

Influence of Political Connection and Corporate Culture on Water Disclosure in Indonesia

Wicaksono Bambang^{1,2*}, Suhardjanto Djoko³, Djuminah Djuminah⁴, Honggowati Setianingtyas⁵

¹*Faculty of Economics and Business, Universitas Sebelas Maret, Indonesia*

²*Faculty of Economics, Universitas 17 Agustus 1945 Banyuwangi, East Java, Indonesia*

^{3,4,5}*Faculty of Economics and Business, Universitas Sebelas Maret Indonesia*

¹*yudhisqyla@yahoo.com*, ³*djoko.suhardjanto@yahoo.com*, ⁴*djuminah80@gmail.com*,

⁵*setianingtyas_27@yahoo.co.id*

Abstract

This study aims to examine the influence of political connection and corporate culture on water disclosure in Indonesia. The study was conducted by using industrial type, the age of the company, and proper as a control variable. The object of study was Miscellaneous Industry, Basic Industry, Customer Goods Industry, Agriculture and Mining sector companies registered in Indonesia Stock Exchange 2018. The sample consisted of 198 annual reports. The analysis of this study used multiple regressions with purposive sampling. The finding showed that political connection and corporate culture reveals positive effect corporate water disclosure. Proper variable effects on corporate water disclosure whereas industrial type and the age of company have no effect on water disclosure. The result of this research can provide a reference for the government in the preparation of water disclosure policies by public companies in Indonesia. This is related to sustainability accounting standard in Indonesia in 2020.

Keywords: Water Disclosure, Political Connection, Corporate Culture.

Introduction

Water is a basic human need that is used for various purposes, both personal and industrial needs (Rosegrant, Cai & Cline, 2002). The position of water is equivalent to air and land. Preservation of water that is maintained is important in life sustainability (Cosgrove, 2003).

Considering the importance of water for human life, the Indonesian state guarantees this to Article 33, paragraph 3 of the 1945 Constitution about the earth, water, space, and the natural riches contained therein, shall be controlled by the state and used for the greatest welfare of the people. In fact, there are still many problems regarding the use and management of water. Indonesia is one of the countries predicted to experience a water crisis in the future (Sanim, 2011).

Cases of water pollution in Indonesia are still high (Suhardjanto, 2008; Walhi, 2014; OECD, 2018; KLH, 2018; Lamb, 2018; Walhi, 2018). Indonesia Economic Survey of Indonesia 2018 states that Indonesia is a country has a problem of environmental damage, especially in the waters. Indonesia is also the second-largest country in the Asia-Pacific region with a high level of water pollution. It is caused by disposal of plastic and corporate waste (Lamb, 2018).

Corporate activities that are not based on ethics and morals will have a negative impact on stakeholders (Ferrel, 2004; Smith, Adhikari & Tondkar, 2005; Sukoharsono, 2007; Parmar, Freeman, Horrison, Wicks, Purnell & Colle, 2010). Companies are required to submit sustainability reporting in which water disclosure is a form of corporate social responsibility to the community and a form of corporate accountability to stakeholders (Epstein & Freedman, 1994; Green, Toms & Clark, 2015; Cormier, Magnan & Van, 2015; Kerr, Rouse & Villiers, 2015; Kozlowski, Searcy & Bardecki, 2015).

Water disclosure is part of environmental disclosure which is a form of sustainability in Corporate Social Responsibility (CSR). Corporate Social Responsibility is a form of corporate accountability (Sukoharsono, 2010; Suhardjanto, 2013; Lako, 2018).

This study aims to analyze the influence of political connection and corporate culture on water disclosure in Indonesia. The research development can be done with a qualitative approach, as a way to test the truth of water disclosure reports submitted by truly company or the annual report.

Agenda setting theory reveals that the factors which influence water disclosure are political connections and corporate culture. Political connections affect policy changes in a country, one of which is related to environmental disclosure (Nys *et al.*, 2015). Article 33, paragraph 3 of the 1945 Constitution tells that the government policy in water management must prioritize the interests of the people. Good water governance reflects the political dimension in managing water resources. The water crisis is often seen as a crisis of governance. It shows that the problem of water is not only a matter of management and maintenance of water resources but it is related to the socio-political structure (Norman *et al.*, 2012).

