



## Comparative Study of Environmental Disclosure in Indonesia and Malaysia: Testing Company Characteristics

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### Abstract

*There are two purposes of this study. The first is to compare the environmental disclosure practices in the annual report of Indonesian and Malaysian manufacturing companies. The second is to test the impact of firm characteristics on environmental disclosure, both in Indonesia and Malaysia. Firm characteristics are represented by firm size, profitability, liquidity, firm age, and audit firm size.*

*Under the Slovin's Formula and purposive sampling method, 82 Indonesian and 167 Malaysian manufacturing companies are selected. Dichotomy approaches are used to measure the dependent variable of environmental disclosure. There are 9 main aspects which include 30 items of environmental according to Sustainable Reporting Guidelines version 3.1. Different proxies consist of the natural logarithm of total assets, return on equity ratio, current ratio, the natural logarithm of firm age, and audit firm size (BIG 4 and Non-Big 4) is used as a measurement of the independent variable of firm characteristics. Comparison and relation in this study tested by analysis of descriptive statistics, t-test, and multiple regression.*

*A score of environmental disclosure both in Indonesia and Malaysia is only 18,33%. The result indicates that the environmental awareness of businessmen in manufacturing companies still low. The result of the t-test shows that there is a difference in environmental disclosure between Indonesia and Malaysia. The multiple regression analysis shows that firm size, audit firm size, and firm age are significant predictors of environmental disclosure both in Indonesia and Malaysia. Profitability and liquidity show no influence on environmental disclosure in both countries.*

**Keyword: *environmental disclosure, firm characteristics, Sustainability Reporting Guidelines***

### INTRODUCTION

Public attention, from the general public to environmentalists, to environmental problems that arise as a result of company activities is increasing. One of the most recent environmental issues in Indonesia is the case of the largest and increasingly widespread karst mining in Java. Another case is PT WINA (a subsidiary of Wilmar) which proposes to increase forest clearing in a 150 ha concession in Balikpapan Bay ([www.mongabay.co.id](http://www.mongabay.co.id), 2014). The plan is very different from the zero-deforestation policy that Wilmar announced on December 15, 2013, which committed to immediately stop cutting down forests with high conservation value (<http://jurnalcelebes.org>, 2014). Furthermore, forest destruction in Kalimantan was carried out by four foreign companies owned by Malaysia and Singapore ([bbc.com/Indonesia](http://bbc.com/Indonesia), 2019).

The World Wide Fund for Nature (2014) mentions several environmental problems facing Malaysia, such as deforestation, inland, and marine water pollution, soil and coastal erosion,

overfishing and destruction of marine corals, air pollution, and waste disposal (Hussein, Yusof, and Jaafar, 2020). Deforestation is caused primarily by large-scale construction, mining, and dam building. Water pollution mainly comes from vehicle engines, power terminals, and the use of fuel by industry (Sumiani, Haslinda, and Lehman, 2007).

The environmental impact caused by each company is of course not always the same, considering that many factors differentiate one company from another even though they are in the same type of business (Adeel, Song, Wang, Francis & Yang, 2017). Environmental impact of estrogens on human, animal and plant life: a critical review. *Environment international*, 99, 107-119. . Veronica (2009) states that differences in company characteristics lead to different disclosure practices. The stronger the characteristics of a company in generating social impacts on the public, of course, the stronger the fulfillment of its social responsibility to the public will be (Veronica, 2009). Differences in disclosure practices by companies also occur at the country level. The differences in reporting on a country basis (nationality) can be partly explained by the formation of regulations in the companies' home countries (Kolk, Walhain, & Wateringen, 2001).

