THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY REPORTING AND ENVIRONMENTAL EXPENDITURES ON FINANCIAL PERFORMANCE

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Abstract

Background: The influence of Corporate Social Responsibility (CSR) disclosure and environmental cost management on corporate financial performance has received greater attention in recent years. CSR has the ability to enhance corporate reputation, while effective environmental cost management is thought to improve corporate financial sustainability. However, the extent to which these two factors influence financial performance remains a question. Consequently, this study aims to complement the existing literature on relationship analysis.

Objective: This study aims to analyse the effect of CSR Disclosure and Environmental Costs on the company's Financial Performance.

Research Methods: This research employed a quantitative approach, utilising regression analysis to evaluate the impact of Corporate Social Responsibility disclosure and environmental cost management on corporate financial performance in healthcare industry sector companies.

Research Results: This study found that CSR disclosure and environmental cost management significantly affect corporate financial performance, enhancing reputation and financial sustainability.

Originality/Novelty of Research: The novelty of this study lies in the comprehensive analysis of the effect of Corporate Social Responsibility (CSR) disclosure and environmental cost management on corporate financial performance, which has not been extensively discussed in previous literature. This research provides new insights into the interaction of these two factors in the context of financial sustainability.

Keywords: Corporate Social Responsibility; Environmental Costs; Financial Performance

Introduction

In order to support economic growth in Indonesia, the success of a company is often assessed based on financial performance indicators. Often, financial performance indicators are used to assess the success of a company in promoting economic growth in Indonesia. The company's financial performance can show the company's financial condition. The ability of a company to generate profits consistently shows financial performance. Financial performance shows how well the company's management manages its resources, as well as the company's ability to generate revenue and profit (Wiraguna et al., 2023) . Companies that are able to support economic growth usually have characteristics that contribute positively to the country's economy. These factors include a focus on innovation, job creation, investment in Human Resources (HR) and infrastructure, involvement in international trade, investment in specific regions to reduce disparities, operations across multiple sectors, active collaboration with government, investment in technology, and implementation of good Corporate Social Responsibility practices (Kinasih et al., 2022) .

Financial performance is used by investors to assess operational efficiency, sustainable growth, and the company's ability to create added value. According to (Nida & Rosdiana, 2020) , Financial performance measurement is very important as a way to assess and improve operations. Ultimately, this can help the economic growth of the business. In analysing financial statements, indicators such as Return on Asset (ROA) and Return on Equity (ROE) are very important. ROA and ROE analyses show how well a company can generate profits from the assets it owns and provide a return on investment to shareholders. Stakeholders are valuable because this information helps them make decisions about investment, financing, and company policy.

One sector that has a significant environmental impact is the healthcare industry, which generates large amounts of medical waste every day (Bamakan et al., 2022) . Medical waste is an increasingly urgent issue to be dealt with effectively. Along with population growth and advances in medical technology, the volume of medical waste continues to increase, causing serious environmental and health impacts. Many healthcare industries, especially in developing countries, still face obstacles in implementing effective waste management practices. These wastes can be hazardous chemicals, infectious materials, or other medical wastes that require special handling in order not to harm the environment and surrounding communities (Shivashankarappa et al., 2024) Companies must comply with various applicable regulations when creating a sustainability report that reports on CSR activities. POJK 51 of 2017 regulates sustainability reports. Starting 1 January 2020, public companies must prepare a sustainability report. This regulation stipulates that the sustainability report must cover at least eleven main topics that are described in detail in the report index, with environmental costs that must be borne by the company being the main topic. Environmental costs are expenses that must be borne by an entity due to potential environmental pollution that may occur as a result of its operational activities. These expenses include costs for prevention, monitoring, and handling of failures that occur, both inside and outside the company. According to (Riduwan, n.d.), environmental costs serve to compensate or repair the impact of environmental damage caused by company activities, both intentional and unintentional. In practice, the measurement of environmental costs often uses the environmental cost ratio, which helps assess the extent to which the company takes into account environmental aspects related to the profits obtained. (Angelina & Nursasi,

2021) emphasises that environmental cost management is not only an additional expense and profit deduction for the company, but also a form of company consistency in caring for the environment and building public trust in corporate social responsibility. They state that the allocation of environmental costs can be considered as a long-term investment that can improve the company's reputation and stakeholder trust.

