

## **CORPORATE GOVERNANCE, PROFITABILITY, MEDIA EXPOSURE, AND FIRM VALUE: THE MEDIATION ROLE OF ENVIRONMENTAL DISCLOSURE**

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**ABSTRACT:** This study aims to examine and analyze environmental disclosure's effect in mediating the relationship between corporate governance, profitability, and media exposure towards firm value. Total 135 samples of companies that have been listed on IDX in 2015 - 2019 were obtained and analyzed using multiple linear regression. This study showed that corporate governance and profitability increase firm value as investors tend to see corporate governance and profitability as a signal in determining investing decisions. Meanwhile, media exposure and environmental disclosure cannot increase firm value. This study also finds that corporate governance decreases ecological disclosure. Meanwhile, profitability and media exposure cannot increase firm value. Thus, this study also proves that corporate governance, profitability, and media exposure cannot increase firm value through environmental disclosure.

**Keywords:** Corporate Governance; Environmental Disclosure; Firm Value; Media Exposure; Profitability.

*Submitted: 26 April 2021; Revised: 30 April, 16 May 2021; Accepted: 27 May 2021*

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DOI: 10.24252/minds.v8i1.20823

ISSN-E: 2597-6990

ISSN-P: 2442-4951

<http://journal.uin-alauddin.ac.id/index.php/minds>

Publisher: Program Studi Manajemen Universitas Islam Negeri Alauddin Makassar

## INTRODUCTION

A company with high firm value will be highly rated by the market (Fanani & Hendrick (2016). The downfall of firm value will reduce investor confidence in the company to threaten the company's survival. Therefore, an effort is needed to increase firm value by implementing environmental disclosures (ED) (Yang, Wen, & Li, 2020; Li, Gong, Zhang, & Koh, 2018). ED aims to increase the firm value, which is carried out through financial and non-financial aspects. The signaling theory states that companies share information about their performance using good signals (good news) and wrong signals (bad news). Companies that make ED send a good indication that they are engaging in environmental strategy proactively. This information is a positive signal sent to shareholders.

The current phenomenon is that many companies from various sectors are increasingly concerned about the environment. ED in Indonesia is still classified as voluntary, except for the mining sector, which is mandatory (Law No. 40 of 2007). This phenomenon is shown by the increasing number of participants and recipients of the PROPER (Company Performance Rating Program) award. Figure 1 below shows the trend of the number of PROPER participating companies from 2015 - 2019.

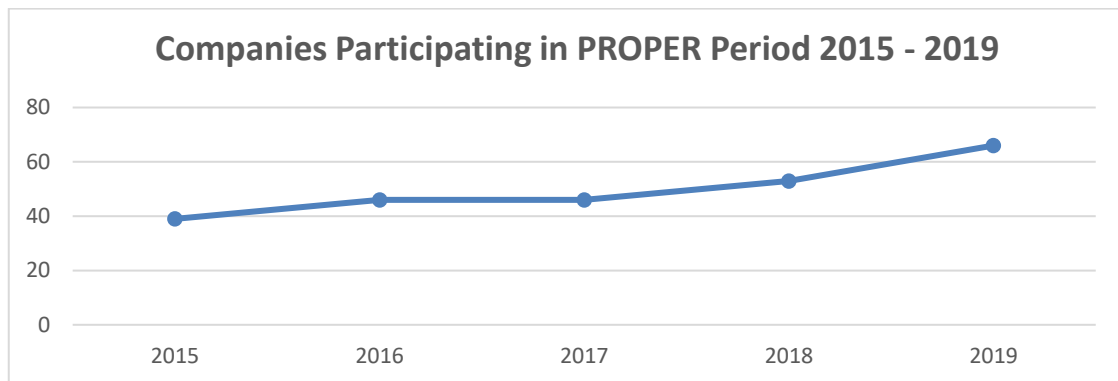


Figure 1. Companies Participating in PROPER Period 2015 - 2019

Source: Adapted from [proper.menlhk.go.id](http://proper.menlhk.go.id)

In 2015, 39 companies participated in the PROPER program and continued to increase until 2019, with 66 participants. This development indicates that the company is increasingly concerned and enthusiastic about ED. In addition to the increase in the number of PROPER participants, each year, there is an increase in companies achieving gold ratings, while black ranks have decreased. For example, in 2015, 12 companies received a gold rating and continued to increase until 2019, reaching 26 companies. On the other hand, in 2015, 21 companies obtained black ratings and continued to decline until 2019.

Previous research results prove that the position of disclosure environment is a mediating variable in the relationship between corporate governance, profitability, and media exposure to firm value. For example, the results of previous studies show that corporate governance (Pareek, Pandey, &

Sahu, 2019), profitability (Piliang & Fathony, 2020; Dang et al., 2018), and media exposure (Alrazi et al., 2016) have a positive effect on ED.