Organizations need to disclose social and environmental information to gain support from the public and the general public and to portray an image as a company that is socially and environmentally responsible (Ahmad and Sulaiman, 2004). The need for corporate environmental disclosure appears to comply with laws, public opinion, and public accountability (Batra, 2013). Riberio in Bachman, Carneiro, and Espejo, 2013 revealed that companies need to demonstrate a commitment to the conservation, improvement, and restoration of natural resources used, disclosing information on the entity's interactions with the environment including all expenditures for environmental investment, costs, and expenses. Almeidadalam Bachman, Carneiro, and Espejo, 2013 stated that disclosure of environmental information aims to clarify company actions to reduce environmental impacts caused by company activities.

Studies in Indonesia that examine the relationship between company characteristics and social responsibility disclosure have been carried out, including by Kamil and Herusetya (2012), Maulana and Yuyetta (2014), Nasir, Ilham, and Utara (2014). Research examining the relationship between company characteristics and disclosure environment has been carried out by several researchers in Malaysia including Smith, Yahya, and Amiruddin (2007); Arussi, Selamat, and Hanefah (2009); Tang (2019).

Research in Indonesia comparing social disclosures in two countries (Setyawanti, Suhardjanto, and Triatmoko, 2013) and Rosana (2018) has been conducted, but studies that compare environmental disclosures as far as the author's observations have not been conducted. Research Setyawanti et al. (2013) compared the social disclosure practices in the annual reports of 75 companies in Indonesia and Malaysia in 2007. In this study, the authors compared the environmental disclosure practices in the 2013 annual report.

## THEORETICAL FRAMEWORK AND HYPOTHESIS

### Environmental Disclosures

Regulation and economic status are factors that can trigger differences in environmental disclosure by companies (Kolk et al., 2001). Yosoff, Othman, and Yatim (2013); Iranmanesh, Fayezi, Hanim, & Hyun (2019) examined environmental reporting practices in Malaysia and Australia. The results show that environmental reporting in the two countries in general and qualitative. Comparatively, there are similarities in the quality of environmental disclosures in annual reports and other reports in the two countries as well as factors that influence environmental disclosure (Yosoff et al., 2013). In the author's observations, no studies are

comparing environmental disclosure practices between Indonesia and Malaysia. Based on the description above, a hypothesis can be developed:

**H1:** there are differences in the environmental disclosure of manufacturing companies in Indonesia and Malaysia.

### **Company Size and Environmental Disclosures**

Large companies carry out more activities and have a greater impact on society (Haniffa and Cooke, 2005). Larger companies are expected to disclose more environmental information to demonstrate their corporate citizenship to legitimize their existence or to improve company reputation (Ghazali, 2007). Therefore, larger companies are always motivated to disclose environmental information (Haniffa and Cooke, 2005). Several previous research results concluded that company size has a positive effect on environmental disclosure (Said et al., 2013; Pahuja, 2009; Alsaeed, 2006; Maulana and Yuyetta, 2014; Purwanto, 2011; Nurkhin, 2010; Ezhilarasi & Kabra, 2017). Based on the description above, then a hypothesis can be developed:

**H2:** company size has a positive effect on environmental disclosure.

### **Profitability and Environmental Disclosure**

Kamil & Herusetya (2012) state that a high level of profitability reflects the ability of the entity to generate higher profits so that the entity can increase social responsibility and make environmental disclosures in financial reports more widely. Profitable companies disclose social information to show their contribution towards the welfare of society and legitimizing their existence (Haniffa and Cooke, 2005). Several previous studies (Pahuja, 2009; Said, 2013; Nurkhin, 2010; Nasiret al., 2014; Mutia, Zuraida, and Andriani, 2011; Devie, Kamandhanu, Tarigan, & Hatane, 2019). Found that profitability, as measured by Return on Equity, has a positive effect on environmental disclosure. above, a hypothesis can be developed:

