

Does the Company's Performance Effect on the Sustainability Report?

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Abstract- Trends regarding Sustainability Reporting in Indonesia are experiencing positive developments. This can be concluded that the company already has an awareness that the company's survival depends on the company's relationship with its environment, this is in accordance with the legitimacy theory which states that the company has a contract with the community to carry out its activities based on the values of justice and how the company responds to various interest groups for legitimizing corporate actions. So that in this study the researcher wanted to test which one had a more effective effect on the trigger in the development of an upward trend in Sustainability Reporting, from several samples taken by researchers, data that represented financial performance and company size were obtained, after using logistic regression, data that stated that the size of the company seems to have the strongest influence on the disclosure of the sustainability report.

Keywords: *Sustainability Reporting, Financial Performance, Company Size.*

Introduction

Along with the development of the times, now the demands of stakeholders regarding environmental and social issues have made companies start paying attention to long-term development. Now the company is no longer based on the Single Bottom Line concept, but has switched to the concept introduced by John Elkington (1998), namely the Triple Bottom Line which focuses on 3P, namely Profit, People, and Planet. This concept holds that the company does not only focus on profit or profit, but the company must also participate and participate in the welfare of the surrounding community (people) and actively contribute to the preservation of the environment (planet) (Almilia, 2008).

Awareness to pay attention to environmental and social aspects began in 1983 when the United Nations formed the Bruntland Committee, where one of its recommendations was sustainable development to be implemented consistently (Luthfia, 2012).

Weber et al. (2008) said that companies that disclose Sustainability Reports want to show their company's commitment to social and environmental issues to stakeholders and show transparency and get feedback on company performance in responding to demands for information from stakeholders.

Disclosure of sustainability report can increase company value and financial performance because through this report stakeholder can get a clearer and more open picture of all the sustainable activities that have been carried out by the company (Oktaviani, 2018).

Chairman of the Jury Team SRA Sarwono Kusumaatmadja said "Although sustainability reports are still voluntary, as of the end of 2016 there were 120 companies that had published sustainability reports in Indonesia. Hopefully more companies will realize that sustainability reports are very important in building and

developing business with stakeholders," said Chairman of the Jury Team SRA Sarwono Kusumaatmadja. In this year's award, Perusahaan Gas Negara (PGN) Tbk managed to become the overall winner (Media Indonesia, 2016).

The trend regarding Sustainability Reporting in Indonesia has experienced positive developments. From 2005 there were only 2 companies that published Sustainability Reports, until 2016 there were many companies that had published Sustainability Reports. According to the National Center for Sustainability Reporting (NCSR), until the end of 2016 there were a total of 120 companies that had published sustainability reports in Indonesia, both public and private companies (Media Indonesia, 2016).

However, this number very small when compared to many companies in Indonesia, as stated in the following online news site, "The Central Statistics Agency (BPS) has conducted the 2016 Economic Census. From the census results, the number of companies in Indonesia is recorded as 26.7 million. This figure is an increase compared to the results of the 2006 Economic Census of 22.7 million companies. This means that there are 3.98 million new companies in the last 10 years. The development of population and the growth of modern businesses such as online businesses have contributed to increasing economic activity in Indonesia (Detik Finance, 2017).

Companies must have the awareness that the company's survival depends on the company's relationship with its environment (Rima Rachmawati, 2007).

The practice of disclosing social responsibility for companies in Indonesia is still voluntary (voluntary disclosure), not an obligation (mandatory disclosure). Although still voluntary, companies are increasingly aware that disclosing social activities will further describe the company's role in carrying out its social functions. So that the company can build, maintain and legitimize the company's contribution (Rima Rachmawati, 2007)

Executive Director of NCSR Ali Darwin added that the Financial Services Authority (OJK) should follow the Singapore stock exchange, which requires registered companies to issue sustainability reports. "Primarily, companies that deal with the environment and society, such as mining, plantations and financial institutions," said Ali (Media Indonesia, 2016).

In various developed countries in the European region, such as Sweden, Finland, the Netherlands, and Germany, as well as Asian countries such as Japan, have obliged every company, both state-owned and publicly listed, to make sustainability reports. No wonder the country scores and ranks high in the Environmental Performance Index (EPI). In fact, according to a survey from Value Champion Japan is one of the most environmentally friendly countries in 2018. This is inversely proportional to Indonesia which ranks 133 out of 180 countries in the EPI (News Unika, 2019).

At least 36 people, most of whom are minors, have died in ex-coal mining pits in various parts of East Kalimantan (Kaltim) since 2011. Environmental activists say that currently 1,735 mining pits have been left gaping by the company. although they are legally obliged to reclaim ex-excavated after exploration. However, the government claims it has only found about 500 mining pits in the province that will host the new capital (bbc.com, 2019).

