

5. CONCLUSION, RECOMMENDATIONS AND LIMITATIONS

5.1 Conclusion

This study aims to investigate the association between ownership structure, environmental disclosure, profitability and firm value. Moreover, an examination is done thoroughly to prove the mediating role of environmental disclosure between the correlation of ownership structure and profitability. Environmental disclosure is measured using EDI index based on the GRI 4.0 guideline. Accounting-based measures (ROA and ROE) and market-based measures (Tobin's Q) are used as the proxies of financial performance, profitability and firm value respectively. In addition, the ownership structure is gained from the annual report information.

Research is then conducted by analyzing Indonesian enterprises in manufacturing sector between 2016 until 2018. All of these organizations are listed in Indonesian Stock Exchange and they published complete annual reports continuously. Accordingly, data and information are gathered from Bloomberg, companies' official website, www.idx.com, and other reliable websites like Ministry of Environment official website. Eventually, final samples used in this study is 93 firm-year that meets all criteria. With the help of WarpPLS software, the result from conducting PLS analysis is as follows:

1. Ownership structure is proven to be significantly associated with environmental disclosure, profitability and firm value. This result suggests that ownership structure involvement could create improvement in environmental disclosure and firm value value, proven by the positive association with EDI index and Tobin's Q ratio. This supposedly answers and clarifies the agency theory as well as the debate between experts and researchers on the impact of ownership structure engagement to firm value of enterprises.
2. Environmental disclosure demonstrates a highly significant correlation with profitability and firm value. As presented by the result, by disclosing more information in environmental activities, firm's competitive advantage could be maximized and highlighted. Thereupon, environmental disclosure serves

as a tool for the management team to give positive signal towards the shareholders and potential investors. Consequently, lowering risk may add value to investors who have the tendency to be risk adverse.

3. Firm's profitability showed a significant impact to influence the firm value of enterprises. The significant result indicates that in investment decision, Indonesia capital market participant still pay attention to profitability even though other factor also matters, such as voluntary disclosure information.

5.2 Suggestion

Addressed to organizations, managers, shareholders and stakeholders, there are several suggestions derived from this study:

1. Ownership structure proves to have significant effect both towards the management decision to disclose company' environmental information to the public and the company' firm value. It will be beneficial if the company can disclose more information regarding the ownership structure in their annual report so the reader can gain better knowledge of how shareholders take part in the company decision making result.
2. Proven by the association of environmental disclosure policies with improvement in firm's performance and reduction in firm's risk, entities must be highly aware of the impact brought by engaging in environmental activities. Firms' goal must not just to increase profits, but organizations should also focus on how they make them. Relationship with stakeholder plays a critical role in the improvement of overall business. Thereupon, managing stakeholder must be done effectively to anticipate any risks, especially by increasing strategic understanding of environmental issues.
3. Due to the benefit obtained by conducting good environmental disclosure practices, natural resources companies must not only do environmental disclosure as required by the government regulation, but they should go beyond that by continuously contribute to society's welfare and disclose information regarding good responsibility activities other than environmental aspect such as social and employee. This enables an improvement in the awareness of external stakeholders such as investors.

Investors may immediately and easily access and notice the information, which help them to consider investments in those companies. In that way, organizations could enhance the value of their reports and the knowledge of investors and other stakeholders.

4. As environmental disclosure is proved to have direct and indirect impact towards organizations' financial performance in profitability and firm value, managers as key players of companies should actively engage in environmental activities. It is suggested that environmental activities could be utilized as investment and core business strategies in order to sustain a firm's competitive business advantage. Moreover, by conducting good environmental practices, risk could be reduced which lead to enhancement in company's future value. Consequently, environmental disclosure could also be deemed as an effective tool to manage risk of entities operating in natural resources field.

5.3 Research Limitations

Below are some limitations that could affect this research study, which could hopefully be a reference for studies in the future:

1. This study only examines the correlation of ownership structure, environmental disclosure, profitability and firm value in listed companies that run their business operation in manufacturing field. Results from the research does not particularly reflect all firms in Indonesia Stock Exchange. In consequence, different results may be obtained when different sample of companies in other sectors is used. Further studies may then examine other sectors and compare one to another.
2. Due to software limitation, the managerial ownership indicator cannot be included in the test. However, all the samples used in this research has the managerial ownership portion. Other than institutional, managerial and public ownership future research may add more indicator in the ownership structure variable such as foreign ownership and government ownership to give broaden understanding regarding the ownership structure effect.

3. Moreover, due to regulations imposed by the government, manufacturing companies in Indonesia are obliged to conduct social and environmental responsibilities and disclose the activities publicly. Future research may then examine the comparison of companies who are legally required to do environment disclosure with those organizations that have free decisions to behave socially responsible or disclose their environment-related policies and activities to the public, whether in the same or different countries.
4. The proxy used for EDI measurement is based on GRI index adopted from US model. In this way, some dimensions may not be significantly relevant and available for Indonesian organizations. Due to this, there is still information not captured in the assessment. Besides that, the final score of environmental disclosure measurement may be subject to author's judgement and subjectivity.

The information and data used for the purpose of this study are limited to publicly available data. It is sourced from data in annual reports, sustainability reports, Bloomberg, IDX website, Indonesian statistics organization (Badan Pusat Statistik) and other reliable news websites. As a consequence, information not disclosed in other sources might have another effect towards the relationship of ownership structure, environmental disclosure, profitability and firm value. Likewise, as the environmental disclosure is measured using GRI standard strengths and concerns issue areas, the perspective and score given by the author may be limited to the public information available.