Marx and van Dyk (2011) states that there are differences in disclosure of sustainability reporting in developed and developing country. It is worked on political and cultural factors in a country or organization. O'Dwyer *et al.* (2011) argues that corporate culture values can be used as new variable in research development. A profit-oriented corporate culture is called a work culture (Cameron and Quinn, 2006).

Literature Review and Hypothesis Development

Agenda Setting Theory

Agenda setting theory defines the strong relationship between the news delivered by the media and issues that are considered important by the public (McCombs & Shaw, 1972). One of the issues that is considered important in Indonesia and has not been resolved to date is the problem of environmental damage and water pollution caused by company operations (Sanim, 2011; Suhardjanto, 2012; Suciati, 2014; Walhi 2014; Jalil, 2015; WHO, 2015; Lamb, 2018; Walhi 2018; OECD, 2018; KLHK, 2018).

Agenda setting theory also explains the relationship between the emphasis given by the media on various important topics related to the interests of the general public. The media is shown as a reflection of public priorities (Ader, 1995). Variability setting theory can be divided into two parts, namely the politics in which the media exist, in which there is political power (political connection) and the characteristics of corporate culture (Kelly, 2009).

Water Disclosure

Environmental disclosure in which there is water disclosure is information relating to past, current, and future activities about the impact of the company's operational activities on the environment (Cormier & Magnan, 2003; Campbell, 2004). Water disclosure is information provided by companies about water use, identification, evaluation of water risks and steps in the development and strategy of water resources to investors, creditors, consumers, Lembaga Swadaya Masyarakat (LSM) or known as Civil Society Organization (CSO) and other stakeholders that will enhance effective communication and maintain the decent image of the company (Zhou *et al.*, 2018).

Water disclosure in this research, the researcher compiled an index. The water disclosure index will be based on various guidelines and specific prior studies on water problems in Indonesia. Suhardjanto (2012) and Loh *et al.* (2018) describes that environmental

issues and disclosure from the perspective of the main stakeholders disclosed is the problem of the impact of water use, hazardous waste, water resources, and habitats.

Political Connection

Faccio (2006) proposes a company is said having political connections if at least one major shareholder (person has at least 10% of voting rights based on the number of shares owned) or one of the leaders (CEO, president director, vice president director, section chief or secretary) is a member of parliament, minister or has a close relationship with a figure or political party.

Political connection can come from the shareholders. The company's shareholders are also MPs, bureaucrats, the military, or even a top leader in a political party (Nys et al., 2015). Political connections are beneficial for companies and are a determinant of profitability (Agrawal & Knoeber, 2001).

Corporate Culture

O Dwyer et al. (2011) asserts new variables can be used in the development of research are culture values including: individual values such as happiness, health, and self-actualization; social values for instance justice and order; political values like democracy and freedom of information; and economic values such as profit, economic growth, and security in environmental disclosure.

Cameron and Quinn (2006) argue that corporate culture can be distinguished into two, namely a profit-oriented company culture and a company culture that is not profit-oriented. A profit-oriented company culture is known as a work culture. This requires all elements in the company to work well and generate profits as expected. Culture isn't profit-oriented is called nonmaterial culture. The culture is built by applying values or behaviors that are mutually agreed upon so that company's goals can be achieved.

Hypothesis Development

Nys et al. (2015) describes that most companies when it is making environmental arrangements are closely related to political connections. 84,6 % shareholders in Indonesia are affiliated with the government. (Claessens et al., 2000), it makes political connection in Indonesia getting stronger. According to Fisman (2001), investors in Indonesia have political relations with the president. Cao (2018) tells strong political relations occur in many developing countries for instance in Indonesia.

Developing countries including Indonesia have genuinely strong political relations (Zhang et al., 2014). Barth et al. (1997) argues that in Indonesia environmental disclosure is related to political costs. Milne (2002) reveals political connection is the company's effort to reduce political pressures and become a means and access for better disclosure of the company's environment. On the basis previous research and the arguments above, the research hypothesis was formulated as follows:

H₁: Political connection has a positive effect on the level of corporate water disclosure in Indonesia.

Corporate culture and governance influence the financial and non-financial disclosure of a company (Hope, 2003). Corporate culture is the values which bring members of the company to a common goal that is the value of a company is getting better.

