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POLITICAL CORRESPONDENCE AND PUBLIC PRESSURE: STUDY OF ENVIRONMENTAL AND WATER PERFORMANCE

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ABSTRACT

This study aims to examine public pressure and political correspondence on environmental and water disclosures. Specifically, based upon a panel dataset of 114 Indonesian listed firms operating in highly risk water industries (Miscellaneous Industry, Basic Industry, Consumer Goods Industry, Agriculture, and Mining) during 2017–2019, we use regression models to analyze the relationships between water disclosure based on the GRI 300 (environmental) and 303 (water) guidelines and public pressure and political-connected firms. Our empirical results show the positive influence of public pressure and environmental and water disclosure. Meanwhile, political correspondence has no bearing on water-related disclosures, implying that every firm undertakes the disclosure without regard for political ties. The digital era has changed the supervisory mechanism to be tighter so that each issuer cannot take shelter in political ties to ignore their business responsibilities. The results of this study have important policy implication, particularly regarding the commitment to water-related reporting, the amount of disclosure remains low, which could be due to a lack of demand from stakeholders or a lack of need for water reporting to provide legitimacy. This suggests that firms will enhance their water commitment using GRI standards and disclose more detailed in financial statements.

KEYWORDS: Environmental and Water Disclosure;
Political Correspondence; Public Pressure.

INTRODUCTION

Water is such a cheap and abundant resource that it is often wasted. It is recognized that the nation's economic, social and environmental prosperity depends on its ability to provide safe and clean drinking water so that many countries are concerned about protecting the environment by improving land management and addressing climate risks to maintain clean water supplies (Dadson et al., 2017).

In fact, water is becoming a major 21st century problem caused by climate change and environmental degradation. Energy and water security is quite worrying in Indonesia. Several empirical findings indicate that Indonesia is the country with the second highest level of pollution in the Asia Pacific (Lamb et al., 2018). Water crises can have an impact on economic, social, and environmental prosperity. Moreover, the water crisis is often assumed to be a government crisis (Norman et al., 2012). Therefore, the Indonesian government is prioritizing water and waste management as the main public service targets in the 21st century (Firhansyah, 2020).

The problem of clean water security is mostly caused by business activities, namely from waste disposal (Zhou, Liu, et al., 2018). Several water violation studies have been conducted in places such as Massachusetts (Benneer & Olmstead, 2008), Australia (Leong et al., 2014), as well as Arabian Gulf (Smith et al., 2007).

Disclosure of environmental information is still voluntary, unaudited, and unregulated (Caby et al., 2020; Leong et al., 2014; Mathews, 1995). However, guidelines for preparing sustainability reports such as those published by Global Reporting Initiative (GRI) often used as a reference for many companies that are concerned about environmental issues. The company considers the importance of disclosing environmental and water performance because investors and future buyers are more interested in products that are pro-environmental sustainability. This shows that business actors, markets and investors are starting to recognize physical potential, reputational risks and regulations related to environment and water (Daniel & Sojamo, 2012).

Water disclosure is still a small part of environmental disclosure in the annual report and has not been reported completely (Tahu, 2019). Therefore, not many studies have explored the issue of water disclosure so that water disclosure is classified as a new research topic (Zhou, Zhou, et al., 2018). In fact, water disclosure can improve a company's performance and reputation (Zhou, Zhou, et al., 2018). On the other hand, water-related disclosure rules are becoming more widespread, but their impact on regulated firms' conduct is unclear (Benneer & Olmstead, 2008).

Increased public and public attention to the environmental and water crisis has encouraged companies to actualize programs that are pro-environmental and water sustainability. Governments, communities, media and activists increasingly demand that companies take into account the environmental and social impacts of their business activities (Nasution & Adhariani, 2016). Public pressure can force companies to make environmental disclosures. The role of the public through the mass media can monitor environmental problems caused by business activities (Bamberg & Möser, 2007; Han & Xu, 2020; Holbert et al., 2003). On the other hand, the mass media can create positive opinions about the company's image (Paniagua & Sapena, 2014) which is affiliated with environmental and water sustainability actions (Parlour & Schatzow, 1978; Vickery et al., 2004). Disclosure of environmental performance including water disclosure is indeed a way to build a business image so that it is easy for companies to gain legitimacy from the public, investors, and consumers. So, mass

media can be used as a means of publicity and company socialization to build positive opinion and image through social activities (Kholis & Maksum, 2017).