Previous research has also revealed the positive effect of ED on firm value (Yang, Wen, & Li, 2020 and Aboud & Diab, (2018). However, there are research results that suggest that corporate governance (Huang, Yue, & Wee, 2020; Kristiana & Yustrida, 2020), profitability (Hirdinis, 2019; Manoppo & Arie, 2016), and media exposure (Anggreni & Budiasih, 2016) does not directly affect firm value. Based on these results, it is necessary to prove that corporate governance, profitability, and media exposure do not directly affect firm value but through ED. Therefore, the results of this study are expected to reduce the research gap.

The relationship between corporate governance and firm value can be explained through signaling theory. The signaling theory (Spence, 1973) states that investors capture corporate governance implemented by companies as a positive signal. Corporate governance also affects ED described in agency theory. Agency theory says that effective monitoring can reduce agency conflicts in the relationship between managers and shareholders. Corporate governance through monitoring of management can affect the level of voluntary disclosure, including environmental exposure (Giannarakis, 2015).

Profitability can measure the success of an organization or company in generating profits. The signaling theory states that investors capture high profitability as a positive signal to increase investor confidence. Companies with high profitability can also bear the costs associated with disclosure (Qiu, Shaukat, & Tharyan, 2016). Thus, the higher the profitability, the higher the quality of the company's environmental exposure.

Communication through the media (media exposure) can influence the way investors view the company. In addition, media exposure can increase consumer awareness about company activities. According to legitimacy theory (Gray, 2004), companies that get media exposure will be better known to the public, and companies are under public pressure to improve the quality of information disclosure, including environmental information. This study examines the direct and indirect factors between corporate governance, media exposure, and profitability on firm value through ecological revelations. Until now, there has been no research examining the direct and indirect effects of these variables, with environmental disclosure as the mediating variable.

## **THEORETICAL REVIEW**

### *Agency Theory*

Agency theory explains the relationship between the principal (shareholders) and agent (management) because of the separation of principal and agent in the company (Jensen & Meckling, 1976). An agent is responsible for the company, while the principal assigns the agent to the company. Therefore, the separation between shareholders (principal) and management (agent) creates an agency problem. This problem arises because both the agent and the principal try to maximize their utility.

The conflict of interest between the principal and agent creates a cost called agency cost. Agency costs are divided into three parts which include, according to Jensen & Meckling (1976), a) monitoring costs, b) bonding costs, and c) residual costs. Monitoring costs are costs borne by the principal to monitor agent behavior (management), including measuring, observing, and controlling management behavior. Bonding costs are costs entitled to the agent establishing and complying with rules that ensure that the agent acts in the principal's interests. Finally, the residual cost is the arising cost of the principal due to the different decisions of the agent and the principal.

### *Signaling Theory*

Signaling theory in the context of companies in the capital market is explained by Spence (1973), that companies that have good performance are different from companies that have poor performance. The signaling theory states that companies with good quality provide positive signals to users of the information to differentiate between sound quality and poor-quality companies. The disclosure of financial statements is a medium to convey a sign that an organization has good prospects in the future so that users of the information will act per the signals sent. Managers need to share information that can be used as a signal to external parties.

When managers publish information to the market, interested parties will divide the information into good signals (good news) and wrong signals (bad news). If the market considers the data published by the manager to be a good signal, then the market will give a positive reaction to the company, which can be in the form of an increase in the company's stock price and company value vice versa.

### *Legitimacy theory*

Legitimacy theory is based on the idea that the company is bound by a contract with the company's community. This theory predicts how companies ensure their operations are within the boundaries of the ties and norms of the community in their environment (Gray, 2004). The existence of a social contract between the company and the surrounding community requires the company always to be responsive to the presence of the environment and pay attention by carrying out operations that are consistent with environmental values. When there is a shift towards non-conformity, then the legitimacy of the company can be jeopardized.

## **DEVELOPMENT OF HYPOTHESIS**

### *The Effect of Corporate Governance on Environmental Disclosures*

Agency theory (Jensen & Meckling, 1976) states that corporate governance contributes to company policy and monitoring. In addition, corporate governance plays an essential role in encouraging the disclosure of company information to maintain credibility in the eyes of shareholders (Fama & Jensen,

1983). Thus, environmental exposure will be complete and broad. Research by Husted & Filho (2019), Pareek et al. (2019), Aliyu (2019), and Agyemang et al. (2020) revealed that the better the corporate governance, the higher the quality of the company's environmental disclosure.

