

CHAPTER 1

INTRODUCTION

A. Introduction

After the Covid-19 pandemic, Indonesia's economy has gradually recovered from its negative impact.¹ Based on the Indonesia Stock Exchange report in 2021, the JCI (Composite Stock Price Index) closed at 6,581.5, recording an increase of 10.1% year-over-year/yoy. The total stock market capitalization at the end of 2021 reached IDR 8,255.62 trillion, a significant increase of 18.4% compared to the previous year.² The report shows that the Indonesian stock market experienced a significant improvement after a decline during the Covid-19 period in 2020.³ This economic recovery sets a positive backdrop for the potential growth of the Sharia capital market in Indonesia, which is further bolstered by the nation's large Muslim population and the presence of the Indonesia Sharia Stock Index (ISSI).⁴

Indonesia, with the second largest Muslim population in the world,⁵ has a huge and growing potential for the Sharia capital market.⁶ The Islamic capital market has five stock indices listed on the Indonesia Stock Exchange (IDX), including the ISSI, which includes all Sharia stocks on the IDX.⁷ The Indonesian Sharia Stock Index (ISSI) plays an important role in the growth of the Islamic capital market in Indonesia.⁸ Stocks listed on ISSI are selected based on the Sharia Securities Register (DES) issued by the OJK, and its constituents are reviewed

¹ Icen Ectefania Mufrida, *Indonesia's Economic Growth Post-Pandemic* at [22.00], <<https://data.goodstats.id/statistic/pertumbuhan-perekonomian-indonesia-pasca-pandemi-DcTyS>> viewed on 31 January 2025.

² Dhera Arizona, *Performance of the Indonesian Capital Market: An Analysis of the Last 5 Years for Investors* at [22.00]. <idxchannel.com/market-news/performa-pasar-modal-indonesia-analisis-5-tahun-terakhir-untuk-investor> viewed on 24 Desember 2024.

³ Teti Purwati, *Post-Pandemic, Indonesia's Capital Market Capitalization Increased by 18.4%* at [22.00]. <<https://www.cnbcindonesia.com/market/20220629185327-17-351555/usai-pandemi-kapitalisasi-pasar-modal-indonesia-naik-184>> viewed on 24 Desember 2024.

⁴ Mufrida, "Pertumbuhan Perekonomian Indonesia Pasca Pandemi."

⁵ Mabruki Pudyas Salim, *10 Largest Islamic Countries in the World Based on Population in 2024, Indonesia Is No Longer at the Top* at [22.00]. <<https://www.liputan6.com/hot/read/5701027/10-negara-islam-terbesar-di-dunia-berdasar-populasi-2024-indonesia-tak-lagi-berada-di-puncak>> viewed on 24 Desember 2024.

⁶ *IDX Syariah* at [22.00], <<https://www.idx.co.id/id/idx-syariah/>> viewed on 24 Desember 2024.

⁷ *Indonesian Sharia Stock Index* at [22.00], <<https://www.idx.co.id/id/idx-syariah/indeks-saham-syariah>> viewed on 24 Desember 2024.

⁸ *Sharia Stock Index* at [22.00], <<https://www.idx.id/id/idx-syariah/indeks-saham-syariah/>> viewed on 24 Desember 2024.

twice a year (May and November).⁹ In 2023 there are 556 constituents registered with ISSI.¹⁰

Tabel 1. Contribution Mining Companies to Indonesian Economy

Aspect	Year	Value
Contribution to non-tax state revenue (PNBP)	2023	Rp 173 trillion (58% of total PNBP revenue)
Contribution to national GDP	2023	10,52% (Rp 2,198,018 billion)
Foreign investment	2023	4,7 billion US dollars
Overall Impact	2023	Significant contribution to the economy

Source: Indonesian Mining Industry Statistics 2024

The table above shows the significant contribution of the mineral and coal mining sector to Indonesia's economy in 2023. This sector contributed Rp 173 trillion to non-tax state revenue (PNBP), which accounts for 58% of the total PNBP revenue at the Ministry of Energy and Mineral Resources (ESDM).¹¹ According to data from the Central Statistics Agency (BPS), this sector also contributed 10.52% to the national Gross Domestic Product (GDP), amounting to Rp 2,198,018 billion.¹² Additionally, the sector attracted foreign investment worth 4.7 billion US dollars in 2023.¹³ These data indicate that mining companies have a significant impact on the Indonesian economy.¹⁴

⁹ "Indonesian Sharia Stock Index."