**H3:** profitability has a positive effect on environmental disclosure

### **Liquidity and Environmental Disclosures**

Cook in Alsaeed (2006) explains that companies that enjoy good liquidity tend to be more willing to disclose more information. One form of corporate appreciation to add a positive image and trust is to publish additional information that represents the company's activities that care about the environment (Nasir et al., 2014). Wallace, Naser, and Mora (1994) found that the relationship between liquidity and disclosure is significantly negative. The opposite result was obtained by Cooke (1989) who found that liquidity had a significant positive effect on disclosure. Companies with high liquidity are more likely to disclose more information. Based on the explanation above, the writer establishes the following hypothesis:

**H4:** Liquidity has a positive effect on environmental disclosure.

### **Public Accounting Firm Size and Environmental Disclosure**

Alsaeed (2006) explains that the classification of audit firms to be Big 4 and not Big 4 is based on the assumption that large audit firms pay more attention to their reputation, so they are more willing to deal with companies that disclose more information in their annual reports. 1992) also reveals that the choice of quality auditors (Big 4) is a signal to the market that disclosure of information by high-quality companies. Alsaeed (2006) and Wallace and Naser (1995) found that audit firm size does not affect the extent of information disclosure. This contrasts with the research of Camfferman and Cooke (2002) which found that the audit firm has a significant positive effect on the extent of information disclosure. Raffournier (1995) also

found that disclosure has a significant effect on audit firm size. Based on the description above, the authors define the following hypothesis:

**H5:** KAP has a positive effect on environmental disclosure.

### **Company Age and Environmental Disclosure**

Alsaeed (2006) states that companies that have been around for a long time are likely to have improved their financial reporting practices from time to time. Research using the firm age variable to examine the effect of company characteristics on disclosure is still very limited. Alsaeed (2006), Shamil, Shaikh, Ho, and Krishnan (2014), Haniffa and Cooke (2002), Elijido-Ten (2007) found that firm age does not affect company disclosure. These results are contrary to Dilling's (2011) and Baalouch, Ayadi, & Hussainey (2019) study which found that organizational aggravation affects awareness of corporate social responsibility (CSR perception). The author formulates the following hypothesis:

**H6:** company age has a positive effect on environmental disclosure

## **RESEARCH METHOD**

### **Population and Sample**

The population for this study is all Indonesian manufacturing companies listed on the Indonesia Stock Exchange and all Malaysian manufacturing companies listed on the Malaysia Stock Exchange in 2017. The number of manufacturing companies listed on the Indonesia Stock Exchange is listed as 135 companies (Bursa Efek Indonesia, 2017). There are 389 manufacturing companies listed on the Bursa Malaysia (Bursa Malaysia, 2017).

The sampling technique was carried out in two stages, namely by using Slovin's Formula and purposive sampling. The sampling results obtained a sample of 82 Indonesian manufacturing companies and 167 Malaysian manufacturing companies.

### **Data and Data Sources**

The data used in this study are secondary data obtained from the 2017 annual reports in Indonesia and Malaysia. Secondary data for Indonesia is obtained from the Indonesia Stock Exchange with the website [www.IDX.co.id](http://www.IDX.co.id) and secondary data for Malaysia is obtained from Bursa Malaysia with the website [www.bursamalaysia.com](http://www.bursamalaysia.com).

### **Variables and Measurements**

The dependent variable in this research is in the form of items of environmental disclosure in version 3.1 of the Sustainability Reporting Guidelines.

Measurement of environmental disclosure items using the Corporate Social Disclosure Index (CSDI) which is carried out using a dichotomy approach. The dichotomy approach is carried out by identifying possible environmental issues, then analyzing the environmental disclosure of each issue using a score method of 1 and 0 (Al-Tuwaijiri et al., 2003; Lu & Taylor, 2018). Next, the scores of each item are added up to get the overall score for each company.

$$CSDI_j = \frac{\sum X_{ij}}{30}$$

Information:

CSRDij: Corporate Social Disclosure Index of companies j

Xij: dummy variable, where 1 = if item i is disclosed and 0 = if item i is not disclosed