Research by Harahap (2019) shows that transparent CSR disclosure can improve company reputation, strengthen investor confidence, and encourage an increase in stock value, which has a positive effect on long-term financial performance. Similar findings were also found by (Ajina et al., 2019), who stated that companies that actively disclose CSR often experience improved financial performance due to higher customer loyalty and lower reputational risk. In addition, Chumaidah & Priyadi (2018) revealed that although the direct relationship between CSR and financial performance is difficult to prove consistently, many studies show the positive impact of CSR on long-term profitability by reducing uncertainty among investors and consumers. On the other hand, in their research on environmental costs, they found that companies facing high environmental costs, especially those related to compliance with environmental regulations, may experience a decline in profits in the short term(Kinasih, Mas, et al., 2022) . However, they also found that investment in green technologies and efficient management of environmental risks can lead to long-term operating cost reductions and improved financial performance. Similar research by (Rahayudi & Apriwandi, 2023) shows that although environmental costs can initially add to the burden of the company, good environmental management can create efficiency opportunities that bring long-term benefits. This supports the theory that environmental costs, if managed wisely, can transform into opportunities to improve a company's financial performance. Companies that focus on environmental management in innovative ways, such as the use of renewable energy and environmentally friendly production processes, can actually increase their profitability. This is also supported by a study (Permatasari & Widianingsih, 2020) which shows that companies that report and manage environmental costs transparently are more trusted by investors, which can open access to cheaper sources of financing and reduce market risk. These previous studies provide a strong theoretical basis regarding the importance of CSR disclosure and environmental cost management in influencing financial performance (Ali & Kaur, 2021)

This research aims to study how CSR implementation and environmental costs impact financial performance, particularly in the healthcare industry. This is due to the fact that companies in the healthcare industry make goods and services related to health. In addition, it is revealed by (Shivashankarappa et al.,

2024) that Waste generated by the healthcare industry has the potential to endanger public health, especially because it contains viruses and bacteria from virology and microbiology laboratories that are difficult to detect. Therefore, the construction of health facilities must be accompanied by strict supervision, continuous monitoring, and special attention to the management of waste generated. The research observation period used is 2021-2023.

The novelty of this study lies in its comprehensive analysis of the impact of Corporate Social Responsibility (CSR) disclosure and environmental cost management on corporate financial performance, particularly within the healthcare industry. Previous studies have established that CSR disclosure and effective management of environmental costs can enhance corporate reputation and financial sustainability. However, the specific mechanisms through which these factors influence financial performance remain inadequately explored in the existing literature. This is particularly relevant in an era where stakeholders increasingly prioritize sustainability and ethical practices. The findings of this research indicate that both CSR disclosure and environmental cost management play crucial roles in improving financial sustainability, thus providing a theoretical foundation for further exploration of these variables in the context of corporate performance.

The originality of this study is underscored by its focus on the interaction between CSR and environmental cost management in the context of financial performance in the healthcare industry, an area that has not been extensively examined in prior research. By providing new insights into this relationship, the study contributes to a deeper understanding of how companies in the healthcare industry can strategically manage their CSR initiatives and environmental expenditures to achieve better financial outcomes.

Literature Review

Stakeholder Theory

In carrying out its operations, companies have responsibilities that involve more than just shareholders. These responsibilities also include various stakeholders. It is an approach to management and business ethics that emphasises the importance of taking into account the interests of all parties involved in or affected by an organisation's activities and decisions. Stakeholder theory is often the basis for the study of sustainability reporting. It incorporates a set of policies and practices that focus on stakeholder relationships, legal compliance, and a commitment to social respect and environmental sustainability.

One form of implementing this theory is through the implementation of Corporate Social

Responsibility (CSR). By investing in positive social and environmental initiatives and publishing sustainability reports, companies can gain the support and trust of the public. Through sustainability reports, companies show that they care about social and environmental issues that are important to society.