This research used market dimensions in measuring corporate culture (Cameron & Quinn, 2006). The researcher assumes that a good corporate culture will have an impact on the reporting compiled by the company, among others, water disclosure information and it is

able to increase company credibility (Clarkson et al., 2008). On the primary of previous research and the arguments above, the hypothesis of this study is as follows:

H₂: *Corporate culture has a positive effect on the level of corporate water disclosure in Indonesia.*

Methodology

The population of this research is the Miscellaneous Industry, Basic Industry, Customer Goods Industry, Agriculture and Mining sector company listed on the Indonesia Stock Exchange. Manufacturing and mining companies are risks the environment (O'Donovan, 2002; O'Dwyer, 2003; Setiadi, 2016). The total of companies were 222 and 24 companies were excluded from the sample as they did not have complete data according to the research sample criteria. The sample size of this research is 198 company annual reports.

The research data used is 2018. The use of annual report data is only one period based on the consideration that the data is relatively new so that it can demonstrate current water disclosure practices. Botosan (2000) said that company disclosure policies will tend to be constant in a few years.

Water disclosure is measured using the water disclosure index compiled by the researcher. The company's water disclosure index is obtained from the number of items disclosed by the company multiplied by the weight of each water disclosure item divided by the total water disclosure. Political connection is measured by the percentage obtained from the number of commissioners and board of directors involved in political connections divided by the total number of commissioners and board of directors (Paterson & Philpot, 2007; Campbell & Vera, 2010; Nys et al., 2015; Sutopo et al., 2016). The corporate culture in this study is defined as a work culture of the market dimension of net income divided by total assets (Cameron & Quinn, 2006).

The control variable in this research, the type of industry is measured by giving a value of 3 for mining companies. Value 2 is for manufacturing companies (Miscellaneous Industry, Basic Industry and Customer Goods Industry). Value 1 is for agriculture companies (Roberts, 1992; Cormier, Magnan & Morard, 1993; Cormier & Magnan, 2007; Suhardjanto, 2008; Thijssens, Bollen & Hassink, 2015). The age of a company is measured using the total age of the company since the IPO (Initial Public Offering) of the first offering of shares by a company on the stock exchange (Liu & Anbumozhi, 2009; Setadi, 2016). Proper based on Republic of Indonesia Ministry of Environment 2005, measured by an environmental performance rating system, includes a company ranking in five colors: Gold (best), Green (very good), Blue (good), Red (bad), and Black (very bad).

The multiple regression models influence of political connections and company culture on water disclosure are as follows:

$$WD = \alpha_0 + \beta_1 Polcon + \beta_2 CC + \beta_3 IT + \beta_4 Age + \beta_5 Proper + \epsilon$$

Note:

WD	= Water Disclosure
Polcon	= Political Connection
CC	= Corporate Culture
IT	= Industry Type
Age	= Age of the Company
Proper	= Work Environment Rating
α_0	= Constant
$\beta_1... \beta_5$	= Regression Coefficient
ϵ	= Error Term

Empirical Results and Discussion

Descriptive Statistics

Based on table 1, the political connection value of the Miscellaneous Industry, Basic Industry and Customer Goods Industry, Agriculture and Mining sectors listed on the Indonesia Stock Exchange is at a minimum of 1%, and a maximum of 81%. The company has the greatest political value is PT. ElnusaTbk. The average of political connections is 15,23%.

The lowest value of corporate culture is -56,70% and the highest is 46,60%. The company has the greatest corporate culture value is PT. Unilever Tbk. The average corporate culture value is 3,97%.

The water disclosure value of the Miscellaneous Industry, Basic Industry and Customer Goods Industry, Agriculture and Mining sectors is the lowest at 19,00% and the highest at 33,00%. The company has the highest water disclosure values is PT. Krakatau Steel Tbk. The average value of water disclosure is 22,26%.

Table 1. Descriptive Statistics

Variable	Minimum	Maximum	Average	Standard Deviation
Political Connection	1	81	15,23	14,86
Corporate Culture	-56,70	46,60	3,97	11,67
Water Disclosure	19,00	33,00	22,26	3,64

Findings

The result of the first hypothesis test of this research succeeded in proving that political connections have a positive effect on water disclosure. This is in accordance with the researcher's conjecture. Political connections come from controlling shareholders. In this research, it was found that the political connections of the sample companies mostly occurred on the board of commissioners. Corporate culture has a positive effect on water disclosure. The greater the company culture, the more water disclosure that PT. Unilever from the analysis results is a company has the best corporate culture in terms of market.