19 Several studies related to media attention have been conducted to explain social disclosure (Lee et al., 2016; Toker, 2013) and environment (Han & Xu, 2020; Parlour & Schatzow, 1978; Vickery et al., 2004). This research tries to develop the role of the media as a reflection of public concern (pressure) in explaining environmental and water disclosures.

Politically connected firms are monitored more by the mass media than other companies (Preuss & Königsgruber, 2020). This oversight enables politically connected companies to disclose more environmental performance, including water disclosure. Companies with political affection are more closely watched by the public because of the preferential treatment from the government (Faccio, 2006) compared to non-politically affiliated companies. Politically connected companies are recognized as having easy access to government resources and receiving government protection. On the other hand, this company is the target of public scrutiny so that it will be more compliant with regulations including the tendency to disclose environmental and water activities.

Previous studies have shown that politically affiliated companies make more disclosures such as disclosing financial information (Preuss & Königsgruber, 2020), social (Huang & Zhao, 2016), sustainability (Dicko et al., 2020), as well as environmental responsibility (Zhang et al., 2019) than non-politically affiliated companies. This research is important to carry out with several considerations. First, the issue of environmental disclosure has been done a lot, but relatively few are specifically linked to water by politically connected firms (Yu, 2022). As the best for our knowledge, there were limited studies about political connection and few studies have investigated the factors of disclosure with political considered.

Second, the issue of companies with political connections is still very feasible to develop, considering that Indonesia is known as the main reference for companies with political associations (Fisman, 2001). Even though the abundance of study on environmental disclosures around the world, most of studies to yet have relied solely on Western models, with little regard for Indonesian' distinctive political and institutional characteristics. Indonesia is one of the countries that has a lot of political clout in the commercial world. In Indonesia, political links are common to defend weak property rights (Fisman, 2001). This phenomenon has been occurring in Indonesia since the time of President Soeharto. Because Indonesia's political structure is extremely centralized and stable (at least until the end of Soeharto's reign), a credible measure of political connection can be built. Following the reform period, political ties in Indonesia have grown throughout a variety of industries. It means that it is no longer solely focused on regulated business, as many people now have their own power.

Indonesia gives considerable chance to research the effects of regime changes on performance especially in environmental performance. We believe that businesses that are regulated by the state will develop more political ties. So, if they're regulated by the state, the company will hunt for ties to get around it. We examine how closely related firms affect their environmental performance. Furthermore, Indonesia has a low level of obligatory disclosure, implying that publicly firms have significant informational implications.

Although state-owned firms can enhance positive relationships with government, it can also have a negative impact on environmental disclosures. Third, environmental disclosure research often refers only to annual reports (Deegan, 2002). In fact, companies can carry out environmental publications and disclosures through various media, such as on newspaper pages, advertisements, and other social media online. This disclosure framework was chosen

by the company to compete and overcome the limitations of the financial report format. The disclosure media can describe the company's sensitivity to business and market demands. However, many rumors state the disclosure of environmental information as a symbolic act to control political positions and business motives rather than moral action (Ellimäki et al., 2019; Faisal et al., 2019; Meng et al., 2019).

There are gaps in the literature that attempt to understand environmental and water disclosure initiatives based on political correspondence and media pressure in response to legitimacy and agenda setting that could threaten the environment in Indonesia as a developing country. The problem of water scarcity is on the rise, affecting governments, businesses, and individuals in many parts of the world. There are a literature gap that environmental and water disclosure initiatives can be explained as the impact of media publications, especially regarding company performance. The company makes more environmental disclosures, including water disclosure in response to the public's (media) legitimacy of announcing environmental achievements/incidents caused by the firms' operations. This study intends to fill this gap by conducting research on public pressure and political connections to water disclosure whether symbolic or substantive. In accordance with the empirical issue above, this study asks whether political correspondence and media pressure have an effect toward environmental and water disclosure? In accordance with the formulation of the problem above, this study aims to test empirically the effect of political correspondence and media pressure on environmental and water disclosure.