30: number of company environmental disclosure items

The independent variables in this study are: **Company Size** is the size or scope of the company in carrying out its operations (Purwanto, 2011). Company size in this study uses natural logarithmic indicators of total assets. This indicator is used to prevent the acquisition of less valid results because the measurement of total assets is not affected by the market so that it can produce valid data (Purwanto, 2011). **Profitability** is a ratio that measures an entity's ability to generate profits at the level of sales, assets, and equity (Kamil & Herusetya, 2012). The indicator used in this study is the Return on Equity (ROE) ratio, as a ratio that shows the company's ability to generate profit after tax using its capital, according to the research of Sudana and Arlindania (2011), Camfferman and Cook (2002), Giannarakis. (2014), as well as Haniffa and Cooke (2005). **Liquidity** is an indicator of an entity's ability to pay all short-term financial liabilities at maturity using available current assets (Alsaeed, 2006; Kamil and Herusetya, 2012). The current ratio is used as a measure of liquidity because it is a performance-related variable used by short-term borrowers and suppliers to assess the level of risk and the company's ability to meet current liabilities (Camfferman and Cooke, 2002). The indicators used in this study are by the research of Alsaeed (2006) and Camfferman and Cook (2002), namely using the current ratio. **KAP size** is broadly divided into large public accounting firms (Big 4) and small public accounting firms (not Big 4). This study measures the KAP variable with a dummy variable, where companies audited by Big 4 = 1, and companies audited by other than Big 4 = 0. **Company Age**, The age of the company is the length or number of years the company has been active (Zare, Farzanfar, and Boroumand, 2013). The indicator that the writer will use is by Alsaeed's research (2006), namely the natural logarithm of company age, with the calculation of the number of years the organization was founded up to the research period (Talebina, Salehi, Valipour, and Shafiee, 2010).

### Analysis Technique

Data analysis in this study was carried out using descriptive statistics and hypothesis testing. Descriptive statistical testing provides an overview or description of data seen from the mean, standard deviation, variance, maximum, and minimum value of each sample data (Ghozali, 2001). This test is intended to provide an overview of the distribution and behavior of the sample data. Hypothesis testing is done by using the comparative t-test and multiple regression analysis.

1) T-test, Different test T-test is used to determine whether two unrelated samples have different mean values (Ghozali, 2001). The t-test difference test in this study is used to examine differences in environmental disclosure in the annual reports of Indonesian and Malaysian manufacturing companies. The decision making on the results of the t-test comparison is as follows:

If probability > 0.05, then variance is equal

If the probability < 0.05, the variance is different

2) Multiple Regression Analysis

Regression analysis is a study of the dependence of the dependent variable (bound) with one or more independent (free) variables (Gujarati, 2003). Before a multiple regression analysis is carried out, normality, multicollinearity, and heteroscedasticity test will be carried out.

The multiple regression equation for the hypothesis in this study is as follows:

$$\text{ENVDISC} = \beta_0 + \beta_1\text{SIZE} + \beta_2\text{PROF} + \beta_3\text{LIK} + \beta_4\text{KAP} + \beta_5\text{AGE} + e$$

Information:

Symbol Description

ENVDISC: Environmental Disclosure

SIZE: Company Size

PROF: Profitability

Liquidity: LIK

KAP: Audit Firm Size

AGE: Company Age

B: Regression Coefficient

E: Error

## RESULTS AND DISCUSSION

Based on the purposive sampling technique, the number of samples that meet the criteria is 82 Indonesian manufacturing companies and 167 Malaysian manufacturing companies. The composition of the population and sample used in this study can be seen in the following table:

**Tabel 1**  
**Composition of Population and Research Sample**

	Indonesia	Malaysia
Total population	135	389
Slovin's Formula	101	197
Purposive Sampling	82	167

Based on 101 Indonesian manufacturing companies that were sampled, only 82 companies presented environmental disclosures. Malaysian manufacturing companies that present environmental disclosures are 167 companies out of a total of 197 companies sampled.