Industrial type control variables and age of the company did not affect water disclosure. Proper gives a positive effect on the disclosure of water companies in Indonesia.

Table 2. Multiple Regression Results

Variable	Coefficient	T	p-value
Political Connection	0,072	5,315	0,000 ***
Corporate Culture	0,061	3,489	0,001 ***
Industry Type	0,745	0,886	0,378
Age of the Company	0,016	0,658	0,512
Proper	3,982	4,089	0,000 ***
R-Square	0,392		
Adjusted R-Square	0,360		
F	12,265		
Sig	0,000		

Table 3. Water Disclosure Score

No	Water Disclosure Items	Water Disclosure Index (Weighted)	Score
1	Water efficiency	1,11	3,50
2	Ground water use	1,08	1,70
3	Wastewater treatment	1,08	5,74
4	Wastewater treatment plant	1,06	5,57
5	Surface water use	1,05	1,32
6	Wastewater disposal information	1,04	3,33
7	Total water usage data	1,01	0,42
8	The existence of water pollution control department	1,01	0,31
9	Wastewater quality	0,99	2,29
10	Partnership related to water sustainability	0,99	0,46
11	Recycling waste water	0,99	3,59
12	Reduction of waste water	0,99	3,02
13	Water use audit	0,98	0,77
14	Recycle water	0,97	1,87
15	Total wastewater	0,97	0,15
16	Treatment of rainwater	0,96	1,16
17	Total volume of recycled water used again	0,91	0,09
18	Total Volume of water recycling	0,91	0,04
19	Waste water disposal fees	0,90	0

The findings of this research are companies experience losses tend to be detailed in water disclosure. This reinforces the opinion of Gray *et al.* (1996); Lundrum and Ohsowski, (2018) state that the sustainability report function as Image Management. Verrechia (2001) tells that many companies have poor environmental performance (assessed by external parties) actually report good information in the annual report as a philanthropic effort. Companies that use water as the main raw material in their production do not disclose water in detail.

Discussion

State-owned enterprises of Indonesia companies that almost all have political connections convey more water disclosure and detail than companies that do not have political connections. Based on the analysis, it was found that company disclosed the most about the treatment of water was PT. Krakatau Steel Tbk. The result of this research is in line with several previous researches stated that political connections play an important role for many companies (Leuz and Gee, 2006; Magnan, 2015). Nys *et al.* (2015) argues that most companies when making environmental arrangements are closely related to political connections.

Political connections affect the disclosure of water companies in Indonesia. This is line with Claessens (2000) defines that 84,6% shareholders in Indonesia are affiliated with the government. In developing countries for instance in Indonesia, political connections are extremely strong (Zhang *et al.*, 2014). It shows that political relations are also an important factor in the disclosure of environmental information. Norman *et al.* (2012) describes there is a close relationship between politics and social networks on water governance.

A good corporate culture will have an impact on the reports compiled by the company including water disclosure information and be able to increase the company's credibility (Clarkson et al., 2008). Corporate culture is measured by the instruments developed by Cameron and Quinn that have a positive effect on environmental performance in which water disclosure is contained (Sugita, 2013). Russo (2017) reveals that corporate culture has a positive effect on environmental disclosure.

Conclusion

Political connections have a positive effect on water disclosure. The result of this research indicates that the stronger the political connection, the more water disclosure will be conveyed. Corporate culture appears positive effect on water disclosure. This research provides evidence that the better corporate culture as measured by the market, the more complete the water disclosure is delivered. A good corporate culture is considered as an indicator of company success.

This research shows that a number of companies are still very limited in water disclosure. It is based on the company's water disclosure data, so the possibility of water disclosure delivered by the company in the annual report is not necessarily the same as the actual water management.

It is expected that all companies listed on Indonesia Stock Exchange convey the concept of sustainability to stakeholders. One of the concepts of sustainability is about the company's water disclosure. In 2020, the application of the Sustainability Report (SR) reporting model is planned to be mandatory for all companies in the world including Indonesia (Lako, 2018). Further research development is with a qualitative approach. It can be used as a way to find out the compatibility between the company's water management implementation and water disclosure reporting that has been submitted in the annual report.