This research is expected to be useful theoretically, practically, and policy. Theoretically, this research is expected to become a reference for water disclosure by companies that have political connections and are subject to public pressure. In practical terms, this research is expected to be of benefit to companies regarding the importance of environmental and water disclosure on environmental sustainability in the future and the economic impact that the company will achieve. In policy, this research is expected to provide useful information for the government regarding the actual activities of companies that support government priority programs, namely providing public services in the form of clean water in the 21st century. In theory, this research is expected to add to the literature on environmental and water disclosure from the point of view of political connections and public pressure.

Literature Basis and Hypothesis

The current study use agenda setting theory emphasizes potential and important issues that are emphasized by the media related to the interests of society so as to create public awareness (McCombs & Valenzuela, 2007). The media will immediately reflect on topics of public priority (Bambang et al., 2020). Media publications can reflect public concerns so that they can be used as a proxy for public pressure. Several studies have used the media as a measure of public pressure that drives social disclosure (Lee et al., 2016; Toker, 2013), environment (Parlour & Schatzow, 1978; Vickery et al., 2004), and sustainability reports (Janoušková et al., 2019; Young & McComas, 2016). Public pressure is proxied by media publications. Some empirical research has proven the impact of public pressure on corporate disclosure behavior. On the other hand, companies can also take advantage of the media to gain public legitimacy because the media can build positive and profitable public opinion for the company.

The practice of environmental reporting by the media developed in the 1980s, since the number of environmental incidents by companies in western countries. At that time, environmental disasters on a large scale, such as mercury waste, acid rain, the destruction of bird habitats due to the use of pesticides, to nuclear incidents, exposed many people to

radioactive substances that cause cancer. In the future investors and consumers will ask for complete documents that are in favor of the preservation of the environment and natural resources. Thus, a sustainability report will become a necessity that improves the company's short and long-term performance.

With increasing public attention to the environment, community demands for actual actions by companies to conserve the environment have also increased. This makes companies, especially companies that have activities in processing raw goods into finished goods or companies that have a high relationship with the environment, starting to implement environmental accounting as a tangible manifestation of environmental performance. Because, apart from being close to investors, creditors and the government, the company is also close to the social environment. Public companies and multinational companies are not only under pressure from stakeholders but also from the public or the public to pay greater attention to environmental issues in making economic decisions and to report environmental performance in corporate annual reporting to the public (Deegan, 2002). Therefore, it is necessary to have social disclosure in practice. Where the media or the press can pose a social threat in the form of public pressure caused by environmental incidents by companies. Conditions where there is public pressure can affect the company's initiative in reporting environmental information.

H₁: Public pressure has a positive effect on environmental and water disclosure

Indonesia is known as the initial reference point for politically connected business. Indonesian regulations allow public officials to become top officers of companies (Peraturan Pemerintah No. 53 Tahun 2010 Tentang Disiplin Pegawai Negeri Sipil, 2010). Political connection can be understood as a phenomenon that the majority shareholder or top officer of a company or their relatives are political office holders or are influential politicians (Faccio, 2006). Companies with political associations have several privileges such as preference for receiving government contracts, access to sources of finance due to politicians' memos (Claessens et al., 2008; Fu et al., 2017), tax facilities (Faccio, 2006; Zaitul & Ilona, 2019), and government protection (Kroszner & Stratmann, 1998). This feature positions politically connected companies to have abundant resources so that it allows companies to be more productive and more profitable so that they can increase company value. This means, politically connected companies can satisfy stakeholders because of the high market price of the company (Faccio, 2006). So, political connections can be viewed as a means of business competition.

On the other hand, politically connected companies get more public attention than non-politically connected firms. Public attention can be a monitoring tool for politically connected firms to encourage these companies to be more compliant with regulations, including disclosure of environmental and water reports.