¹⁰ *List of ISSI (Indonesian Sharia Stock Index) in 2023* at [22.00], Syariahsaham.Id. <<https://syariahsaham.id/daftar-issi-2023>> viewed on 24 Desember 2024.

¹¹ Agus Cahyono Adi, *Penetrating Rp 300.3 Trillion, PNBP for the Energy and Mineral Resources Sector in 2023 Exceeds the Target*, <<https://www.esdm.go.id/id/media-center/arsip-berita/tembus-rp3003-triliun-pnbp-sektor-esdm-di-2023-lampai-target>> viewed on 24 Desember 2024.

¹² *CRIF Indonesia Team, A Glimpse into the Future of Indonesia's Mining Industry in 2024*, Id.Crifasia.Com, <<https://www.id.crifasia.com/resources/industry-insights/glancing-at-the-future-of-indonesia-mining-industry-in-2024>> viewed on 24 Desember 2024.

¹³ Mona Siahaan, *Mining Industry in Indonesia - Statistics & Facts*, Statista.Com. <<https://www.statista.com/topics/12572/mining-industry-in-indonesia/#topicOverview>> viewed on 24 Desember 2024.

¹⁴ Permitindo Editorial Team, *Mining in Indonesia: An In-Depth Review*, Permitindo.Com. <<https://www.permitindo.com/news/mining-in-indonesia-an-in-depth-overview>> viewed on 24 Desember 2024.

Behind the contribution of mining companies to the Indonesian economy, mining companies also damage environmental sustainability.¹⁵ According to data from the World Resource Institute in 2023, Indonesia's annual CO₂ emissions rank 11th in the world with 648 tons of CO_{2e}¹⁶ and the largest in Southeast Asia.¹⁷ Mining activities also play a role in climate change through the use of energy in their production activities.¹⁸ Based on this, various mining companies have made efforts to reduce the carbon emissions produced by replacing the use of fossil energy with environmentally friendly renewable energy.¹⁹ This is done as an effort to deal with climate change risks and changing investor perspectives.²⁰

Islam, as a comprehensive way of life, emphasizes the importance of environmental stewardship and sustainability. In Islam, humans are regarded as *khalifah* of the earth, entrusted with the responsibility to protect and preserve the environment.²¹ The concept of balance in islam perspective on nature is crucial, and disrupting this balance by damaging the environment is considered unjust Mining companies, therefore, have an ethical obligation to ensure their activities do not harm the environment and strive to reduce their carbon footprint as a manifestation of their responsibility.²² Furthermore, the principle of justice in Islam requires that businesses operate fairly towards all stakeholders, including the environment and

¹⁵ Mrs. Jane Onoyi et al., "The Effect of Business Risk, Financial Performance and Environmental Performance on the Stock Price of Coal Mining Companies Listed on the Indonesia Stock Exchange in 2016-2020," *Journal Encyclopedia* 5, no. 2 (2023): p. 191–199, <http://jurnal.ensiklopediaku.org>.

¹⁶ Annasa Rizki Kamalina, *List of 20 G20 Countries and the Largest CO_{2e} Emitters, What Order Is Indonesia?*, Business Economics, last modified 2024, accessed January 31, 2025, <<https://ekonomi.bisnis.com/read/20240531/9/1769711/daftar-20-negara-g20-dan-emisi-co2e-terbesar-indonesia-urutan-berapa>> viewed on 24 Desember 2024.

¹⁷ Hannah Ritchie and Max Roser, *Indonesia: A CO₂ Country Profile*, Our World in Data, 2024, <<https://ourworldindata.org/co2/country/indonesia>> viewed on 24 Desember 2024.