**Tabel 2**  
**Statistics description**

	N	Minimum 0	Maximum (000.000)	Mean (000.000)	Std. Deviation (000.000)
ENVDISC	249	.03300	.90000	.18327	.13342
AGE	249	1	130	33.22	18.026
KAP	249	0	1	.43373	.49659
SIZE	249	6,355	213,994,000	2,698,007	15,241,896
PROF	249	-2.464.898	7.326.600	.86578	680.925
LIK	249	.16900	99.992.000	722.262	6.332.989

The output of the SPSS display shows that from a total sample of 249 companies combined with Indonesia and Malaysia, the level of environmental disclosure has a mean value of 18.33%, with a standard deviation of 13.34%, a minimum value of 3.30%, and a maximum value of 90%. The size of the company (size) in the financial statements of the two countries has

a mean value of 2,698 billion, a standard deviation of 15,242 billion, a minimum value of 6,355,000, and a maximum value of 213,994 billion. Profitability in Indonesia and Malaysia which is proxied by return on equity has an average value of 0.87%, a standard deviation of 6.81%, a maximum value of 73.27%, and a minimum value of -24.65%. Liquidity in the two countries as measured by the current ratio has a mean value of 7.22%, a standard deviation of 63.33%, a maximum value of 999.92%, and a minimum value of 0.17%.

Table 2 also shows that the average age of manufacturing companies in Indonesia and Malaysia is 33 years, with the oldest company being 130 years old and the youngest 1 year old. Based on table 2 above, it is known that the average environmental disclosure disclosed by manufacturing companies in Indonesia is 21.42%. The lowest disclosure value is 3.30% owned by Alam Karya Unggul Tbk, Kedawung Setia Industrial Tbk, PT Kedaung Indah Ca Tbk, Prima Alloy Steel Universal Tbk, and PT Mayora Indah Tbk. The five companies disclosed only one of the 30 items disclosed by GRI. The environmental disclosure excerpt from one of the company's annual reports is as follows (AR PT AlamKarya Unggul Tbk, 2013):

*"Creating a green and beautiful environment is part of the Company's caring attitude towards the environment. Selection and use of production materials and/or production tools, adjusted to environmentally friendly regulations and standards.*

The maximum value of environmental disclosure is 56.70% owned by PT Holcim Indonesia Tbk, which disclosed 17 GRI items, namely aspects of the material, energy, water, biodiversity, emissions, effluents, and waste, as well as products and services. The average manufacturing company in Indonesia discloses environmental items. disclosure is still low. This can be seen from the 82 companies sampled, only 32 companies whose level of disclosure was above the average. From table 4.3 it can also be seen that the average environmental disclosure of Indonesian manufacturing companies is 21.42% or only about 6 items. This illustrates that the coverage of items disclosed by Indonesian manufacturing companies is still insufficient and uneven.

The average size of Indonesian manufacturing companies as measured by total assets is IDR 8,191,201,610.00 with the highest asset value held by PT Astra International Tbk, which is IDR 213,994,000,000.00, while the lowest asset value belongs to PT Alam Karya Unggul Tbk, which is IDR 45,208,352.00. The average profitability of Indonesian manufacturing companies was 2.79%, with the highest value of 73.27% achieved by PT Handjaya Mandala Sampoerna Tbk and the lowest value of 2.36% belonging to PT Sekawan Intipratama Tbk.

Another characteristic of the company, namely liquidity, has a mean of 15.11%. The highest liquidity is 999.92% owned by PT Davomas Abadi Tbk and the lowest liquidity is 0.43% owned by PT Nusantara Inti Corpora Tbk. The average age of manufacturing companies in Indonesia is 34 years, the oldest age is 84 years, namely PT Multi Bintang Indonesia Tbk, and the youngest age is 4 years, namely PT I.