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Bambang Wicaksono is a lecturer with an assistant professor position at the accounting department of economic faculty of University of 17 Agustus 1945 Banyuwangi, East Java. His research interest includes accounting management and sustainability accounting particularly in the area of environment. He is currently completing a doctoral program in economics at the faculty of economics and business at Sebelas Maret University of Surakarta, Central Java. Email: yudhisqyla@yahoo.com

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by Leon Akbar

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¹*Faculty of Economics and Business, Universitas Sebelas Maret, Indonesia*

²*Faculty of Economics, Universitas 17 Agustus 1945 Banyuwangi, East Java, Indonesia*

^{3,4,5}*Faculty of Economics and Business, Universitas Sebelas Maret Indonesia*

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⁵*setianingtyas_27@yahoo.co.id*

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Water is a basic human need that is used for various purposes, both personal and industrial needs (Rosegrant, Cai & Cline, 2002). The position of water is equivalent to air and land. Preservation of water that is maintained is important in life sustainability (Cosgrove, 2003).

Considering the importance of water for human life, the Indonesian state guarantees this to Article 33, paragraph 3 of the 1945 Constitution about the earth, water, space, and the natural riches contained therein, shall be controlled by the state and used for the greatest welfare of the people. In fact, there are still many problems regarding the use and management of water. Indonesia is one of the countries predicted to experience a water crisis in the future (Sanim, 2011).

Cases of water pollution in Indonesia are still high (Suhardjanto, 2008; Walhi, 2014; OECD, 2018; KLH, 2018; Lamb, 2018; Walhi, 2018). Indonesia Economic Survey of Indonesia 2018 states that Indonesia is a country has a problem of environmental damage, especially in the waters. Indonesia is also the second-largest country in the Asia-Pacific region with a high level of water pollution. It is caused by disposal of plastic and corporate waste (Lamb, 2018).

Corporate activities that are not based on ethics and morals will have a negative impact on stakeholders (Ferrel, 2004; Smith, Adhikari & Tondkar, 2005; Sukoharsono, 2007; Parmar, Freeman, Horrison, Wicks, Purnell & Colle, 2010). Companies are required to submit sustainability reporting in which water disclosure is a form of corporate social responsibility to the community and a form of corporate accountability to stakeholders (Epstein & Freedman, 1994; Green, Toms & Clark, 2015; Cormier, Magnan & Van, 2015; Kerr, Rouse & Villiers, 2015; Kozlowski, Searcy & Bardecki, 2015).

49 Water disclosure is part of environmental disclosure which is a form of sustainability in Corporate Social Responsibility (CSR). Corporate Social Responsibility is a form of corporate accountability (Sukoharsono, 2010; Suhardjanto, 2013; Lako, 2018).

This study aims to analyze the influence of political connection and corporate culture on water disclosure in Indonesia. The research development can be done with a qualitative approach, as a way to test the truth of water disclosure reports submitted by truly company or the annual report.

Agenda setting theory reveals that the factors which influence water disclosure are political connections and corporate culture. Political connections affect policy changes in a country, one of which is related to environmental disclosure (Nys *et al.*, 2015). Article 33, paragraph 3 of the 1945 Constitution tells that the government policy in water management must prioritize the interests of the people. Good water governance reflects the political dimension in managing water resources. The water crisis is often seen as a crisis of governance. It shows that the problem of water is not only a matter of management and maintenance of water resources but it is related to the socio-political structure (Norman *et al.*, 2012).

Marx and van Dyk (2011) states that there are differences in disclosure of sustainability reporting in developed and developing country. It is worked on political and cultural factors in a country or organization. O'Dwyer *et al.* (2011) argues that corporate culture values can be used as new variable in research development. A profit-oriented corporate culture is called a work culture (Cameron and Quinn, 2006).

Literature Review and Hypothesis Development

Agenda Setting Theory

Agenda setting theory defines the strong relationship between the news delivered by the media and issues that are considered important by the public (McCombs & Shaw, 1972). One of the issues that is considered important in Indonesia and has not been resolved to date is the problem of environmental damage and water pollution caused by company operations (Sanim, 2011; Suhardjanto, 2012; Suciati, 2014; Walhi 2014; Jalil, 2015; WHO, 2015; Lamb, 2018; Walhi 2018; OECD, 2018; KLHK, 2018).