Environmental Costs

Companies incur environmental costs as they seek to reduce the negative impact of their operations on the environment and repair the damage caused by their activities (Asjuwita & Agustin, 2020). Environmental costs incurred by companies can be grouped into several categories that reflect the company's efforts in managing the environmental impacts of their operational activities. Environmental Prevention Costs refer to costs incurred by companies to prevent environmental damage due to waste or garbage generated during the production process. These efforts include the installation of filtration systems to reduce pollutants in wastewater, the use of more environmentally friendly raw materials, as well as the implementation of environmental education programmes for employees to make them more aware of the importance of environmental management. With these preventive measures, the company endeavours to reduce potential environmental damage before it occurs. Meanwhile, Environmental Detection Costs are costs incurred when the company conducts activities to ensure that its products, processes, and other operational activities comply with applicable environmental standards and regulations. These costs include routine inspection of the production process, air quality testing, as well as environmental audits aimed at assessing the company's level of compliance with existing regulations. Furthermore, Internal Environmental Failure Costs occur when companies have to incur costs to address environmental issues that arise during the production process. For example, the cost of dealing with hazardous chemical leaks that occur in production facilities or the cost of repairing machinery that produces excessive emissions. This cost also includes the destruction of damaged goods that do not meet the set environmental standards. Finally, External Environmental Failure Costs refer to costs incurred when companies have to address environmental impacts that occur after products or wastes are released into the environment, such as the cost to clean up an oil spill or the cost to repair a damaged ecosystem. In addition, companies must also bear the costs of penalties or fines imposed by authorities for non-compliance with environmental regulations, as well as costs associated with reputational damage that can reduce consumer and investor confidence. All these costs reflect the importance for companies to invest in sound environmental management to reduce long-term risks that may affect their financial and operational sustainability.

There are several reasons why environmental costs are so important. Firstly, it is important to comply with environmental regulations to avoid legal risks and additional costs from fines. Investing in environmental costs can also improve a company's reputation; companies that are perceived as "protectors of the environment" are often more desirable to consumers and attractive to investors with social and ethical concerns. A focus on environmentally friendly practices, such as energy efficiency and good waste management, can not only reduce long-term operating costs but also increase profitability. Global awareness of sustainability also enables companies to meet international standards and open up access to a wider global market.

Corporate Social Responsibility (CSR)

From a conceptual point of view, CSR is a method by which companies incorporate social concerns into their operational activities as well as in their relationships with stakeholders, based on the principles of volunteerism and cooperation (Hafezalkotob et al., 2023) According to (Wilson, 2022) CSR is a company's commitment and effort to carry out its operations not only with the aim of financial profit, but also by prioritising social welfare and environmental sustainability which aims to ensure long-term corporate success and sustainability by meeting or even exceeding the expectations and needs of various stakeholders.

Environmental practices include various actions and policies taken by companies to increase their contribution to environmental sustainability and reduce negative impacts on the environment. Through the implementation of CSR, companies are expected to help overcome environmental problems that exist in society. CSR is not only about spending funds, but also about having a positive impact on both the internal company and the surrounding environment, as well as contributing to sustainable development (Wahyuningtyas, 2020) The importance of CSR to be implemented by every company shows the need for the government's role in ensuring that every company carries out CSR properly and responsibly.

The sustainability report is a physical form of CSR disclosure. According to (Nida & Rosdiana, 2020) CSR disclosure is a communication process regarding the company's economic impact on the community or society in general. They distinguish two types of CSR disclosures, namely mandatory ones in accordance with applicable regulations, and voluntary ones. (Liu & Wu, 2023) suggest that voluntary disclosures tend to focus more on positive information to build a good reputation. Since the beginning of 2020, POJK 51 changed the status of preparing sustainability reports for public companies from voluntary to mandatory. This regulation also stipulates that sustainability reports must cover a minimum of 11 main topics which are described in detail in predetermined indices (Aji & Castek, 2021) revealed that POJK 51 can be used as a technical guideline to measure CSR disclosure, assisting companies in compiling their sustainability reports.