¹⁸ Nurul Ismi, *These are the 7 Factors That Cause Climate Change*, Kompas.Com, last modified 2022, < <https://buku.kompas.com/read/2927/inilah-7-faktor-yang-menyebabkan-terjadinya-perubahan-iklim>> viewed on 22 Desember 2024.

¹⁹ Fionna Khantidevi Lukmadi and Tundjung Herning Sitabuana, *COP26: Indonesia's Role in Climate Action Dynamics Towards the Climate Change Mitigation Axis in Indonesia*ND

²⁰ Global Accounting and Journal E Issn, "The Role of Climate Risk Disclosure to Achieve Corporate Resilience" 8, no. 2 (2022): p. 130–142.

²¹ Dewi Maharani and Taufiq Hidayat, "Bank Dan Lembaga Keuangan Syariah Dalam Perspektif Al-Qur'an," *MALIA: Journal of Islamic Banking and Finance* 4, no. 1 (2020): p. 50.

²² Lidia Ralina and Ari Prasetyo, "Pengaruh Kinerja Keuangan Dan Kinerja Lingkungan Terhadap Nilai Perusahaan Pertambangan Di Issi Periode 2013-2017," *Jurnal Ekonomi Syariah Teori dan Terapan* 6, no. 9 (2020): p. 1795–1803.

community.²³ This means that mining companies should ensure that their operations do not disproportionately harm the environment or local communities, aligning their business practices with ethical and fair treatment.²⁴

Climate change also poses a risk to the Company. Corporate climate risk refers to a company's vulnerability to climate change, which can result in a decline in financial performance.²⁵ To avoid these risks, the Company needs to know about climate risks. Climate risk disclosure is the process by which companies or organizations disclose information about the risks that climate change may pose to their operations.²⁶ Climate risk disclosure helps companies proactively assess and manage these risks, thereby aiding in strategic planning and adaptation efforts.²⁷

The implementation of climate risk disclosure demonstrates the Company's commitment to sustainability and risk mitigation.²⁸ This is following the idea of SDGs (Sustainable Development Goals) 13, which is climate action that focuses on all activities in the fight against climate change.²⁹ This aligns with the Islamic principle of transparency, where honesty and openness in disclosing information are paramount.³⁰ Climate risk disclosure can also improve the Company's performance. The results of the Megeid Research show that compared to companies

²³ Cory Vidiati, Alisa Qotrunada, and Ari Arizki, "Investasi Syariah Dan Pasar Modal: Kinerja Saham Syariah Di Tengah Ketidakpastian Ekonomi Global," *INTELEKTIVA* 6, no. 3 (2024), p. 88–100.

²⁴ Muchammad Choir Rivo and Ririn Tri Ratnasari, "Faktor Yang Mempengaruhi Perilaku Investor Muslim Dalam Keputusan Berinvestasi Saham Syariah," *Jurnal Ekonomi Syariah Teori dan Terapan* 7, no. 11 (2020): p 22-29.

²⁵ I. Wayan Budiasa, "Green Financing to Support Sustainable Agriculture in Indonesia," in *IOP Conference Series: Earth and Environmental Sciences*, vol. 518 (IOP Publishing Ltd, 2020) p. 12-16.

²⁶ Adam Arian and John Stephen Sands, "Corporate Climate Risk Disclosure: Assessing Materiality and Stakeholder Expectations for Sustainable Value Creation," *Journal of Accounting, Management and Sustainability Policy* 15, No. 2 (2024): p. 457–481.

²⁷ Ibid.

²⁸ Roberto Vestrelli, Andrea Fronzetti Colladon, and Anna Laura Pisello, "When Attention to Climate Change Matters: The Impact of Climate Risk Disclosure on the Market Value of Firms," *Energy Policy* 185, no. 33 (2024): p. 11-28, <https://doi.org/10.1016/j.enpol.2023.113938>.

²⁹ 17 GOALS, United Nations, <<https://sdgs.un.org/goals>> viewed on 20 Desember 2024.

