

FIRM REPUTATION AND EXTENT OF WASTE DISCLOSURE

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ABSTRACT

Waste disclosure represents a crucial aspect of corporate social responsibility, serving to ensure transparency and meet stakeholder expectations. This study aims to analyze the effect of Firm Reputation on the Extent of Waste Disclosure among publicly listed companies in Indonesia. A quantitative approach was employed using Two-Stage Least Squares (2SLS) regression analysis, with secondary data obtained from annual and sustainability reports of companies listed on the Indonesia Stock Exchange. The findings indicate that firms with strong reputations tend to disclose waste-related information more extensively as a strategy to maintain legitimacy in the public eye and to enhance firm value. These results imply that a positive reputation serves as a key driver of environmental transparency.

Keywords: Firm Reputation, Extent of Waste Disclosure, Legitimacy Theory

INTRODUCTION

Indonesia faces serious challenges related to environmental pollution, particularly due to hazardous and toxic waste (B3) generated by the industrial sector. Greenpeace Indonesia has identified river pollution caused by hazardous chemicals as a major environmental issue, with severe impacts on aquatic ecosystems and public health (Ashov, 2018). The problem is exacerbated by the high contribution of industrial sectors to B3 waste generation, where during the COVID-19 pandemic (2020–2023), industrial waste production reached approximately 200 million tons, a figure significantly higher than in previous years (Imami & Rahmah, 2022).

The COVID-19 pandemic in Indonesia officially began in 2020, following Presidential Decree No. 12 of 2020, which designated it as a national non-natural disaster, and concluded in 2023 with Presidential Decree No. 17 of 2023. Despite restrictions on community activities, industrial operations continued relatively normally, resulting in increased waste production. This condition underscores the urgency of effective and transparent waste management practices.

Elkington's (1997) Triple Bottom Line concept emphasizes that corporate sustainability is not only measured by profitability but also by contributions to environmental preservation (planet) and community welfare (people). This principle has been adopted into several national policies, including Law No. 40 of 2007 on Corporate Social and Environmental Responsibility, the Financial Services Authority (OJK) Regulation No. 51/POJK.03/2017 on Sustainable Finance, and the Public Disclosure Program for Environmental Compliance (PROPER), which assesses corporate environmental performance through a color-coded ranking system. Furthermore, the Global Reporting Initiative (GRI) 306 (2020) establishes waste management disclosure standards, requiring firms to report on impacts, management strategies, and waste processing outcomes (Putri & Davianti, 2022).

Within the framework of legitimacy theory, firms strive to maintain social legitimacy by aligning their actions and disclosures with societal norms and expectations