Financial Performance

A company's financial performance can be measured and assessed using various financial ratios, which include profitability, liquidity, solvency, and activity ratios. These ratios are used to assess how well the company's business activities are carried out and how successful the company is in generating profits from its business activities. Financial performance reflected in profit is an indicator of the company's success from a financial perspective. With this indicator, the company can conduct a review and evaluation, see future prospects, and maintain its sustainability. Financial performance also determines the survival of the company, because business processes require financial support. The analysis of a company's financial performance is carried out for several main purposes, including identifying information that relates significantly to the achievement of company goals, the level of profitability, operational efficiency, and the level of risk. In addition, financial performance helps companies compare themselves with competitors in the same industry, allowing them to determine their position and areas for improvement.

The Effect of Corporate Social Responsibility Disclosure on Financial Performance

Sustainability reports are one of the considerations for potential investors before deciding to invest in a company. This report includes information about the company's achievements in the economic, environmental and social fields for a certain year. Corporate Social Responsibility (CSR) is part of the sustainability report. In reporting CSR activities, companies refer to several existing regulations. One of the regulations related to sustainability reports is POJK 51 of 2017, which states that starting January 1, 2020, public companies are required to prepare sustainability reports. This changes the nature of the sustainability report from voluntary to mandatory.

CSR disclosure means providing all information related to the company's CSR activities. A sustainability report is important because it provides information about the company's performance and shows that the company is responsible to its stakeholders. In addition, sustainability reports help companies comply with regulations and fulfill stakeholder demands. According to (Kinasih, Mas'ud, et al., 2022) investors tend to be more interested in investing their funds in companies that have good CSR disclosures. A fully disclosed CSR report is an additional point for the company to attract investors, because the company is considered to care about sustainable business processes and improve the company's image when the report is read by the public, which in turn will have a positive impact on the company's financial performance.

Various studies have shown that Corporate Social Responsibility (CSR) disclosure acts as an important factor in improving the company's financial performance. (Pramudya & Musyarofah, 2023) found that CSR functions as an intervening variable that connects environmental performance and foreign ownership to the financial performance of companies on the IDX, in line with the findings of (Wardhani, 2021) which emphasize that transparency in CSR disclosure can increase investor confidence and support financial performance, especially in the food and beverage sector. In the manufacturing industry, (Kristari & Teruna, 2022) and (Selumbung & Sanjaya, 2023) show that CSR disclosure and carbon emissions have a positive effect on financial performance, with environmental uncertainty as a moderating factor. Globally, (Ahamed et al., 2014) and (Dinatha, 2023) found a positive relationship between CSR disclosure and financial Performance in Malaysia and companies in the LQ45 index. Thus, this research hypothesis assumes that companies that are more transparent in CSR disclosure will gain more trust from investors, which in turn can improve the company's financial performance.

H1 = CSR disclosure has a positive effect on financial performance

The Effect of Environmental Costs on Financial Performance

Companies are formed with the main objective of making a profit. However, in practice, during the profit-making process, the company's operational activities can affect the surrounding environmental aspects. As a result, expenditures are needed to overcome and repair any damage or changes arising from the company's operational activities on the environment. Environmental costs refer to company expenditures aimed at avoiding environmental degradation.

This is in line with stakeholder theory which emphasizes that in carrying out operational activities, the company's responsibility is not only focused on shareholders, but also involves all stakeholders. In terms of classification, environmental costs are included in the expense account, which means these expenses can cause the company to spend more money, reduce profits, and affect financial performance. However, environmental costs can also be a way for companies to demonstrate their concern for the environment, thereby building stakeholder trust. Spending on environmental costs is a long-term investment that builds reputation and stakeholder trust, which can raise capital from investors, reduce government sanctions, and drive sales. Green practices such as energy efficiency and waste management also reduce operating costs and increase profitability. In addition, environmental cost allocation helps companies avoid legal risks and fines, making it a strategy that is not only profit-oriented, but also sustainable.