*H<sub>1</sub>: Corporate governance has a positive effect on environmental disclosures.*

#### *The Effect of Profitability on Environmental Disclosures*

Companies with superior economic resources tend to have better environmental disclosures as the company aspires to be seen as a good company for the environment and society, but without sufficient resources, the company cannot cover ecological costs. This stance is in line with the regulation of the state minister for State-Owned Enterprises Number 05 / MBU / 2007, which states that companies must set aside 2% of profit after tax for partnerships and 2% of profit after tax for environmental development activities. For companies with high profitability, the company can allocate funds for various aspects, including social and ecological factors, in this case bearing ecological costs. Therefore, the higher the profitability, the higher the environmental disclosure. Research by Qiu et al. (2016) states that profitability has a positive effect on environmental exposure.

*H<sub>2</sub>: Profitability has a positive effect on environmental disclosures.*

#### *The Effect of Media Exposure on Environmental Disclosures*

Media exposure can be used to state a company's position, enhance its image, and improve relationships with companies and the public. Media exposure is a tool that is more flexible and not time-bound than annual reports and sustainability reports. In addition, media exposure can reach and have a greater frequency than yearly reports and sustainability reports. The disclosure is not limited to only an annual report and sustainability reports which are once a year. The use of media can periodically increase information about the company's concern for the environment and what the company does with the environment.

Legitimacy theory (Spence, 1973) stated that the company could demonstrate adherence to social norms more intensively. The company can get more appreciation from the community than annual reports and sustainability reports by utilizing company news and websites. The higher the media exposure, the higher the environmental disclosures. Research by Alrazi et al. (2016) revealed that media exposure positively affects ecological disclosures.

*H<sub>3</sub>: Media Exposure has a positive effect on environmental disclosures.*

#### *The Effect of Environmental Disclosure on Firm Value*

The signaling theory (Spence, 1973) states that companies that conduct environmental disclosure send a good signal that they are engaged in ecological

strategy proactively. This information is a positive signal sent to shareholders. Research by Yang et al. (2020) and Aboud & Diab (2018) revealed that good ED companies tend to have higher share prices.

*H<sub>4</sub>: Environmental Disclosure has a positive effect on firm value.*

#### *The Effect of Corporate Governance on Firm Value*

Corporate governance aims to align managers' and shareholders' interests (Jensen & Meckling, 1976). Based on the signaling theory, companies provide signals about the company's performance to investors. Therefore, corporate governance is a positive signal that can increase firm value. Research by Handriani & Robiyanto (2018), Ullah et al. (2018), and Buchdadi et al. (2019) show that the measure of corporate governance has a positive effect on firm value.

*H<sub>5</sub>: Corporate governance has a positive effect on firm value.*

#### *The Effect of Profitability on Firm Value*

Based on signaling theory (Spence, 1973), a company with high profitability is captured by investors as a positive signal from the company that will increase investors' confidence in investing. Companies that have high profitability show that they can manage their wealth (assets) effectively and efficiently. Research conducted by Piliang & Fathony (2020) and Dang et al. (2018) shows that profitability positively affects firm value.

*H<sub>6</sub>: Profitability has a positive effect on firm value.*

#### *The Effect of Media Exposure on Firm Value*

Based on signaling theory (Spence, 1973), media exposure was captured by investors as a positive signal from the company. Besides, media exposure can increase public awareness of the company's brand. Thus, the communication through the media by companies can influence how investors perceive. Majumdar & Bose (2019) revealed that media exposure has a positive effect on firm value.

*H<sub>7</sub>: Media exposure has a positive effect on firm value.*

#### *The Effect of Corporate Governance on Firm Value through Environmental Disclosures*

Corporate governance is a monitoring mechanism carried out by the board of commissioners. Supervision is carried out to achieve company goals, to increase firm value. Environmental disclosure is one of the aspects that get control because it is essential for shareholders. Environmental disclosures are reported explicitly in the sustainability report. Sustainability reports include the company's responsibility for environmental damage. Ecological disclosure is the result of good corporate governance monitoring. The better the environmental disclosure, the more positive signals will be to investors. Thus, it can increase firm value. Research conducted by Husted & Filho (2019), Pareek et al. (2019), Aliyu (2019), and Agyemang et al. (2020) states that corporate governance has a positive effect on the quality of environmental disclosure. According to Yang et

al. (2020) and Aboud & Diab (2018), the quality of ecological disclosure will positively affect the firm's value

*H<sub>8</sub>: Corporate governance has a positive effect on firm value through environmental disclosures.*