The Mining Advocacy Network (Jatam) noted that since 2011 the death toll in mine pits was spread across Samarinda (21 people), Kutai Kartanegara (13), West Kutai (1) and Penajam Paser Utara (1). "The figures are not small. This is a serious human rights violation, although Komnas HAM has not dared to declare it," said East Kalimantan Jatam coordinator, Pradarma Rupang (bbc.com, 2019).

Mining industrial areas are areas with the highest poverty rates, Population Economic Geography expert Abdur Rofi said, based on data from the Central Statistics Agency in 2018, areas rich in natural resources are the poorest areas in Indonesia. These areas include Papua, West Papua which occupies the poorest region in Indonesia, namely Papua is in the first rank, namely 27.74%, followed by West Papua, which is 23.01%. In fact, the Director General of Mineral and Coal, Bambang Gatot Ariyono in the forum of the Indonesian Mining Experts Association (Perhapi) said, "Since the beginning of the year until now, the mining sector revenue has reached Rp 39 trillion. The target in the 2018 State Budget is only IDR 32.1 trillion. "The mineral and coal sector is still a contributor to the state budget." (News Unika, 2019).

Literature Review

Financial Performance

Financial performance is the result of decisions based on an assessment of the company's capabilities, both in terms of liquidity, activity, leverage and profitability made by the parties with an interest in the company. Financial performance is used by management as one of the guidelines for managing the resources entrusted to it. Reports of financial performance are made to describe the company's past financial condition and are used to predict future financials (Soeslistyoningrum, 2011). According to Fahmi (2010), the definition of financial performance is as follows):

"Financial performance is an analysis carried out to see the extent to which a company has implemented financial implementation rules properly and correctly." Performance appraisal of a company is different because it depends on the scope of business it is running.

Company Size

size is a scale or value in which the company can be classified as large or small based on total assets, sales and market capitalization. Market capitalization itself is a business term that refers to the total price of a company's stock, which is the price one must pay to buy the entire company (Triana, 2017).

Sustainability Report

According to GRI (2013) states that:

"Sustainability reports are the practice of measuring, disclosing and accountability for organizational performance in achieving sustainable development goals to both internal and external stakeholders. A sustainability report is a general term that is considered synonymous with other terms to describe reports on economic, environmental and social impacts (e.g. triple bottom line, corporate responsibility reports, etc.). "

A sustainability report must provide a balanced and reasonable picture of an organization's sustainability performance, whether positive or negative contributions to the environment, society and the economy.

Research Hypothesis

Based on the concept, previous research, the hypothesis in this study is:

- H1 : Liquidity affects the sustainability report disclosure.
- H2 : Leverage affects the sustainability report disclosure.
- H3 : Profitability affects the sustainability report disclosure.
- H4 : Company size affects the sustainability report disclosure.

Methodology

The research method is a technical or a way to find, obtain, collect or record data, both in the form of primary data and secondary data which are used for the purposes of compiling a scientific work and then analyzing the factors related to the main problems so that there will be a truth. the data obtained. According to Sugiyono (2014), the research method is basically a scientific way to get data with specific purposes and uses.

In this study, the research methodology used is explanatory research. Explanatory research is a research that focuses on the causal relationship between research variables and tests the previously formulated hypotheses. The purpose of a causal study is to be able to state that variable X causes variable Y. The purpose of this study is to determine the effect of liquidity, leverage, profitability and company size on the disclosure of sustainability reports.

Logistic Regression Analysis Test

Logistic regression is used to predict the size of the dependent variable in the form of a binary variable (nominal type data with two criteria) using independent variable data whose size is known (Santoso, 2010). Logistic regression was chosen because this study has a dependent variable which is a binary / categorical variable and a metric independent variable. This test is used in order to determine the effect of company characteristics variables on the disclosure of a company's sustainability report. The dependent variable used in the model is a nominal variable, the two criteria being determined are whether the company discloses a sustainability report or not. Meanwhile, the independent variables used in this study are the level of liquidity, leverage, profitability and company size. The model proposed in this study is based on the problem formulation and theoretical framework that has existed before, namely:

Description:

Y = Binary variable, the specified value

1 = the company disclosed the sustainability report

0 = the company did not disclose the sustainability report

α = constant

β = Coefficient

X1 = Liquidity

X2 = Leverage

X3 = Profitability

X4 = Company Size

Results and Discussion

Logistic Regression Test

Classification Table

Observed	Predicted	
	Company Category	Percentage Correct

			Not Publishing <i>Sustainability</i> <i>Report</i>	Publishing <i>Sustainability</i> <i>Report</i>	
Step 1	Company Category	Not Publishing <i>Sustainability</i> <i>Report</i>	37	8	82.2
		Publishing <i>Sustainability</i> <i>Report</i>	11	34	75.6
	Overall Percentage				78.9

a. The cut value is .500

Source: Data processed in 2020

The description above is a logistic regression model prediction with observational data, it can be shown by a classification table between the logistic regression model predictions and the results of the observations. In the table above, the percentage of classification truth for companies that did not disclose the *sustainability report* was 82.2%, where 37 observations could be predicted to be correct and 8 observations were wrong. The percentage of truth for companies that disclosed *sustainability reports* was 75.6%, where 34 observations were predictable correctly and 11 observations had errors. Overall the classification results for logistic regression showed a percentage of classification accuracy of 78.9%.