A politically connected company is a company that has a strong relationship with a government, either through state ownership or through network connections (Chaney et al., 2011). Politically connected companies may have easier access to government resources, but on the other hand, these companies are perhaps once monitored, so they are more likely to comply with government regulations. Various government regulations have been established to oversee the sustainability of the company, including how the company carries out its social responsibility (Braam & Peeters, 2018; Janoušková et al., 2019). One form of social responsibility that can be done is paying attention to environmental problems caused by the company's operational activities.

Therefore, this is also in line with the legitimacy theory which states that companies will continue to strive to ensure that they operate within the framework and norms that exist in the community or environment in which the company is located (Deegan, 2002). In addition, the company will also ensure that their activities are accepted by outsiders legally.

Disclosure of environmental performance information to external parties is an important step to show the good side of the company (Ariesanti, 2017). In addition, the disclosure of environmental performance also earns the company support from investors and consumers. Of course, the support from investors and consumers is a big capital for the company. Because with this support the company is encouraged to build a good image.

H₂ : Politically connected companies have a negative effect on environmental and water disclosure.

METHOD

This research is explanatory research which aims to confirm the theory through hypothesis testing the role of the media and political connections to the environmental and water disclosure of public companies in Indonesia, namely in the *Miscellaneous Industry, Basic Industry, Consumer Goods Industry, Agriculture, and Mining*. This company is at high risk to water and the environment (Mitis et al., 2005; Resosudarmo & Irhamni, 2008).

Company data is obtained from the IDX Fact Book 2019. Data on water and environmental disclosures can be obtained in the 2019 annual report and sustainability report as well as media publications until 2020. Company disclosure policies will be relatively the same over time (Wu & Shen, 2010) so that 2019 is assumed to represent the disclosure policy of other years. Moreover, we chose to begin our sample period in 2019 to coincide in the political links with the presidential election to probable political power shifts surrounding the election.

Data collection was carried out referring to (Krippendorff, 2004) namely determining the unit of analysis in the form of a sentence containing environmental and water issues. Second, provide codes for classifying environmental and water information. Code 1 is given if there is a sentence that contains information on environmental and water topics, based on the GRI 300 (environmental) and 303 (water) guidelines. Furthermore, code 0 is given if the sentence does not contain environmental and water information, based on the GRI 300 (environmental) and 303 (water) guidelines. Next, codify the environmental and water disclosure framework based on the substance of the sentence information content, based on environmental information items and water information items.

The sample selection also considers that the company's market capitalization value is greater than the market capitalization value of each sector. This is based on the consideration that generally disclosures of environmental and water performance can only be provided by companies with large capitalization values. This kind of criterion is evidenced by the results of previous studies (Guthrie & Parker, 1990; Nasution & Adhariani, 2016). The sample selection procedure and a list of selected samples are presented in table 1 and table 2 as follows:

Stages	Amount
The company is listed on the IDX in the 2019 fact book	632
Companies in the financial, service, property sector	(446)
Companies with a market capitalization value lower than the average capitalization of each sector	(408)
The number of research samples per year	38

Table 1.
Sampling Stages

Source: research data, processed

Based on these criteria, this study consisted of 38 companies as research samples as presented in table 2.

No	Company Name	No	Company Name
1	Astra Agro Lestari	20	Gudang Garam
2	SMART	21	Kalbe Farma
3	PP London Sumatra	22	Indofood Sukses Makmur
4	Sawit Sumbermas Sarana	23	Mayora Indah
5	Salim Ivomas Pratama	24	Multi Bintang Indonesia
6	Eagle High Plantations	25	Bayan Resources
7	Dharma Satya Nusantara	26	Adaro Energy
8	Chandra Asri Petrochemical	27	Vale Indonesia
9	Barito Pacific	28	Bukit Asam
10	Charoen Pokphand Indonesia	29	Merdeka Copper Gold
11	Semen Indonesia	30	Aneka Tambang
12	Indocement Tunggul Prakarsa	31	Medco Energy International
13	Indah Kiat Pulp dan Paper	32	Golden Energy Mines
14	Pabrik Kertas Tjiwi Kimia	33	Indo Tambangraya Megah
15	Fajar Surya Wisesa	34	Dian Swastatika Sentosa
16	Japfa Comfeed Indonesia	35	Astra International
17	Unilever Indonesia	36	Selamat Sempurna
18	HM Sampoerna	37	Gaya Abadi Sempurna
19	Indofood CBP Sukses Makmur	38	Uni-Charm Indonesia