#### *The Effect of Profitability on Firm Value through Environmental Disclosures*

Companies with high profitability can bear the costs associated with environmental disclosure (Qiu et al., 2016). Profitability is the factor that allows management to report ecological and social activities freely and flexibly. Based on signaling theory (Spence, 1973), investors catch this signal as "good news," thereby increasing its value. Research conducted by Qiu et al. (2016) states that profitability positively affects the quality of environmental disclosure. According to Yang et al. (2020) and Aboud & Diab (2018), the quality of ecological exposure will positively affect the firm's value

*H<sub>9</sub>: Profitability has a positive effect on firm value through environmental disclosures.*

#### *The Effect of Media Exposure on Firm Value through Environmental Disclosures*

Legitimacy theory (Gray, 2004) states that companies always try to convince the public that their activities and performance can be accepted by society. Companies that are increasingly exposed to the media have more pressure to maintain their legitimacy and change investors' perceptions by improving the quality of environmental disclosure (Luo et al., 2018; Dawkins & Fraas, 2011). High-quality environmental disclosure is a signal of "good news" for investors to increase the company's value. Research conducted by Alrazi et al. (2016) states that media exposure positively affects quality environmental disclosure. According to Yang et al. (2020) and Aboud & Diab (2018), the quality of ecological disclosure will positively impact the firm's value

*H<sub>10</sub>: Media exposure has a positive effect on company value through environmental disclosures.*

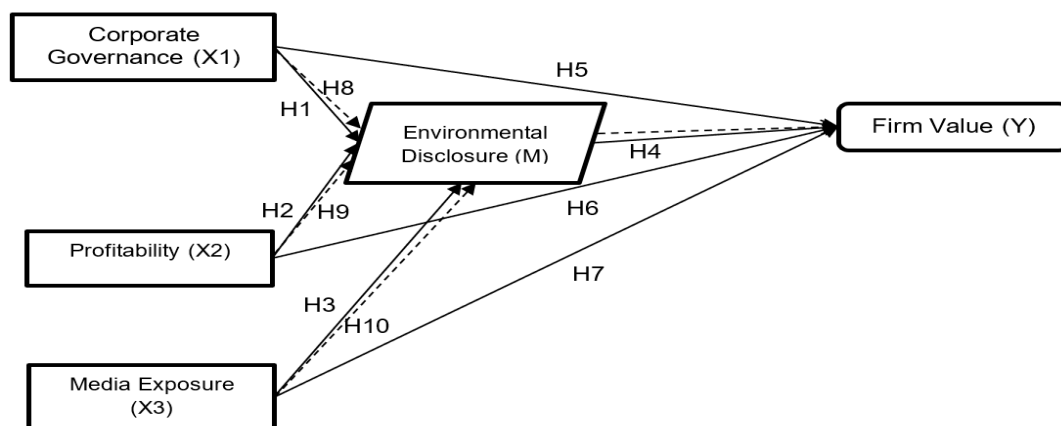


Figure 2. Conceptual Framework

## METHODOLOGY

### *Population and Sample*

This study's population is all companies that have been listed on the IDX in 2015 - 2019. The purposive sampling method is the sampling method in this study, with the following criteria:

Table 1. Purposive Sampling

No	Sample Criteria	Total
1.	The company reports sustainability reports (SR) for the period in 2015	43
2.	The company does not continuously report SR for the period 2015 - 2019	(6)
3.	The company that suffered losses for the period 2015 - 2019	(10)
	<b>Number of Companies</b>	27
	<b>Observation Year</b>	5
	<b>Total Sample Companies (27 x 5)</b>	135

Source: Processed Secondary Data, 2021

### *Research Approach*

This research was conducted within the scope of a positivist paradigm which emphasizes theory testing through quantitative measurement. This study aims to determine and analyze corporate governance mechanisms, profitability, media exposure on firm value through environmental disclosures. This research is classified as explanatory research. Explanatory research aims to determine how a variable can explain or influence other variables (Cooper & Schindler, 2013).

### *Data Collection Technique*

The type of data used in this research is secondary data. The data represents the shares' price data, annual reports, sustainability reports, and media exposure about the environment obtained from the news portal during the 2015-2019 period. The operationalization of investigated variables is as follows.

#### 1. Firm Value

The firm value in this study uses Tobin's Q ratio. The higher Tobin's Q value indicates that the company has better growth prospects. This study refers to Chung & Pruitt (1994) for measuring Tobin's Q.

$$Tobin's Q = \frac{(MVE+PS+DEBT)}{TA} \quad (1)$$

Note: MVE = Share price (closing price) x number of ordinary shares outstanding, PS = Liquidation value of preferred stock outstanding, DEBT = Total Debt, TA = Book value of total assets.