³⁰ Arifa Kurniawan et al., "Faktor Penentu Minat Menggunakan Financial Technology Syariah Pasca Covid-19," *BISNIS: Jurnal bisnis dan manajemen islam* 11, no. 1 (2023): p. 1–28.

with low climate risk disclosure scores, ROA (Return on Assets) will be higher in companies with higher climate risk disclosure scores.³¹

Environmental sustainability issues can also affect stock prices. The Company's management system that serves all stakeholders is now an important consideration for investors in decision-making.³² The Company's approach to environmental sustainability in the selection of business strategies and objectives tends to strengthen the Company's commitment to stakeholders. A sustainable environment is also an important consideration for investors in making investment decisions.³³ According to Stakeholder Theory, companies have a responsibility to various stakeholders, including investors, employees, customers, and the broader community, to disclose information regarding climate risks and environmental performance. This enhances trust and ensures that the company's activities align with the interests of all stakeholders.³⁴

In Indonesia, to support environmental sustainability, the Ministry of Environment and Forestry has made regulations related to environmental performance assessment.³⁵ Since the issuance of the Regulation of the Minister of Environment and Forestry No. 1 of 2021, the assessment of corporate environmental performance in Indonesia is based on the Corporate Performance Assessment Program in Environmental Management (PROPER). This regulation replaces the Minister of Environment and Forestry Regulation No. 03 of 2014 and strengthens efforts to encourage companies to contribute to environmental

³¹ Nevine Sobhy Abdel Megeid, "The Impact of Climate Risk Disclosure on Financial Performance, Financial Reporting, and Risk Management: Evidence from Egypt," *Future Business Journal* 10, no. 1 (2024), p. 34-45. <https://doi.org/10.1186/s43093-024-00309-5>.

³² Ni Made Gita Indah Dewi I Nyoman Wijana Asmara Putra Fortuna, "The Influence of Environmental Performance, Environmental Information Disclosure, and Good Corporate Governance on the Company's Stock Price," *e-JA e-Journal of Accounting* 30 (2020): p. 1019–1033.

³³ Marwa Mohamed Maher Basiouny, Ahmed Said Abdel Azzim Ahmed, and Sameh Mohamed Amin Elnagar, "The Impact of Climate Change Risk Disclosure on Financial Statement Transparency: The Moderation Role of Institutional Investors," *Boletín De Literatura Oral* 11 (2024): p. 344–359.

³⁴ Arian and Sands, "Corporate Climate Risk Disclosure: Assessing Materiality and Stakeholder Expectations for Sustainable Value Creation."

³⁵ Muchlisin Riadi, "Environmental Performance and Precision," *Pustaka.Com learning*, last modified 2023, <https://www.kajianpustaka.com/2023/08/kinerja-lingkungan.html>.

conservation.³⁶ This research used PROPER as indicator to measurement environmental performance. PROPER is a comprehensive program implemented by the Ministry of Environment and Forestry in Indonesia to assess and rate the environmental performance of companies.³⁷ It provides a standardized and objective measure of how well companies are managing their environmental impact, making it a reliable and widely recognized proxy for environmental performance.³⁸

Islamic values also emphasize the importance of sustainability. Islam encourages the responsible and sustainable use of natural resources to ensure that future generations can benefit from them.³⁹ Mining companies should adopt practices that minimize environmental damage and promote the use of renewable resources, reflecting the value of sustainability in their operations.⁴⁰ Legitimacy Theory posits that companies seek to operate within the bounds and norms of their respective societies to gain legitimacy. By disclosing climate risks and demonstrating strong environmental performance, mining companies can enhance their legitimacy and maintain their social license to operate.⁴¹

Not only based on the environment, financial performance is the main factor that affects investor decision-making.⁴² Financial performance is a picture or reflection of the company's operational condition from the financial aspect, whether it is growing or declining.⁴³ Financial performance can be measured by analyzing

³⁶ Rion, *PERMENLHK No. 1 of 2021 concerning TRUE*, Proper.Menlhk.Go.Id, <<https://proper.menlhk.go.id/proper/berita/detail/330>> viewed on 14 Desember 2024.