Table 2.
Research Samples

Source: research data, processed

12.1 Variable Measurement

Political connection is measured by dummy variables. Companies with political connections are given code 1 and companies that are not connected to politics are given code 0. Political

connections are identified by several criteria as used by Faccio (2006), namely the board of directors and/or the board of commissioners who are concurrently as: (1) politician or affiliated with a political party (2) government official (3) military officials (4) former government officials (5) former military officer. The political connection criteria are also determined if the majority shareholder is a politician / government official or military. Media publication, which is a proxy for public pressure, is measured by the number of media publications, both internally by issuers and by the public.

Data analysis technique

To evaluate the hypotheses, we performed multiple regression analysis. As a statistical software, SPSS 24 is used. The independent variable is political connections and media publication, while the dependent variable is environmental and water disclosure. The t statistic test is used to determine the effect of one independent variable in partially explaining the dependent variable.

Firstly, we apply assumption test as follow 1) normality test; the purpose of a normality test is to determine whether the dependent variable has a normal distribution when compared to the independent variable in a regression model. If the findings of the distribution are normal, the regression model can be called satisfactory; 2) A multicollinearity test is used to determine the correlation between independent variables. The research can be considered good if there is no connection between the independent variables; nevertheless, if there is a correlation between the independent variables, there will be a multico problem; 3) The heteroscedasticity test is used to see if there is an inequity in residual variance between two observations in a regression model.

The hypothesis which tests the positive effect of public pressure on environmental and water disclosures and the second hypothesis which tests the positive influence of politically connected companies on environmental and water disclosure was tested using multiple linear regression techniques with the following equation:

$$\text{EnvW} = \alpha + \beta_1 \text{Tpub} + \beta_2 \text{Pcon} + \varepsilon$$

EnvW = Environmental and water disclosures

Tpub = Public pressure

Pcon = Political connected firm

α = Intercept

β = Regression coefficient

ε = Residual error

The F statistical test is therefore a data analysis approach for determining the overall level of influence between variables as well as performing a model fit test. When the significance value is less than 0.05, the model is deemed to be fit or right. Following that, the coefficient of determination is used to determine how well the regression model can explain the dependent variable. The coefficient of determination ranges from 0 to 1. The first and second hypotheses are accepted if they meet the criteria for a significance level greater than 0.05 and are rejected if they do not meet these criteria.

RESULTS AND DISCUSSIONS

Description of Statistical Test Results

This study uses public companies in Indonesia as the research sample but does not involve companies in the financial sector (banks, securities, insurance, and trade services) and the property.

Furthermore, the distribution of environmental and water disclosure of sample companies for three years is presented in the following table. Based on the distribution of environmental and water disclosure in 2019 from the companies that were the samples of observation, it can be concluded that companies that have carried out environmental reporting are distributed by 79 percent and vice versa only 0.21 percent of companies that report water.

Year	Standalone Environmental Report			Standalone Water Report			GRI Adoption		
	Yes	No	Total	Yes	No	Total	Yes	No	Total
2017	24	14	38	2	36	38	22	16	38
2018	27	11	38	6	32	38	22	16	38
2019	30	8	38	8	30	38	24	14	38
Total	81	33	114	16	98	114	68	46	114

Table 3. Distribution of Environmental and Water Reports

Source: research data, processed
 Environmental and water reports from companies or issuers based on GRI are 0.63 percent. This means that not all issuers have reported environmental and water responsibilities using the GRI framework. Table 4 below presents the distribution of environmental and water disclosures by type of industry:

No	Industry	2017		2018		2019	
		n	%	n	%	n	%
1	Agriculture	94	15	108	15	126	15
2	Basic industry	89	14	103	14	123	15
3	Consumer Good	111	17	136	19	153	18
4	Mining	130	20	148	20	162	20
5	Miscellaneous	211	33	234	32	265	32

Table 4. Distribution of Environmental and Water Disclosure

Source: own processed data result
 Based on the distribution of environmental and water disclosures for each type of industry, it can be concluded that the highest environmental and water disclosure is carried out by the miscellaneous industry sector then followed by the second highest position is companies in the mining sector. Meanwhile, the distribution of companies with political connections and public pressure can be summarized in the following table.