Various studies have shown that good environmental management not only fulfills social responsibility, but can also increase corporate profitability. (Ismail, 2021) revealed that companies with good environmental performance obtain a positive response from stakeholders, which increases revenue and investor confidence. This finding is supported by (Al-Naser et al., 2021) and (Arafat et al., 2012), which show that effective environmental cost management can improve financial performance. (Endiana et al., 2020) added that green accounting and environmental cost transparency strengthen the company's financial position, while (Nababan & Hasyir, 2019) found that industries with large environmental impacts, such as mining, can also benefit financially. Based on previous research, this hypothesis assumes that good environmental management will improve reputation, investor confidence, and reduce operational costs, thus having a positive impact on the company's financial performance.

H2 = Environmental costs have a positive effect on financial performance

Research Methods

The philosophy of positivism is the foundation of the quantitative approach used in this research; the aim of the research is to describe and test a predetermined hypothesis. Because it fulfils scientific principles such as objectivity, measurability, rationality, empiricism, systematicity, and repeatability, this method is considered scientific. This research uses numbers that have been statistically analysed (Sugiyono, 2018) Secondary data from financial reports, sustainability reports, and/or annual reports of companies listed on the Indonesia Stock Exchange (IDX) in 2021-2023 are the source of research data. In this study, the sample criteria were selected using purposive sampling technique including health industry sector companies listed on the IDX from 2021-2023, which published financial reports, sustainability reports, and/or annual reports consecutively, and which used POJK 51 in preparing sustainability reports in 2021-2023. Regression analysis used in this study as a method to analyse the relationship between the independent variable and the dependent variable. The multiple linear regression analysis method is applied to explore the correlation between one dependent variable and two or more independent variables. The measurements for the variables in this study are as follows: (1) Financial Performance: Return on Assets (ROA) is utilized as an indicator for measuring financial performance. ROA assesses the efficiency with which a company's total assets are employed to generate profits. It is posited that ROA serves as a readily comprehensible metric and constitutes a comprehensive indicator. Researchers opt for ROA due to its representativeness in evaluating a company's financial performance by examining the effectiveness with which the organization generates profits from its total assets. In the context of financial analysis, ROA is calculated by dividing net income by total assets, thereby providing insight into how well a company is utilizing its assets to achieve profitability. This ratio is particularly valuable for stakeholders, including investors and management, as it reflects the operational efficiency of the firm. A higher ROA indicates a more effective use of assets, suggesting that the company is capable of generating more income per unit of asset employed. (2) CSR: The variable Corporate Social Responsibility (CSR) is measured using the guidelines established by the Financial Services Authority Regulation Number 51 (POJK 51). According to this regulation, sustainability reports must encompass a minimum of eleven principal topics, accompanied by fifty explanatory indicators. The assessment process involves assigning a score of 1 to each disclosed indicator and a score of 0 to those that are not disclosed. The cumulative score is subsequently totalled and divided by the total number of indicators, which is fifty. The researcher employs POJK 51 as a framework for evaluating CSR disclosures within corporate sustainability reports, as this regulation has been mandatory for publicly listed companies since the year 2020. (3) Environmental Cost: Environmental costs are proxied by comparing the amount of expenditure incurred by the company for environmental purposes with the net profit of the company after tax deductions. This ratio reflects the extent of financial resources allocated by the company towards environmental initiatives, thereby serving as a proxy for measuring environmental costs within the context of this research.

The measurement of the variable shown as in the Table 1 below:

Table 1. Measurement of The Variables

No	Variable	Measurement
1	Financial Performance	ROA = $\frac{Net\ Income}{Total\ asset}$
2	CSR	CSR Disclosure = $\frac{Total\ item\ indicator\ disclosed}{Total\ item\ indicator}$
3	Environmental Cost	Environmental Cost = $\frac{Total\ cost\ for\ Environmental\ purpose}{net\ profit\ after\ tax}$

The estimation model used in this study is as follows:

$KKit = \alpha + \beta 1CSRit + \beta 2BLit + eit$

Description:

$KKit$ = Financial Performance
α = Constant value
$CSRit$ = Corporate Social Responsibility Disclosure
$BLit$ = Environmental Cost
$\beta 1 - \beta 2$ = Regression coefficient
e = Residual error (error)
i = The i-th entity
t = The i-th period