³⁷ Ibid.

³⁸ Shinta Sunja Prastika and Muhammad Nafik Hadi Ryandono, "Apakah Pengungkapan Lingkungan, Kinerja Lingkungan, Dan Kinerja Keuangan Berdampak Terhadap Harga Saham? Bukti Dari Emiten Di Jakarta Islamic Index," *Jurnal Ekonomi Syariah Teori dan Terapan* 9, no. 2 (2022): p. 252–259.

³⁹ Ghofar Taufik and Oman Rusmana, "Perilaku Investor Muslim Dalam Memutuskan Investasi Saham Syariah Periode 2018-2023: Systematic Literatur Review," *Jurnal Ilmiah Ekonomi Islam* 9, no. 2 (2023): p. 2105.

⁴⁰ Ralina and Prasetyo, "Pengaruh Kinerja Keuangan Dan Kinerja Lingkungan Terhadap Nilai Perusahaan Pertambangan Di Issi Periode 2013-2017."

⁴¹ Arian and Sands, "Corporate Climate Risk Disclosure: Assessing Materiality and Stakeholder Expectations for Sustainable Value Creation."

⁴² Maratus Sholihah and Dwi Ermayanti Susilo, "The Effect of Financial Performance, Company Size, and CSR on the Stock Price of Property Companies on the Indonesia Stock Exchange 2018-2020," *Disclosure: Journal of Accounting and Finance* 1, no. 2 (2021): p. 115.

⁴³ Millasari and Pangastuti, "Environmental Performance and Financial Performance on the Stock Price of Manufacturing Companies."

financial data contained in financial statements.⁴⁴ Signaling Theory suggests that companies use disclosures to signal their quality and performance to investors.⁴⁵ Strong financial performance can signal to investors that the company is well-managed and forward-thinking, potentially leading to positive impacts on stock prices.⁴⁶

To measurement Financial performance, this research use ROA (Return on Asset) as indicator. ROA is a widely used financial ratio that measures a company's profitability relative to its total assets.⁴⁷ The results of the Onoyi Research, show that financial performance measurement by ROA (Return on Asset) can significantly affect stock prices because it affects investor decisions.⁴⁸ The result show ROA is a reliable and commonly accepted indicator of financial performance because it provides insight into the operational efficiency and profitability of a company.⁴⁹

Previous research has found a relationship between climate risk disclosure and transparency of financial statements and corporate financial performance.⁵⁰ However, environmental performance has a weak influence on stock prices,⁵¹ while financial performance has a significant influence on stock prices.⁵² This is also supported by other findings that state that these two variables have a positive effect on stock prices. Meanwhile, previous findings stated that climate risk disclosure

⁴⁴ Sholihah and Susilo, "The Effect of Financial Performance, Company Size, and CSR on the Stock Price of Property Companies on the Indonesia Stock Exchange 2018-2020."

⁴⁵ Ibid.

⁴⁶ Fortuna, "Pengaruh Kinerja Lingkungan, Pengungkapan Informasi Lingkungan, Dan Good Corporate Governance Pada Harga Saham Perusahaan."

⁴⁷ Helga Septinurika, Amries Rusli Tanjung, and Yesi Mutia Basri, "Pengaruh Kinerja Keuangan Dan Kinerja Lingkungan Terhadap Nilai Perusahaan Dengan Corporate Social Responsibility Sebagai Variabel Moderasi," *Jurnal Akuntansi* 9, no. 1 (2020): p. 26–37.

⁴⁸ Onoyi et al., "The Effect of Business Risk, Financial Performance and Environmental Performance on the Stock Price of Coal Mining Companies Listed on the Indonesia Stock Exchange in 2016-2020."

⁴⁹ Desi Amanatul Fitriana et al., "Pengaruh Kinerja Lingkungan, Carbon Emission Disclosure , Dan Kinerja Keuangan Terhadap Nilai Perusahaan" 3, no. 1 (2024): p. 50–64.

⁵⁰ Basiouny, Ahmed Said Abdel Azzim Ahmed, and Sameh Mohamed Amin Elnagar, "The Impact of Climate Change Risk Disclosure on Financial Statement Transparency: The Moderation Role of Institutional Investors."