Based on the distribution of companies with political connections, it can be concluded that basic industrial companies are companies with the highest political connections for the 2017 to 2019 observation years. Meanwhile, consumer good companies for 2017 to 2019 reported

no political connections. On the other hand, the highest public pressure was on consumer good companies and miscellaneous groups reported the least public pressure.

Table 2.
Distribution of
Politically
Connected
Firm and Public
Pressure

No	Industry	Polit. Connection		Public Pressure	
		n	%	n	%
1	Agriculture	1	3	187	13
2	Basic industry	5	13	306	22
3	Consumer Good	0	-	402	29
4	Mining	4	11	373	27
5	Miscellaneous	5	13	118	9

Source: own processed data result

The value of water disclosure for companies in the Miscellaneous Industry, Basic Industry and Customer Goods Industry, Agriculture and Mining sectors is the lowest 14% and the highest is 33%. The company that has the highest water disclosure value is Medco Energy, Tbk. The average value of environmental and water disclosure is 51.10%. Meanwhile, water disclosure alone is only capable at the 16% level. The average value of environmental disclosure, especially water disclosure in Indonesia, is relatively low. This is due to several factors, including water disclosure, which is part of environmental disclosure, which is still voluntary, so there is no obligation for the company to inform the public. Another factor is the low commitment related to the implementation of corporate governance so that the company is less transparent to the public (Lako, 2015). Practically, Indonesia is a country with a low level of sustainability reporting, including water disclosure in ASEAN (Loh, 2018)

The Effect of Political Correspondence on Water Disclosure

The results of the first hypothesis test which want to prove that political connection has a positive effect on environmental and water disclosure cannot be supported statistically.

Independen Var	Regression Coeff	t output	Sig	Conclusion
Political connection	-9,456	-1,501	0,142	Rejected
Public pressure	0,205	2,158	0,038	Accepted
Constant	45,825			
Adjusted R ²	0,162			
F value = 3,395	Sig = 0,045			

Table 5.
Hypothesis
Testing Results

Source: own processed data result

The results of statistical tests as in table 5 conclude that companies with political connections have no effect on environmental and water disclosure (significance value is less than 0.05). Not being supported by the hypothesis of political connection to environmental and water performance means that environmental and water performance is not influenced by

politically connected firms or non-politically connected firms. This empirical fact can be explained from several theoretical points of view.

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First, politically affiliated companies do have special ties with the government (Faccio, 2006; Huang & Zhao, 2016), both in the form of ownership by the central and local governments. This privilege places companies with political affiliations having the power of competition, affection, and special protection from the government. However, the various privileges and special treatment of the government cannot be interpreted as a sense of security to ignore responsibility for the environment and water. Based on the point of view of legitimacy theory, companies with special treatment from the government will get more public attention than non-politically connected firms. Public attention can be a monitoring tool for politically connected firms so as to encourage these companies to be more compliant with regulations, including disclosure of environmental and water reports (Zhang et al., 2019). Disclosure of environmental and water performance is a way for companies, both companies with political correspondence and non-corporate political correspondence, to create public legitimacy.

As explained in the table, the distribution of politically connected companies with the highest scores is miscellaneous, mining, and basic industry companies. Further facts related to environmental and water performance in table 3 show that the level of disclosure of environmental and water performance in these three industries is precisely the highest compared to other industries. From a stakeholder perspective, a company with political affiliation will actually increase its image to the public to build trust that the company has operated in accordance with applicable rules and regulations (Sulistiyowati & Prabowo, 2020). So, although politically affiliated companies get a lot of special treatment from the government, the companies will also ensure that their activities are accepted by outsiders legally.