#### 2. Environmental Disclosure (ED)

This study uses a framework created by Michelon et al. (2015) to focus on ED to measure the quality of ED. Four indices can be used as a measure of



disclosure: Relative Quantity Index (RQT), Density (DEN), Accuracy (ACC), and Managerial Orientation (MAN)

### 2.1 Relative Quantity Index

Relative Quantity Index measures the level of disclosure of a company compared to the level of exposure of other companies in the same industry.

$$RQT_{it} = Disc_{it} - \widehat{Disc}_{it} \quad (2)$$

Note:  $RQT_{it}$  = Relative Quantity Index,  $Disc_{it}$  = The level of disclosure the company i year t,  $\widehat{Disc}_{it}$  = Estimated level of company disclosure i year t

### 2.2 Density Index

Michelon et al. (2015) formulate the density (density) of ED as the ratio between the number of sentences containing ED led to the total number of sentences presented in the ED report.

$$DEN_{it} = \frac{1}{k_{it}} \sum_{j=1}^{k_{it}} ED_{i jt} \quad (3)$$

Note:  $DEN_{it}$  = Density index company t,  $k_{it}$  = The number of sentences in the analyzed document company i company t,  $ED_{i jt} = 1$  if sentence j in the document of the analyzed company i in year t contains information *Environmental Disclosure* and 0 otherwise.

### 2.3 Accuracy index

The accuracy index measures how companies disclose information in their ED reports. The accuracy index can be explained in the following formula:

$$ACC_{it} = \frac{1}{n_{it}} \sum_{j=1}^{n_{it}} (w * ED_{i jt}) \quad (4)$$

Note :  $ACC_{it}$  = Accuracy index,  $n_{it}$  = number of sentences containing ED (Environmental Disclosure) information on the analyzed company i year t,  $ED_{i jt} = 1$  if sentence j in the document analyzed company i year t contains ED information and 0 otherwise,  $w = 1$  if sentence j in the form analyzed company i year t is qualitative,  $w = 2$  if sentence j is quantitative, and  $w = 3$  if sentence j is monetary.

### 2.4 Managerial Orientation Index

The managerial orientation index measures how companies disclose their environmental information. Companies can use either the boilerplate approach or the committed approach to disclose environmental information. Managerial orientation index can be explained in the following formula:

$$MAN_{it} = \frac{1}{n_{it}} \sum_{j=1}^{n_{it}} (OBJ_{i jt} + RES_{i jt}) \quad (5)$$

Note:  $MAN_{it}$  = Managerial orientation index,  $n_{it}$  = The number of sentences containing environmental information in the document company i year t,  $OBJ_{i jt} = 1$  if sentence j in company documents i year t contains information about goals and objectives and 0 if not,  $RES_{i jt} = 1$  if sentence j in company documents i year t contains information about results and achievements and 0 if not.

The four indices are then synthesized with the following formula:

$$Quality_{it} = \frac{1}{4(RQT_{S_{it}} + DEN_{S_{it}} + ACC_{S_{it}} + MAN_{S_{it}})} \quad (6)$$

### 3. Corporate Governance

In this research, corporate governance (MTK) refers to the Financial Services Authority circular letter 32 / SEOJK.04 / 2015 regarding public corporate governance, with eight principles comprised 25 items. This study uses a corporate governance analysis from previous research by Dara et al. (2019).

$$MTK = \frac{\text{The total number of principles applied}}{\text{Number of principles in OJK circular letter 32 / SEOJK.04 / 2015}} \times 100\% \quad (7)$$

### 4. Profitability

The profitability variable is measured using Return on Assets (ROA). This study uses ROA analysis from previous research by (Piliang & Fathony, 2020; Hermawan & Maf'ulah, 2014)

$$\text{Return on Asset (ROA)} = \frac{\text{Net Profit}}{\text{Total Asset}} \quad (8)$$

### 5. Media Exposure

Media exposure (MDX) in this study uses the number of media reporting environmental issues by companies. This study uses a media exposure analysis step from previous research conducted by Deswanto & Siregar (2018), Hammami & Zadeh (2019), and Dawkins & Fraas (2011).

$$MDX = \text{Total amount of media exposure on the news} \quad (9)$$

### Data Analysis Techniques

This study uses multiple linear regression analysis. The SPSS Statistics program assists data processing. Based on the research framework, the model specification can be written as a regression equation in this study:

$$M = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_t \quad (10)$$

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 M_4 + \varepsilon_t \quad (11)$$

Note: Y = Firm Value, M = Quality of Environmental Disclosure, X<sub>1</sub>= Corporate Governance, X<sub>2</sub>= ROA, X<sub>3</sub>= Media Exposure, β<sub>1</sub>, β<sub>2</sub>, β<sub>3</sub>, β<sub>4</sub>= Regression Coefficient of each Variable X

The classic assumption test in this study consists of Normality Test (Kolmogorov Smirnov), Multicollinearity test (VIF), and heteroscedasticity test (Scatterplot). The goodness of fit is in multiple linear regression models by measuring the coefficient of determination (R<sup>2</sup>), statistical value F, and statistical value t.

