they need for making decisions, hence, to fulfill this, companies need to establish good cooperation with normative stakeholders.
   c. There is an information gap between expectations and realization of Hazardous Toxic Waste Disclosure, hence, companies need to disclose Hazardous Toxic Waste, and stakeholders could acquire more information in addition to financial data for making investment decisions.

REFERENCES