Meanwhile, non-politically connected firms must strive harder to achieve a good image and public trust by disclosing environmental performance information to external parties. In addition, disclosure of environmental performance is important for non-politically connected firms to get support from investors and consumers to build a good image. In conclusion, disclosure of environmental and water performance must be carried out by both politically connected firms and non-politically connected firms.

Another perspective is that the high disclosure of environmental and water information by politically affiliated companies is needed as a symbolic tool to increase political and business control (Huang & Zhao, 2016). This proves that political affiliation is one of the important capitals to gain political and business legitimacy. However, political privileges cannot be used by companies to ignore other rules and regulations in business, including being unable to reduce environmental and water performance. Political support is only one resource, but companies need to maintain their competitive edge by maintaining business and financial performance.

The results of this study are in line with previous studies that there is no influence between companies with political connections and non-political correspondence on environmental performance (Bani-Khalid & Al-Own, 2020; Kristanto, 2019). Political correspondence does not necessarily guarantee that companies will further increase environmental disclosure (Bani-Khalid & Al-Own, 2020). In general, the performance of companies with political correspondence is not always better than that of non-political correspondence (Chaney et al., 2011). Companies with political connections are still public companies that need to maintain public trust with good performance or performance in accordance with applicable regulations.

The Effect of Public Pressure on Environmental and Water Disclosures

The results of the statistical test for the second hypothesis of this study support that public pressure influence environmental and water disclosure with a significance level of $0.03 < 0.05$. These results support the agenda setting theory that the higher the media publication will motivate the company to improve environmental disclosure performance.

Based on the agenda setting theory framework, companies need to create public awareness by publishing important content related to achieving their performance to the public. Positive news published continuously can influence and lead public opinion to improve the company's image. The role of mass media in the business environment is very dominant in shaping public opinion on company activities. Media can be used as a medium for company information and socialization to build public trust in company activities related to the environment.

Strengthening public awareness about environmental issues is getting better. News related to environmental cases by the company will soon become an important agenda and public spotlight. To avoid this public pressure, companies need to convey widely about the environmental conservation that has been strived for. The higher the level of company coverage, the higher the company's performance on environmental and water disclosure to the public.

Environmental awareness has motivated the company to publish in a sustainable manner related to environmental conservation. In addition to submitting reports to the government and capital market supervisory bodies, the company also submits it on the company's website homepage which is accessible to the public.

Many of these empirical results are supported by previous studies which also agree on the effect of public pressure on environmental and water disclosure (Janoušková et al., 2019; Young & McComas, 2016). Environmental and water disclosures are intended to increase public transparency.

CONCLUSION

This study aims to test empirically the effect of political connection and public pressure on a positive effect on environmental and water disclosure. This research concludes several things. The first hypothesis which states that political connections have a positive effect on environmental and water performance is not supported statistically. Not being supported by the hypothesis of political connection to environmental and water performance means that environmental and water performance is not influenced by politically connected firms or non-politically connected firms. This means that current political connections cannot be used by companies to avoid environmental and water responsibilities. So, both companies with political connections and companies without political connections continue to disclose environmental and water performance. However, not all companies have reported environmental and water responsibilities using the GRI framework.

This result rejects the previous assumption that politically connected companies can ignore social and environmental performance because they already have protection from the government. The distribution of environmental and water disclosures to companies with a high level of political connection is even stronger and more complete.

The results of the statistical test for the second hypothesis of this study support that public pressure influence environmental and water disclosure. This supports the agenda setting theoretical framework that companies need to create public awareness by publishing

important content related to achieving their performance to the public including environmental and water performance. Positive news published continuously can influence and lead public opinion to improve the company's image. The role of mass media in the business environment is very dominant in shaping public opinion on company activities. Media can be used as a medium for company information and socialization to build public trust in company activities related to the environment. Suggestions that can be given are all companies that become samples of observations so that they can submit environmental and water accountability reports in accordance with the GRI framework.

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