Results and Discussion

Descriptive Statistical Analysis Results

Table 2. Descriptive Statistics

Variable	N	Mean	Minimum	Maximum	Std. Deviation
FPE	81	0,251	-0,949	4,257	0,617
CSRD	81	0,884	0,240	1,000	0,158
ENCO	81	0,091	-2,993	5,860	0,764

Source: Data Analysis (2024)

Descriptive statistical analysis shows different characteristics of each variable. The Financial Performance (FPE) variable has an average of 0.251, with a minimum value of -0.949 and a maximum of 4.257, and a standard deviation of 0.617. This indicates that there is considerable variation in the level of CSR disclosure between companies, with some having very low or even negative disclosure, while others show very high disclosure. For the CSR Disclosure (CSRD), the mean was recorded at 0.884 with a minimum value of 0.240, a maximum of 1.000, and a standard deviation of 0.158. These values indicate that environmental cost expenditure by companies tends to be consistent, with the majority of companies allocating relatively close to 100% expenditure. Meanwhile, the Environmental Cost (ENCO) variable has an average of 0.091, with a minimum value of -2.993, a maximum of 5.860, and a standard deviation of 0.764. The large variation in financial performance indicates that there are companies that experience significant losses, while others show excellent performance.

Table 3. Model selection test

Chow Test	**Haussman Test**	**Lagrange Test**	**Selected Model**
0,043	0,019	-	FEM

Source: Data Analysis (2024)

From Table 2 above, the best model for this research model is the Fixed Effect Model (FEM), this is because the value in the Chow Test and Hausmann Test is <0.05. Since the selected model in this study is FEM, the researchers continued with the classical assumption test, namely: Normality Test, Heteroscedasticity Test, and Multicollinearity Test.

Table 4. Normality Test

Jarque-Bera	18.391
Probability	0.069

Source: Data Analysis (2024)

To test the normality in this study, researchers used the Jarque-Bera test. From the normality test results in Table 3 above, the Prob value is 0.069> 0.05, so it can be said that the data in this study are normal.

Table 5. Multicollinearity Test

	POJK	BLKG
CSRD	1.000	0.119
ENCO	0.119	1.000

Source: Data Analysis (2024)

Based on the results in Table 4 above, none of the correlation values in all variables are above 0.65, so it can be said that this study is free from multicollinearity.

Table 6. Heteroscedasticity Test

F-statistic	21.323
Obs*R-squared	47.550
Prob	0.072

Source: Data Analysis (2024)

For the heteroscedasticity test this study uses the White Test. The results of the heteroscedasticity Test can be seen in Table 5 above. Based on the data results above, the Probability value is 0.072> 0.05, this proves that the data in this study does not have Heteroscedasticity symptoms. The t-test results show that CSRD has a coefficient of 0.078 with a t-value of 3.534 and a p-value of 0.001. Because the p-value is smaller than 0.05, it can be concluded that CSRD has a positive and significant effect on FPE. In addition, ENCO is also proven to have a positive and significant effect on Financial Performance, with a coefficient of 0.180, a t-value of 7.206, and a p-value of 0.000, all of which are smaller than 0.05.

Table 7. Hypothesis Test

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	0,078	0,022	3,534	0,001
CSRD	0,180	0,025	7,206	0,000
ENCO	0,034	0,008	4,568	0,000
R-squared	0,795			
Adjusted R-squared	0,643			

Source: Data Analysis (2024)

The R-squared value of 79.5% indicates that this research model can explain almost 80% of the variation in Financial Performance, while the rest is influenced by other factors not observed in this model. Overall, these results reinforce the conclusion that both CSR Disclosure and Environmental Costs have a significant positive impact on Financial Performance, both separately and together.

Discussion

The Effect of Corporate Social Responsibility Disclosure on Financial Performance

The results showed that Corporate Social Responsibility (CSR) Disclosure has a positive and significant influence on Financial Performance. Companies that transparently disclose CSR policies and activities tend to have a better reputation and image in the eyes of investors and consumers. Transparency in CSR disclosure increases investor confidence and consumer loyalty, which in turn encourages higher stock demand and has a positive impact on stock prices and financial performance. In addition, good CSR disclosure helps companies meet regulatory requirements and reduce legal risks that may arise from lack of compliance with social and environmental standards.