Based on table 2, environmental disclosures have a mean value of 16.81%, with the lowest disclosure value of 3.30% made by 28 companies, which only disclose one of the 30 total GRI disclosure items. The excerpt from the disclosure of one of these companies is as follows (AR Quality Concrete Holding Berhad, 2013):

*"We are committed to seeking in our operation continuous improvements to minimize any negative impact on the environment. We will ensure that our business activities are conducted in compliance with the applicable environmental rules and regulations".*

The highest disclosure value of 90% was made by the company British American Tobacco Berhad, which revealed 27 GRI items, namely the aspects of the material, energy, water, biodiversity, emissions, effluent and waste, products, and services, compliance, transportation, and overall costs. Of the 167 companies sampled, only 62 companies or 37% of companies disclosed environmental disclosure items above the average value. The average value of disclosure was 16.81%, indicating that only about 5 items were disclosed in the annual report. Table 2 shows that the size measured by total assets has a mean value of RM 749,481, with a maximum value of RM 17,065,430 by PPB Group Berhad and a minimum value of RM 6,355 by Orient Holding Berhad. Profitability shows a mean value of 0.07%, with a maximum value of 5.71% by British American Tobacco Berhad and a minimum value of -24.65% by IRM Group Berhad.

Liquidity, as measured by the current ratio, shows an average value of 3.35%, with a maximum value of 33.43% by China Ouhua Winery Holdings Limited and a minimum value of 0.17% by Dutch Lady Milk Industries Berhad. The average age of manufacturing companies in Malaysia is 33 years old, with the oldest age being 130 years old, namely Fraser & Neave Holding Berhad, and the youngest age being 1 year old, namely Cliq Energy Berhad. Of the 167 samples, only 77 companies, or 46.11% were audited by KAP Big 4, while the remaining 90 companies, or 54% were audited by KAP Big 4.

### Comparative Test T-test

This test aims to compare environmental disclosures between Indonesian and Malaysian manufacturing companies.

**Tabel 3**  
**Independent Samples Test**

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	2.323	.129	-2.596	247	.010
Equal variances not assumed			-2.522	149.541	.013

Hypothesis 1: There are differences in environmental disclosure in the annual reports of manufacturing companies in Indonesia and Malaysia.

Based on the independent sample test output in the table above, Levene's test F count is 2.323 with a probability of 0.129. The probability value is more than 0.05, so it has the same variance. The t-test difference test analysis must thus use the assumption of equal variance assumed. From the SPSS output, it can be seen that the t value at the equal variance assumed is -2.596 with a significant probability of 0.010 (two tails). Based on the decision-making criteria, the value is less than 0.05, so the decision that can be taken is that H<sub>0</sub> is rejected or has a different variant. So it can be concluded that the average environmental disclosure between



Indonesian and Malaysian manufacturing companies is significantly different, so Hypothesis 1 is accepted.

### Regression Analysis

The results of regression analysis for the combined sample of Indonesia and Malaysia can be seen in the following table:

**Tabel 4**  
**Multiple Regression (Indonesia & Malaysia)**

Variable	Coefficient	T	Sig.
Constant	-0.066	0.1236	0.218
AGE	0.031	2.246	0.026*
KAP	0.085	5.284	0.000*
SIZE	0.007	3.714	0.000*
PROF	0.000	-0.189	0.850
LIK	0.000	-0.405	0.686
R Square	0.174		
Adj. R <sup>2</sup>	0.164		
F	17.207		
Sig.	0.000		

This multiple regression test is performed using the backward method. Based on table 4. Adjusted R2 shows a value of 0.164. This value explains that 16.4% of the variation in environmental disclosure can be explained by the five independent variables AGE, KAP, SIZE, PROF, and LIK. The remaining 83.6% is explained by other causes outside the model. The calculated F value in the table shows the number 17.207 with a probability of 0.000. The F value is greater than 4 and the probability value is less than 0.05, so the regression model has a good level (good overall model fit) and can be used to predict environmental disclosure.