Testing the mediation hypothesis can be done using a procedure developed by Sobel known as the Sobel test (Ghozali, 2018). The Sobel test is carried out by testing the strength of the indirect effect of the independent variable (X) on the dependent variable (Y) through the intervening variable (M), which is outlined in the following formula:

$$Z \text{ Score} = \frac{a.b}{\sqrt{(b^2 SEa^2) + (a^2 SEb^2)}} \quad (12)$$

## RESULTS

Table 2: Descriptive Statistics Results

	Minimum	Maximum	Mean	Std. Deviation
MTK	.12	1.00	.8889	.20639
ROA	.00	.53	.0724	.10343
MDX	2.00	23.00	5.9556	4.55950
QED	.23	.72	.4493	.09445
NP	650.65	14,165,148.03	1,147,400	2,256,670

Source: Processed Secondary Data, 2021

The results of the descriptive analysis are shown in table 2. A percentage of its total principles measures the average impact of corporate governance (MTK) is 0.888 with a standard deviation (SD) of 0.206. The company that has the highest corporate governance is PT Perusahaan Gas Negara Tbk in 2019. The company with the lowest level is Bank Bukopin Tbk in 2015, 2017, 2018, and 2019. The average profitability (ROA) is 0.072, and the SD of 0.10. SD ROA is greater than average, the ROA variable has a large data distribution and deviation, indicating poor performance results. The company that has the highest level of profitability is Multi Bintang Indonesia Tbk in 2017. The company with the lowest profitability level is PT Bank Tabungan Negara (Persero) Tbk in 2019. The average media exposure (MDX) is 5.955, with an SD of 4.559. The company with the highest median exposure level was Bukit Asam Tbk in 2019. The company with the lowest media exposure level of 2 had 28 sample data, one of which was PT Wijaya Karya Tbk in 2015. The average output of environmental disclosure (QED) is 0.449, with an SD of 0.094. The result - Average Firm value (NP) is 1,147,400 with a SD of 2,256,670. SD NP is greater than average. The NP variable has a large data distribution and deviation, indicating poor performance results. The company with the highest level of environmental disclosure was PT AKR Corporindo Tbk in 2019. The company that had the lowest level of environmental disclosure was PT Wijaya Karya Tbk in 2016.

### *Classical Assumption Test*

The result of the data processing classical assumption test shows that:

1. The investigated data is normal by the Kolmogorov-Smirnov test by 0.614 and  $0.056 > 0.05$ .
2. Multicollinearity test to see VIF and tolerance, all models show that there are no symptoms of multicollinearity between variables in the regression model
3. Heteroscedasticity test by looking result from the scatterplot diagram, the points spread randomly and spread above, and below the number 0 on the Y axis, there is no heteroscedasticity.

Table 3. Model Regression Test Result

Model	Variable	T	F	Adj R <sup>2</sup>	Coefficient (B)	Sig.
Model 1			0.013	0,057		
	Corporate Governance	-3.164			-0.136	0.002
	Profitability	0.179			0.003	0.858
	Media Exposure	1.831			0.052	0.069
Model 2			0.000	0,713		
	Corporate Governance	8.994			1.840	0.000
	Profitability	14.685			1.094	0.000
	Media Exposure	-1.653			-0.217	0.101
	Environmental Disclosure	-0.967			-0.387	0.336

Source: Processed Secondary Data, 2021

Based on Table 3, H1 indicates that corporate governance has a regression coefficient of -0.136 and a probability value of 0.002 (less than 5%), which means statistically significant. So, it can be terminated that H1 is not supported, corporate governance has a negative effect on environmental disclosure. H2 indicates that profitability has a regression coefficient of 0.003 and a probability value of 0.858 (greater than 5%), which means statistically insignificant. So, it can be concluded that H2 is not supported, profitability does not affect environmental disclosure. H3 indicates that media exposure has a regression coefficient of -0.217 and a probability value of 0.336 (greater than 5%), which means statistically insignificant. So, it confirms that H3 is not supported, media exposure does not affect environmental disclosure. H4 regression reveals the environmental disclosure has a regression coefficient of -0.387 and a probability value of 0.336 (greater than 5%), which means not statistically significant. So, it confirms that H4 is not supported environmental disclosure does not affect firm value.