Agenda setting theory also explains the relationship between the emphasis given by the media on various important topics related to the interests of the general public. The media is shown as a reflection of public priorities (Ader, 1995). Variability setting theory can be divided into two parts, namely the politics in which the media exist, in which there is political power (political connection) and the characteristics of corporate culture (Kelly, 2009).

Water Disclosure

Environmental disclosure in which there is water disclosure is information relating to past, current, and future activities about the impact of the company's operational activities on the environment (Cormier & Magnan, 2003; Campbell, 2004). Water disclosure is information provided by companies about water use, identification, evaluation of water risks and steps in the development and strategy of water resources to investors, creditors, consumers, Lembaga Swadaya Masyarakat (LSM) or known as Civil Society Organization (CSO) and other stakeholders that will enhance effective communication and maintain the decent image of the company (Zhou *et al.*, 2018).

Water disclosure in this research, the researcher compiled an index. The water disclosure index will be based on various guidelines and specific prior studies on water problems in Indonesia. Suhardjanto (2012) and Loh *et al.* (2018) describes that environmental

issues and disclosure from the perspective of the main stakeholders disclosed is the problem of the impact of water use, hazardous waste, water resources, and habitats.

Political Connection

Faccio (2006) proposes a company is said having political connections if at least one major shareholder (person has at least 10% of voting rights based on the number of shares owned) or one of the leaders (CEO, president director, vice president director, section chief or secretary) is a member of parliament, minister or has a close relationship with a figure or political party.

Political connection can come from the shareholders. The company's shareholders are also MPs, bureaucrats, the military, or even a top leader in a political party (Nys et al., 2015). Political connections are beneficial for companies and are a determinant of profitability (Agrawal & Knoeber, 2001).

Corporate Culture

O Dwyer et al. (2011) asserts new variables can be used in the development of research are culture values including: individual values such as happiness, health, and self-actualization; social values for instance justice and order; political values like democracy and freedom of information; and economic values such as profit, economic growth, and security in environmental disclosure.

Cameron and Quinn (2006) argue that corporate culture can be distinguished into two, namely a profit-oriented company culture and a company culture that is not profit-oriented. A profit-oriented company culture is known as a work culture. This requires all elements in the company to work well and generate profits as expected. Culture isn't profit-oriented is called nonmaterial culture. The culture is built by applying values or behaviors that are mutually agreed upon so that company's goals can be achieved.

Hypothesis Development

Nys et al. (2015) describes that most companies when it is making environmental arrangements are closely related to political connections. 84,6 % shareholders in Indonesia are affiliated with the government. (Claessens et al., 2000), it makes political connection in Indonesia getting stronger. According to Fisman (2001), investors in Indonesia have political relations with the president. Cao (2018) tells strong political relations occur in many developing countries for instance in Indonesia.

Developing countries including Indonesia have genuinely strong political relations (Zhang et al., 2014). Barth et al. (1997) argues that in Indonesia environmental disclosure is related to political costs. Milne (2002) reveals political connection is the company's effort to reduce political pressures and become a means and access for better disclosure of the company's environment. On the basis previous research and the arguments above, the research hypothesis was formulated as follows:

H₁: Political connection has a positive effect on the level of corporate water disclosure in Indonesia.

Corporate culture and governance influence the financial and non-financial disclosure of a company (Hope, 2003). Corporate culture is the values which bring members of the company to a common goal that is the value of a company is getting better.

This research used market dimensions in measuring corporate culture (Cameron & Quinn, 2006). The researcher assumes that a good corporate culture will have an impact on the reporting compiled by the company, among others, water disclosure information and it is

able to increase company credibility (Clarkson et al., 2008). On the primary of previous research and the arguments above, the hypothesis of this study is as follows:

H2: *Corporate culture has a positive effect on the level of corporate water disclosure in Indonesia.*

Methodology

The population of this research is the Miscellaneous Industry, Basic Industry, Customer Goods Industry, Agriculture and Mining sector company listed on the Indonesia Stock Exchange. Manufacturing and mining companies are risks the environment (O'Donovan, 2002; O'Dwyer, 2003; Setiadi, 2016). The total of companies were 222 and 24 companies were excluded from the sample as they did not have complete data according to the research sample criteria. The sample size of this research is 198 company annual reports.