The table above shows that good predictors of environmental disclosure are company size, company age, and KAP size. Company size has a regression coefficient value of 0.007 with a significance level of 0.000 (<0.05). These results indicate that size has a significant positive effect on environmental disclosure. The regression coefficient value of the AGE variable is 0.031, with a significant probability of 0.026. These results indicate that firm age has a significant positive effect on environmental disclosure (level 5%). The regression coefficient value of KAP size is 0.085, with a significant probability of 0.000. This value means that the size of KAP has a significant positive effect on environmental disclosure (level 5%). The conclusions that can be drawn from the results previously described are that H2, H5, and H6 are accepted.

Other variables which are statistically insignificant are profitability with a significance value of 0.850 and liquidity with a significance value of 0.686. Profitability and liquidity do not have a significant effect because the significance value is more than 0.05.

The results of the regression analysis for the Indonesian sample can be seen in the following table:

**Tabel 5**  
**Regression Analysis (Indonesia)**

Variable	Coefficient	t	Sig.
Constant	-0.399	0.1864	0.066
KAP	0.069	2.055	0.043*
SIZE	0.028	2.664	0.009*
PROF	-0.001	-0.753	0.454
LIK	0.000	-0.660	0.511
AGE	0.024	0.751	0.455
R Square	0.241		
Adj. R <sup>2</sup>	0.22		
F	12.558		
Sig.	0.000		

The significance probability values for each variable are KAP = 0.043, SIZE = 0.009, PROF = 0.454, LIK = 0.511, and AGE = 0.455. Firm size and KAP size have a significant positive effect on environmental disclosure (level 5%). Other variables, namely profitability, liquidity, and company age do not have a significant effect on environmental disclosure.

There is a difference with the results of the multiple regression analysis for the combined data of Indonesia and Malaysia, where the age of the company in Indonesia does not affect environmental disclosure. Environmental disclosure by manufacturing companies in Indonesia is more influenced by company size and KAP size. The background of Indonesia's economic conditions is one of the reasons because, with a high level of assets and the status of Big 4 KAP, the company gets more attention from stakeholders. This more attention has encouraged companies to carry out environmentally responsible activities and disclose them in their annual reports. These results are in line with research conducted by Alsaeed (2006), Shamil, Shaikh, Ho, and Krishnan (2014), Haniffa and Cooke (2002), and Elijido-Ten (2007) who found that age does not affect disclosure practices.

The results of the regression analysis for the Malaysian sample can be seen in the following table

**Tabel 6**  
**Regression Analysis (Malaysia)**

Variable	Coefficient	t	Sig.
Constant	-0.237	0.2371	0.019
KAP	0.045	2.309	0.022*
SIZE	0.026	3.452	0.001*
PROF	0.008	1.581	0.116
LIK	0.002	0.952	0.342
AGE	0.015	1.191	0.236
R Square	0.150		
Adj. R <sup>2</sup>	0.124		
F	5.698		
Sig.	0.000		

The resulting significance probability values for each variable are KAP = 0.022, SIZE = 0.001, PROF = 0.116, LIK = 0.342, and AGE = 0.236. Of the five variables, only SIZE and KAP have a significant positive effect on environmental disclosure (level 5%). Other variables, namely profitability, liquidity, and company age do not have a significant effect on environmental disclosure.

The age of the company also has no effect on environmental disclosure by manufacturing companies in Malaysia. The status of the Malaysian economy which is at a developing economic level has made the level of assets owned by the company received higher attention compared to the age of the company. The size of the public accounting firm and the number of assets owned by the company increase the company's motivation to be accountable for their company's operations in the form of environmental responsibility activities. These results are also in line with the results of research conducted by Dilling (2011).

Based on the analysis that has been done, there are differences in environmental disclosures in the annual reports between Indonesian and Malaysian manufacturing companies. One of the reasons for this result is the regulations in each country. Both Indonesia and Malaysia do not yet have mandatory guidelines for how environmental information should be disclosed so that practices for disclosing environmental responsibility can vary. This result is in line with the research of Kolk et al. (2001) who found that the sector and country of origin of the company were factors in the occurrence of differences in environmental reporting between companies.