This study is in line with Harahap (2019) who found that transparent CSR disclosure can improve corporate reputation and stock value in the long run. This result is also consistent with (Ajina et al., 2019) which shows that companies that actively disclose CSR activities experience increased customer loyalty and decreased reputational risk. In the global context, research by (Ahamed et al., 2014) and (Dinatha, 2023) also found a positive relationship between CSR disclosure and financial performance. In addition, this finding is supported by (Kristari & Teruna, 2022) and (Selumbung & Sanjaya, 2023) which show that CSR disclosure and carbon emissions have a positive effect on financial performance, especially in the manufacturing industry. It is relevant in the healthcare industry which is the focus of this study, as companies in this sector are often faced with high reputational risks related to the environmental impact of medical waste. Thus, transparency in CSR disclosure not only enhances the positive image of the company, but also helps in managing legal and reputational risks.

Theoretically, the results of this study are consistent with Stakeholder Theory, which emphasizes the importance of considering the interests of all parties related to the company's operations, including investors, consumers, communities, and governments. In this context, CSR disclosure serves as a communication tool that shows that the company is socially responsible and ethical in conducting its business. By considering the interests of stakeholders through transparent CSR disclosure, companies can build a positive image and gain greater trust from investors and consumers. More than just regulatory compliance, CSR disclosure also serves as an effective business strategy in building competitive advantage. In an era where consumers are increasingly concerned about social and environmental issues, companies that actively disclose CSR have a strong competitive advantage in the face of global competition. Thus, CSR disclosure is not only seen as a regulatory obligation, but also as a strategic investment in long-term business sustainability that has a positive impact on financial performance and corporate image. Overall, the results of this study indicate that CSR disclosure not only has an impact on improving corporate image, but also contributes significantly to sustainable financial performance. In an increasingly transparent and competitive modern business, companies that actively disclose CSR have a strong competitive advantage in the face of global consumer demands and investors who are increasingly concerned about social and environmental issues.

The Effect of Environmental Costs on Financial Performance

The results of this study indicate that environmental costs have a positive influence on the financial performance of companies in the healthcare industry. This industry has a significant environmental impact, especially in the production of medical waste that is harmful to the environment and public health if not managed properly. Medical waste such as toxic chemicals, disposable medical devices, and pharmaceutical residues require strict management to prevent pollution and ensure compliance with environmental regulations. Hospitals, pharmaceutical companies and other healthcare facilities therefore need to allocate environmental costs to ensure sustainable operations and avoid legal sanctions.

While spending on medical waste management may increase operating costs in the short term, in the long term it provides various strategic benefits. Companies that implement efficient waste treatment systems, green technology, and energy efficiency can reduce production costs, avoid legal risks, and strengthen their reputation with the public and investors. In addition, sustainability strategies also enable companies in the healthcare industry to increase competitiveness in a market that increasingly demands green business practices. With increasing global awareness of environmental issues, many hospitals and pharmaceutical companies have begun to implement more sophisticated waste management systems, such as medical waste recycling technology and renewable energy utilization, to improve their operational efficiency.

In addition, companies in the healthcare sector that transparently disclose their environmental costs and sustainability commitments are also more attractive to investors. Investors are now increasingly considering Environmental, Social, and Governance (ESG) aspects in their investment decision-making, so companies with strong environmental policies have greater access to funding at lower costs. Thus, environmental cost management is not only a tool for regulatory compliance, but also a business strategy that can improve financial stability and strengthen relationships with stakeholders, including patients, medical personnel, business partners, and regulators.

The findings of this study are reinforced by various previous studies. Harahap (2019) showed that transparency in environmental cost management increases investor confidence and strengthens the financial position of companies in the healthcare sector. (Ajina et al., 2019) confirmed that pharmaceutical companies that implement sustainability policies have higher customer loyalty because consumers are increasingly aware of the environmental impact of the health products they consume. (Kinasih et al., 2022) and (Rahayudi & Apriwandi, 2023) found that although environmental costs can be a burden in the short term, in the long term effective medical waste management can improve operational efficiency and company profitability.