The research data used is 2018. The use of annual report data is only one period based on the consideration that the data is relatively new so that it can demonstrate current water disclosure practices. Botosan (2000) said that company disclosure policies will tend to be constant in a few years.

Water disclosure is measured using the water disclosure index compiled by the researcher. The company's water disclosure index is obtained from the number of items disclosed by the company multiplied by the weight of each water disclosure item divided by the total water disclosure. Political connection is measured by the percentage obtained from the number of commissioners and board of directors involved in political connections divided by the total number of commissioners and board of directors (Paterson & Philpot, 2007; Campbell & Vera, 2010; Nys et al., 2015; Sutopo et al., 2016). The corporate culture in this study is defined as a work culture of the market dimension of net income divided by total assets (Cameron & Quinn, 2006).

The control variable in this research, the type of industry is measured by giving a value of 3 for mining companies. Value 2 is for manufacturing companies (Miscellaneous Industry, Basic Industry and Customer Goods Industry). Value 1 is for agriculture companies (Roberts, 1992; Cormier, Magnan & Morard, 1993; Cormier & Magnan, 2007; Suhardjanto, 2008; Thijssens, Bollen & Hassink, 2015). The age of a company is measured using the total age of the company since the IPO (Initial Public Offering) of the first offering of shares by a company on the stock exchange (Liu & Anbumozhi, 2009; Setadi, 2016). Proper based on Republic of Indonesia Ministry of Environment 2005, measured by an environmental performance rating system, includes a company ranking in five colors: Gold (best), Green (very good), Blue (good), Red (bad), and Black (very bad).

The multiple regression models influence of political connections and company culture on water disclosure are as follows:

$$WD = \alpha_0 + \beta_1 Polcon + \beta_2 CC + \beta_3 IT + \beta_4 Age + \beta_5 Proper + \varepsilon$$

Note:

WD	= Water Disclosure
Polcon	= Political Connection
CC	= Corporate Culture
IT	= Industry Type
Age	= Age of the Company
Proper	= Work Environment Rating
α_0	= Constant
$\beta_1... \beta_5$	= Regression Coefficient
ε	= Error Term

Empirical Results and Discussion

Descriptive Statistics

Based on table 1, the political connection value of the Miscellaneous Industry, Basic Industry and Customer Goods Industry, Agriculture and Mining sectors listed on the Indonesia Stock Exchange is at a minimum of 1%, and a maximum of 81%. The company has the greatest political value is PT. ElnusaTbk. The average of political connections is 15,23%.

The lowest value of corporate culture is -56,70% and the highest is 46,60%. The company has the greatest corporate culture value is PT. Unilever Tbk. The average corporate culture value is 3,97%.

The water disclosure value of the Miscellaneous Industry, Basic Industry and Customer Goods Industry, Agriculture and Mining sectors is the lowest at 19,00% and the highest at 33,00%. The company has the highest water disclosure values is PT. Krakatau Steel Tbk. The average value of water disclosure is 22,26%.

Table 1. Descriptive Statistics

Variable	Minimum	Maximum	Average	Standard Deviation
Political Connection	1	81	15,23	14,86
Corporate Culture	-56,70	46,60	3,97	11,67
Water Disclosure	19,00	33,00	22,26	3,64

Findings

The result of the first hypothesis test of this research succeeded in proving that political connections have a positive effect on water disclosure. This is in accordance with the researcher's conjecture. Political connections come from controlling shareholders. In this research, it was found that the political connections of the sample companies mostly occurred on the board of commissioners. Corporate culture has a positive effect on water disclosure. The greater the company culture, the more water disclosure that PT. Unilever from the analysis results is a company has the best corporate culture in terms of market.

Industrial type control variables and age of the company did not affect water disclosure. Proper gives a positive effect on the disclosure of water companies in Indonesia.