Hypothesis Testing T

Logistic regression model can be formed by looking at the estimated parameter values in *Variables in The Equation* in the logistic regression model table which is formed based on the estimated parameter values in the *Variables in The Equation* are as follows

$$SR = -63,214 + 1,582 CR - 0,254 DER - 3,737 ROA + 2,119 TA$$

Conclusion in hypothesis testing is based on a significance level of 0.05. If the significance level is greater than 0.05, it can be said that Ho is accepted, which means the variable has no effect on the disclosure of the *sustainability report*. If the significance value is less than 0.05, it means that the variable has an effect on the disclosure *sustainability report*. Furthermore, the positive or negative effect is shown by the regression coefficient. If the regression coefficient is positive, it indicates a positive effect and if the coefficient is negative it indicates a negative effect. The results of hypothesis testing are as follows:

First Hypothesis Testing (H1)

Table of Effect of Liquidity on *Sustainability Report*

Significance Benchmark	Significance Calculate	Value β	Conclusion
0.05	0.011	1.582	Ho rejected

Source: Data processed in 2019

The first hypothesis states that liquidity has a positive effect on disclosure of *sustainability reports*. The test results shown in the table above show that the liquidity variable proxied by *Current Ratio* has a positive regression coefficient of 1.582 with a significance level of 0.011 which is smaller than α (5%). Based on this, it can be concluded that Ho is rejected, which means that the liquidity variable affects the disclosure *sustainability report*. The effect of the liquidity variable moves in the same direction as the disclosure *sustainability report*. If liquidity is greater, the level of disclosure is *sustainability report* also higher, and if liquidity is lower, the level of disclosure is *sustainability report* also getting lower.

Second Hypothesis Testing (H2)

Table of *Influence of Leverage on Sustainability Report*

Significance Benchmark	Significance Calculate	Value β	Conclusion
0.05	0.160	-0.254	Ho is accepted

Source: Data processed in 2019

The second hypothesis states that *leverage* has a negative effect on disclosure of *sustainability reports*. The test results shown in table 5.19 show the variable *leverage* which is proxied by the *Debt to Equity Ratio* has a negative regression coefficient of 0.254 with a significance level of 0.160 which is greater than α (5%). Based on this, it can be concluded that Ho is accepted, which means the variable *leverage* has no effect on the disclosure of the *sustainability report*.

Third Hypothesis Testing (H3)

Table of the Effect of Profitability on *Sustainability Report*

Significance Benchmarks	Significance Calculate	Value β	Conclusion
0.05	0.158	-3.737	Ho accepted

Source: Data processed in 2019

The third hypothesis states that profitability has a negative effect on the disclosure of *sustainability report*. The test results shown in the table above show the profitability variable which is proxied by *Return on Assets* has a negative regression coefficient of 3.737 with a significance level of 0.158 which is greater than α (5%). Based

on this, it can be concluded that H_0 is accepted, which means the profitability variable has no effect on the disclosure of *sustainability report*.

Fourth Hypothesis Testing (H4)

Table Effect of Company Size on *Sustainability Report*

Significance Benchmark	Significance Calculate	Value β	Conclusion
0.05	0.000	2.119	H_0 rejected

Source: Data processed in 2019

The fourth hypothesis states that company size has a positive effect on disclosure of *sustainability reports*. The test results shown in the table above show that the firm size variable as proxied by *Total Assets* has a positive regression coefficient of 2.119 with a significance level of 0.000 which is smaller than α (5%). Based on this, it can be concluded that H_0 is rejected, which means that the company size variable affects the disclosure *sustainability report*. The influence of the company size variable moves in the same direction as the disclosure *sustainability report*, if the company size gets bigger, the disclosure level *sustainability report* will also get higher, and if the company size gets lower, the disclosure level *sustainability report* will also get lower.

Results and Discussion

Table of Summary Hypothesis Testing Results with Logistic Regression

Information	Sig. Standard	Sig. Calculation	value β	Conclusion
Liquidity	0.05	0.011	1.582	Positively
<i>Leverage</i>	0.05	0.160	-0.254	No Effect
Profitability	0.05	0.158	-3.737	No Effect
Company Size	0.05	0.000	2.119	Positively

Source: Data processed in 2019

Conclusion

Based on theoretical descriptions and analyzes that have been carried out, the researchers conclude that:

1. Liquidity have an effect on disclosure of sustainability reports.
2. Leverage has no effect on the disclosure of sustainability reports
3. Profitability has no effect on the disclosure of sustainability reports.
4. Company size has effect on sustainability report disclosure.

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