Company size has a significant positive effect on environmental disclosure. The underlying reason is that assets play an important role in a company, especially companies engaged in the manufacturing industry because they will be used in the company's operations. A high number of assets illustrates that the company has more activity, thus getting more public attention. Pressure from the public and the environment encourages large companies to carry out environmental responsibility and present their disclosures. These results are in line with the research of Said et al. (2013), Pahuja (2009), Alsaeed (2006), Maulana and Yuyetta (2014), Purwanto (2011), and Nurkhin (2010).

Profitability does not affect environmental disclosure. A company that has good profitability does not mean that it invests this ability in activities that contribute to environmental protection. The profit they earn is used for other activities related to the operation of the company's business because the company gets demands from shareholders to maximize profits. This result is contrary to research conducted by Pahuja (2009), Said (2014), Nurkhin (2010), Nasir et al. (2014), as well as Mutia et al. (2011) who found that profitability has a positive relationship with environmental disclosure.

Liquidity does not affect environmental disclosure. Companies with high levels of liquidity receive demands from their shareholders to maximize company profits. The implementation of social and environmental responsibility activities is considered to increase the burden and reduce the profit that will be received by shareholders. These results are in line with research conducted by Wallace et al. (1994), Alsaeed (2006), Yahya et al. (2007), Kamil and Herusetya (2012), and Nasir et al. (2014) who found that liquidity does not affect environmental disclosures.

KAP size has a significant positive effect on environmental disclosure. The majority of large companies are audited by KAP Big 4, where large companies on the other hand also get a lot of attention from stakeholders. The status of Big 4 KAP can encourage companies to disclose more information in their annual reports because later they will get recognition from the KAP. This acknowledgment is used as a form of proof of the company's responsibility to its stakeholders. These results are in line with research conducted by Camfferman and Cooke (2002) and Raffournier (1995) where the size of KAP affects environmental disclosure.

Company age has a significant positive effect on environmental disclosure. Companies that have been established for a long time continue to develop the quality of their information disclosure to keep up with developments in the industry from year to year. These results are in line with research conducted by Dilling (2011), which found that awareness of social responsibility increases with the increasing age of the company.

## CONCLUSIONS

### Conclusions

Based on the research results, the following conclusions can be made. The average level of environmental disclosure in the annual reports of Indonesian and Malaysian manufacturing companies was 21.42% and 16.81%, respectively. The two countries both show that the attention of business actors in the manufacturing industry is still very low. This result shows that environmental disclosure in both Indonesia and Malaysia is still general and tends to be self-laudatory.

The results of the  $t$ -test difference prove that there are differences in environmental disclosure between Indonesia and Malaysia.

Based on the results of multiple regression analysis on the combined sample, it shows that of the five independent variables used in this study, only size, size of KAP, and firm age is proven to have a significant positive effect on environmental disclosure. Other independent variables such as profitability and liquidity have no effect on environmental disclosure in both countries.

### Limitations

Some of the limitations experienced by the author in this research are as follows. The scoring of items related to environmental responsibility disclosed by the company is influenced by the subjectivity of the researcher. We have not taken into account other variables that may affect the disclosure environment. This study only covers one year and is limited to annual reports only.

### Suggestions

Some suggestions that the author can provide for further research are as follows. Extend the scope of the characteristics of other companies to test their effects on environmental disclosure. Broaden the scope of research that examines not only environmental disclosure but also other aspects of social responsibility. Extending the observation period into a longitudinal study to provide a better understanding of environmental disclosure patterns. Expanding data sources in the form of press releases, stand-alone reports, websites, and other documents. Researching to compare with other countries, thus adding a source of reference on the practice of social and environmental responsibility disclosure in various countries.

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