From a Stakeholder Theory perspective, the results of this study also confirm that companies in the healthcare industry have a greater responsibility to the environment and society. Patients, medical personnel, regulators, and the surrounding community have a direct interest in how companies manage their environmental impacts. (Ali & Kaur, 2021) found that hospitals and pharmaceutical companies that apply sustainability principles are more attractive to investors who apply ESG standards. In addition, (Arafat et al., 2012) and (Endiana et al., 2020) show that the application of green accounting and transparency in managing environmental costs can improve the financial stability of companies and strengthen competitiveness in the global market.

In the healthcare industry, which has a large environmental impact, research (Nababan & Hasyir, 2019) shows that hospitals and pharmaceutical companies that implement effective waste management systems tend to have better financial stability than companies that do not pay attention to sustainability aspects. With the increasing global awareness of environmental issues in the healthcare sector, companies committed to sustainable practices will be more trusted by patients, business partners and regulators, as well as more easily access financing at lower costs. In addition to financial and operational benefits, good environmental management can also strengthen a company's relationship with regulators. With increasingly stringent regulations on medical and pharmaceutical waste, companies that have already implemented sustainability standards will find it easier to adapt to changing regulations. This reduces the likelihood of the company facing sanctions or fines that can be detrimental to the company's finances and image in the public eye.

Thus, the results of this study further confirm that environmental costs in the healthcare industry are not just a regulatory obligation, but also a strategic investment that can improve the competitiveness of companies. While environmental costs can be a burden in the short term, the long-term benefits are far greater in terms of improved operational efficiency, strengthened reputation, and attractiveness to investors and customers. Therefore, companies in the healthcare sector that proactively manage environmental issues will be better prepared to face regulatory changes, operational challenges, and market dynamics that increasingly demand sustainable business practices.

Conclusion

The results of the hypothesis testing indicate a significant positive relationship between Corporate Social Responsibility (CSR) disclosure, environmental cost management, and corporate financial performance. Specifically, the findings suggest that companies that actively engage in transparent CSR reporting and effectively manage their environmental expenditures tend to experience enhanced financial outcomes. It indicates that companies that are transparent in reporting their social and environmental activities can strengthen their financial position. From the result it is also indicates that companies that manage environmental issues well can achieve operational efficiency and reduce long-term risks associated with legal or reputational issues. The statistical analysis confirms that both CSR disclosure and environmental cost management are critical determinants of financial performance, particularly within the healthcare sector.

The findings of this research have significant implications for the healthcare industry, particularly in the context of Corporate Social Responsibility (CSR) and environmental cost management. As the study demonstrates, there is a substantial positive relationship between CSR disclosure, environmental cost management, and corporate financial performance. This suggests that healthcare companies that prioritize transparency in their CSR activities and effectively manage their environmental costs are likely to experience enhanced financial outcomes.

One of the primary implications is that healthcare organizations can leverage CSR initiatives to build a stronger corporate reputation. As noted in previous studies, companies that are perceived as socially responsible are more trusted by investors and consumers alike, which can lead to increased customer loyalty and market share Consequently, healthcare companies that actively engage in CSR and manage their environmental costs effectively may find themselves in a more favorable position to attract investment and reduce operational costs, ultimately leading to improved financial performance.

Moreover, the findings underscore the importance of integrating CSR and environmental management strategies into the core business operations of healthcare organizations. By doing so, companies can not only comply with regulatory requirements but also differentiate themselves in a competitive market. The emphasis on sustainability and ethical practices is increasingly becoming a criterion for consumers when choosing healthcare providers. Therefore, organizations that fail to adopt these practices may risk losing market relevance and competitive advantage.

In summary, the implications of this research highlight the necessity for healthcare companies to prioritize CSR disclosure and environmental cost management as integral components of their business strategies. By doing so, they can enhance their financial performance, build trust with stakeholders, and ensure long-term sustainability in an increasingly competitive and socially conscious market.

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