⁵¹ Millasari and Pangastuti, "Environmental Performance and Financial Performance on the Stock Price of Manufacturing Companies."

⁵² Onoyi et al., "The Effect of Business Risk, Financial Performance and Environmental Performance on the Stock Price of Coal Mining Companies Listed on the Indonesia Stock Exchange in 2016-2020."

variables have a positive effect on the significance of predicting the Company's performance and the Company's value.⁵³

The Islamic value of steadfastness emphasizes the importance of consistency and perseverance in upholding ethical and responsible practices. Mining companies should consistently adhere to high standards of environmental and financial performance, demonstrating steadfastness in their commitment to sustainability and ethical business practices.⁵⁴

Research on climate risk disclosure and its impact on stock prices in Indonesia is still minimal. Most of the existing research has not been examined directly. Climate risk disclosure assessments use the Task Force on Climate-related Financial Disclosures (TCFD) framework, which is also rarely used in research in Indonesia. In addition, there is a lack of research examining the effects of climate risk disclosure, environmental performance, and financial performance together on the Stock Price of mining companies. This indicates that there is a significant research gap.

By selecting the subject of mining companies and the latest time frame (2021-2023), this study aims to capture new trends and dynamics in the mining industry that may not have been identified in previous studies. Therefore, this study aims to determine the effect of climate risk disclosure, environmental performance, and financial performance on the stock price of mining companies listed on ISSI (Indonesian Sharia Stock Index) post-Covid-19 (2021-2023).

B. Problem Formulation

Based on the above background, the researcher formulates the problems that will be discussed in this study, namely:

1. Does climate risk disclosure have a positive effect on the Stock Prices of mining companies listed on ISSI (Indonesia's Sharia stock index)?

⁵³ Reon Matemane and Nikita Graca, "The Relationship Between Climate Risk Disclosure and Mining Company Performance: Evidence from Developing Economies," *International Journal of Environmental, Sustainability, and Social Sciences* 4, No. 5 (2023): p. 1576–1594.

⁵⁴ Prastika and Ryandono, "Apakah Pengungkapan Lingkungan, Kinerja Lingkungan, Dan Kinerja Keuangan Berdampak Terhadap Harga Saham? Bukti Dari Emiten Di Jakarta Islamic Index."

2. Does environmental performance have a positive influence on the stock price of mining companies listed on ISSI (Indonesian Sharia Stock Index)?
3. Does financial performance have a positive influence on the Stock Price of mining companies listed on ISSI (Indonesian Sharia Stock Index)?

C. Research Objectives

The objectives that the researcher wants to achieve from this study are:

1. To analyze the effect of climate risk disclosure on the Stock Price of mining companies listed in the Indonesian Sharia stock index.
2. To analyze the influence of environmental performance on stock prices in mining companies listed in the Indonesian Sharia Stock Index.
3. To analyze the influence of financial performance on stock prices in mining companies listed in the Indonesian sharia stock index.

D. Research Benefits

1. Theoretical Benefits

The results of this study are expected to contribute to the academic literature by providing empirical evidence on the relationship between climate risk disclosure, environmental performance, financial performance, and stock prices. This research could serve as a basis for future studies in financial management, offering new perspectives and insights that could improve the understanding of how environmental factors affect financial metrics. In addition, it can aid in the development of more comprehensive theoretical frameworks and models in the field of sustainable finance.

2. Practical Benefits

a. Company

The results of this study are expected to be one of the Company's evaluation materials and sources of information in implementing and improving the quality of climate risk disclosure, environmental performance, and financial performance, which will have a positive impact on the Stock Price of mining companies in the future.

b. Regulator

The results of this study are expected to be one of the regulators' evaluation materials and sources of information in the implementation and improvement of the quality of climate risk disclosure, environmental performance, and financial performance to have a positive impact on their oversight and regulatory frameworks for mining companies in the future. This can lead to more effective and informed policies, ultimately promoting sustainability and protecting investors.