Table 2. Multiple Regression Results

Variable	Coefficient	T	p-value
Political Connection	0,072	5,315	0,000 ***
Corporate Culture	0,061	3,489	0,001 ***
Industry Type	0,745	0,886	0,378
Age of the Company	0,016	0,658	0,512
Proper	3,982	4,089	0,000 ***
R-Square	0,392		
Adjusted R-Square	0,360		
F	12,265		
Sig	0,000		

Table 3. Water Disclosure Score

No	Water Disclosure Items	Water Disclosure Index (Weighted)	Score
1	Water efficiency	1,11	3,50
2	Ground water use	1,08	1,70
3	Wastewater treatment	1,08	5,74
4	Wastewater treatment plant	1,06	5,57
5	Surface water use	1,05	1,32
6	Wastewater disposal information	1,04	3,33
7	Total water usage data	1,01	0,42
8	The existence of water pollution control department	1,01	0,31
9	Wastewater quality	0,99	2,29
10	Partnership related to water sustainability	0,99	0,46
11	Recycling waste water	0,99	3,59
12	Reduction of waste water	0,99	3,02
13	Water use audit	0,98	0,77
14	Recycle water	0,97	1,87
15	Total wastewater	0,97	0,15
16	Treatment of rainwater	0,96	1,16
17	Total volume of recycled water used again	0,91	0,09
18	Total Volume of water recycling	0,91	0,04
19	Waste water disposal fees	0,90	0

The findings of this research are companies experience losses tend to be detailed in water disclosure. This reinforces the opinion of Gray *et al.* (1996); Lundrum and Ohsowski, (2018) state that the sustainability report function as Image Management. Verrechia (2001) tells that many companies have poor environmental performance (assessed by external parties) actually report good information in the annual report as a philanthropic effort. Companies that use water as the main raw material in their production do not disclose water in detail.

Discussion

State-owned enterprises of Indonesia companies that almost all have political connections convey more water disclosure and detail then companies that do not have political connections. Based on the analysis, it was found that company disclosed the most about the treatment of water was PT. Krakatau Steel Tbk. The result of this research is in line with several previous researches stated that political connections play an important role for many companies (Leuz and Gee, 2006; Magnan, 2015). Nys *et al.* (2015) argues that most companies when making environmental arrangements are closely related to political connections.

Political connections affect the disclosure of water companies in Indonesia. This is line with Claessens (2000) defines that 84,6% shareholders in Indonesia are affiliated with the government. In developing countries for instance in Indonesia, political connections are extremely strong (Zhang *et al.*, 2014). It shows that political relations are also an important factor in the disclosure of environmental information. Norman *et al.* (2012) describes there is a close relationship between politics and social networks on water governance.

A good corporate culture will have an impact on the reports compiled by the company including water disclosure information and be able to increase the company's credibility (Clarkson et al., 2008). Corporate culture is measured by the instruments developed by Cameron and Quinn that have a positive effect on environmental performance in which water disclosure is contained (Sugita, 2013). Russo (2017) reveals that corporate culture has a positive effect on environmental disclosure.

Conclusion

Political connections have a positive effect on water disclosure. The result of this research indicates that the stronger the political connection, the more water disclosure will be conveyed. Corporate culture appears positive effect on water disclosure. This research provides evidence that the better corporate culture as measured by the market, the more complete the water disclosure is delivered. A good corporate culture is considered as an indicator of company success.

This research shows that a number of companies are still very limited in water disclosure. It is based on the company's water disclosure data, so the possibility of water disclosure delivered by the company in the annual report is not necessarily the same as the actual water management.

It is expected that all companies listed on Indonesia Stock Exchange convey the concept of sustainability to stakeholders. One of the concepts of sustainability is about the company's water disclosure. In 2020, the application of the Sustainability Report (SR) reporting model is planned to be mandatory for all companies in the world including Indonesia (Lako, 2018). Further research development is with a qualitative approach. It can be used as a way to find out the compatibility between the company's water management implementation and water disclosure reporting that has been submitted in the annual report.

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Bambang Wicaksono is a lecturer with an assistant professor position at the accounting department of economic faculty of University of 17 Agustus 1945 Banyuwangi, East Java. His research interest includes accounting management and sustainability accounting particularly in the area of *environment*. He is currently completing a doctoral program in economics at the faculty of economics and business at Sebelas Maret University of Surakarta, Central Java. Email: yudhisqyla@yahoo.com

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 Jabatan : Guru Besar
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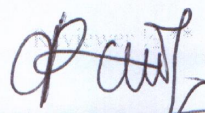
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Prof. Dr. Rahmawati, M.Si, Ak
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