The regression results of H5 indicate that corporate governance has a regression coefficient of 1.840 and a probability value of 0.000 (less than 5%). Then it can be concluded that H5 is supported. Corporate governance has a positive effect on firm value. H6 regression results imply that the profitability has a regression coefficient of 1.094 and a probability value of 0.000 (less than 5%). So, it can be terminated that H6 is supported. That is, profitability has a positive effect on firm value. H7 regression display that media exposure has a regression coefficient of -0.217 and a probability value of 0.101 (greater than 5%), which means that it is not statistically significant. Then it proves that H7 is not supported. Media exposure does not affect firm value.

Table 4. Mediation Test Result

Effect	a	b	SE a	SE b	Z- Sobel	P-value	Result
X <sub>1</sub> – M – Y	-0.136	-0.387	0.043	0.401	0.92307041	0.35597051	Not Significant
X <sub>2</sub> – M – Y	0.003	-0.387	0.016	0.401	-0.18405845	0.8539676	Not Significant
X <sub>3</sub> – M – Y	0.052	-0.387	0.028	0.401	-0.85635996	0.3917987	Not Significant

Source: Processed Secondary Data, 2021

Note: a and SE a are obtained from equation 1 (dependent M), b and SE b are obtained from equation 2 (dependent Y)

Based on table 4, the regression results of H8 exhibit corporate governance with a Z score of 0.92307041 (less than Z table 1,96) and probability value 0.35597051 (greater than 5%), which is not statistically significant. Therefore, it can be determined that H8 is not supported, particularly environmental disclosure, not mediating the effect of corporate governance and firm value. The regression results of H9 exhibit profitability with a Z score -0.18405845 (less than Z table -1,96) and a probability value of 0.8539676 (greater than 5%), which is not statistically significant. It can then be determined that H9 is not supported, particularly environmental disclosure, not mediating the effect of profitability and firm value. Finally, the regression results of H10 exhibit media exposure have a Z score of -0.85635996 (less than Z table 1,96) and a probability value of 0.3917987 (greater than 5%), which is not statistically significant. It can then be determined that H10 is not supported, particularly environmental disclosure, not mediating the effect of media exposure and firm value.

## DISCUSSION

This study found that corporate governance has a negative effect on environmental disclosures. As measured by the Financial Services Authority circular letter number 32 / SEOJK.04 / 2015, corporate governance shows that the higher the compliance index, the lower the environmental disclosures. The focus of SEOJK is more on how the company is managed but not much on monitoring activities. With much attention to other things, the focus on environmental monitoring is not given enough attention. The higher the focus of attention on corporate governance based on SEOJK, it can cause a lack of awareness of ecological stress as the content is more on institutional management, leading to low monitoring of environmental disclosures.

Research result found that profitability does not affect environmental disclosure. The quality of environmental exposure is very much dependent on management's awareness of environmental issues. Even though the company has fluctuating profitability, the administration will continue to improve the quality of ecological disclosures if management cares about environmental issues. Thus, profitability does not affect firm value through environmental exposures. This

study's results strengthen previous studies conducted by Bani-Khalid et al. (2016), dan Hartikayanti et al. (2016).

Based on the result found that media exposure does not affect environmental disclosure. The company has not considered media exposure as a determinant of the quality of environmental disclosure. This study does not support the legitimacy theory, which states that companies always try to convince the public that their activities and performance are acceptable. Media exposure does not affect environmental disclosure. The companies have not considered media exposure to maintain their legitimacy by increasing environmental disclosure.

Another research result found that environmental disclosure does not affect firm value. This study's results do not support the signaling theory, meaning that investors do not view ecological disclosure as a signal in making investment decisions, so it does not affect firm value. The reason is that investors do not see environmental disclosure as an attractive issue and are deemed to have no information content. This study's results strengthen previous research conducted by (Deswanto & Siregar, 2018), which revealed that environmental disclosure does not affect firm value.

Based on the results found that corporate governance has a positive effect on firm value. The results of this study support the signaling theory. Investors see corporate governance as a signal in making investment decisions to affect firm value. Therefore, the implementation of SEOJK within the company is viewed by investors as a determinant of investment decision-making. This study confirms the results of previous studies conducted by Handriani & Robiyanto (2018), Ullah et al. (2018), and Buchdadi et al. (2019), showing that corporate governance has a positive effect on firm value.

Another research result found that profitability has a positive effect on firm value. This study supports the signaling theory that high profitability is a positive signal (good news) received by investors in making investment decisions. The sign is the company's prospects which are reflected in the level of profitability. The results of previous research conducted by Piliang & Fathony (2020) revealed that profitability positively affects firm value. Therefore, profitability has an essential role in maintaining its long-term sustainability, showing its prospects, and establishing that managers can manage the company well. (Dang et al., 2018).

Based on the result of the study, media exposure does not affect firm value. This study's results do not support the signaling theory, meaning that investors do not view media exposure as a signal in making investment decisions not to affect firm value. Previous research results indicate that investors in Indonesia pay more attention to technical analysis than to fundamental analysis in making investment decisions (Zaniarti et al., 2017). Also, Indonesian investors' nature and behavior tend to have herding behavior (Pratama et al., 2020; Harsalim, 2015). Information about internal company news in the media is not the primary basis for investors in making investment decisions. Internal company news is still inferior to existing trends. This study strengthens the results of previous research conducted by Wang & ye (2014) in China, revealed

that media exposure, especially those containing good news, does not affect company value. Investors doubt the integrity of journalists if all information about the company is good news.

The results found that corporate governance does not affect firm value through environmental disclosure, meaning that ecological revelation cannot mediate the effect of corporate governance on firm value. High or low corporate governance does not impact firm value through environmental disclosures. The findings of this study do not support agency theory. Corporate governance is not effective in monitoring reducing agency conflicts. There are no recommendations that discuss governance in environmental issues or corporate CSR by eight principles and 25 recommendations of the Financial Services Authority Circular Letter (SEOJK) 32 / SEOJK.04 / 2015. Thus, corporate governance cannot be a driver in increasing corporate value through environmental disclosure.

Based on the result of the study, profitability does not affect firm value through environmental disclosure, meaning that environmental disclosure cannot mediate the effect of profitability on firm value. High or low profitability has no impact on firm value through environmental exposures. The reason is that the company's policy to conduct environmental disclosure has been planned long before the company knows the level of profitability. For example, quoted from the 2015 UNVR sustainability report, "Through the Unilever Sustainable Living Plan, globally, Unilever has set a target to halve the impact of Greenhouse Gases from our products in the entire product life cycle by 2030."

The results found that media exposure does not affect company value through environmental disclosure. The results of this study do not support the legitimacy theory. Companies have not considered media exposure to maintain their legitimacy by increasing ecological disclosure. The data in Table 2 that companies get very little media exposure, about six news stories per year. Thus, companies do not get pressure from media exposure to improve the quality of environmental disclosures. According to Solikhah & Winarsih (2016), media coverage tends to discuss significant issues because minor issues are not public attention.

## CONCLUSION

The current phenomenon is that many companies from various sectors are increasingly concerned about the environment. This phenomenon is indicated by the increasing number of companies that register as participants and award recipients in environmental ratings (PROPER). This study examines and analyses the effect of corporate governance, profitability, and media exposure on firm value through ecological disclosure. The population used is all companies listed on the Indonesia Stock Exchange (IDX) during the 2015 - 2019 period, with a sample size of 135 with a purposive sampling method.

The result provides evidence that corporate governance, profitability, and media exposure cannot increase environmental disclosure. The higher the focus of attention on corporate governance based on SEOJK can cause a lack of awareness

of ecological focus. Even though the company has fluctuating profitability, management will continue to improve the quality of environmental disclosures if management cares about environmental issues. Also, companies have not considered media exposure to maintain their legitimacy by increasing ecological disclosure.

The results also provide evidence that corporate governance and profitability is signal in determining investment decision making. Meanwhile, media exposure and environmental disclosure do not become investors' signals to make investment decisions. Investors do not see media exposure and environmental disclosure as attractive issues. Indonesian investors' nature and behavior tend to have herding behavior and pay more attention to technical analysis than fundamental analysis.

This study also proves that corporate governance, profitability, and media exposure cannot increase firm value through environmental disclosure because first, there are no recommendations for the management of environmental issues in the Financial Services Authority Circular Letter (SEOJK) 32 / SEOJK.04 / 2015. The company's policy to conduct environmental disclosure has been planned long before the company knows the level of profitability. Second, the companies get very little media exposure, about six news stories per year. Third, companies do not get pressure from media exposure to improve the quality of environmental disclosures.

## FURTHER STUDY

This study was subject to several limitations. First, the quality of environmental disclosure in the sustainability report depends on the researcher's subjectivity. The absence of regulations that regulate the extent of environmental exposures makes it difficult for researchers to compare environmental disclosures between companies. Second, the measurement of corporate governance is SEOJK Number 32 / SEOJK.04 / 2015. Although the regulation was issued in 2015, many companies still do not report the policy. Thus, researchers are looking for the application of governance in the company's RUPS. Third, the company's average media exposure is shallow, around six news per year.

The discussion opens several suggestions for future research. A promising direction is extending the study period and exploring the relationship between corporate governance, profitability, media exposure, and firm value using the data of other emerging markets that have not yet been explored in depth, investigating whether such a pattern is country-specific or more general.

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