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Effect of Financial Performance, Leverage, Good Corporate Governance And Company Size on The Sustainability Report (Study Of Companies Listed on the IDX, Lq 45 Year 2015 – 2019)

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ABSTRACT

This study aims to determine and analyze the effect of profitability, leverage, institutional ownership, audit committees, independent commissioners and company size on the sustainability reports of LQ 45 companies listed on the IDX in 2015-2019. Based on purposive sampling, there were 17 companies according to the research criteria multiplied by the number of 5 years of observation, 85 data were processed and analyzed using multiple linear regression. The results simultaneously variable profitability, leverage, institutional ownership, audit committee, independent commissioners and company size have a significant effect on sustainability reports while partial testing shows that only audit committees have a significant effect on sustainability reports

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1. INTRODUCTION

The basis of the formation of a profit entity is to get the expected profit. The company in addition to prioritizing internal, external and community shareholders. The entity's current business management is not primarily based on economics but also on social aspects. The basis of the data in the report facilitates the interpretation of the interpretation of report users, profit entities require that these disclosures are not misleading. Submission of annual business entity data is divided into two, namely mandatory and voluntary. This paradigm reveals the company's success in terms of economic, social and environmental aspects.

The relationship between the three information is contained in the sustainability report in the Sustainability Report guidelines made by GRI (Effendi MA, 2016, p. 213). OJK Regulation Number 51 of 2017 disclosure of the Sustainability Report is mandatory for FSI, Issuers and registered Companies. The development of accounting initially focused on financial reports (Financial Reports) then management reports (Management Report), green reports (Green Reporting) and Sustainability Reporting.

Some of the factors that are thought to influence the Sustainability Report are profitability, leverage, institutional ownership, audit committees, independent commissioners and company size. The profit ratio is a measure of company profits, profitability is a profit ratio that measures the value of assets and capital that is calculated with others (Alhamra, 2016, p. 4). The ratio used in this study for the profitability variable indicator Return on Assets (ROA) is dividing earnings before tax by the entity's total assets.

Based on the legitimacy theory, the higher the ROA number of a company indicates the greater the net profit after tax that they generate from their operational activities. So that Profitability plays a role as a driving force in carrying out all company activities including environmental and social activities of the company which in the end have an impact on stakeholders.

Research from Tobing (2019), Anissa (2019), Leksono (2018), and Alhamra (2016) shows that there is a significant influence on profitability by disclosing the Sustainability Report. Other research, namely Damayanti (2020), Respati (2015), and Putri (2014) state that there is no significant influence on profitability with the Sustainability Report Leverage is the ratio of assessing long-term debt to total assets, (Fahmi, 2015), while Kasmir (2012), states that leverage is the company's value in paying all debts. A number of financial leverage measurement tools; Debt Ratio, Debt to Equity Ratio (DER); Time Interest earned ratio; Fixed charge coverage

Institutional ownership is the value of a number of shares owned by an institution within the entity. Based on legitimacy theory, the greater the institutional ownership of an entity, the greater the level of disclosure of the Sustainability Report. That's because institutions that invest in a company to get commensurate returns on the capital invested. Institutions always monitor the development of their investment in the company, with high institutional ownership will increase control over management actions. So that information related to the latest economic and environmental conditions of companies is disclosed in the Sustainability Report (Pramiswari, 2017, p. 4), Independent Commissioners, described as committees or bodies not directly affiliated with the controlling shareholder, their position is independent in the control of the entity (Makhdalena, 2012). Research from Tobing (2019) and Sari (2022), this variable is not significant for the entity's sustainability report, but Tobing (2019), Damayanti (2020), the Independent Commissioner variable has significance for the entity's sustainability report.

Company size is interpreted as the size of the entity seen based on company assets, taxes paid, profits earned. Based on legitimacy theory, the size of this variable valuation indicates the size of the company's capital capitalization. If a company is registered on the IDX, the company must comply with laws set by the government and IDX regulations because the impact and responsibility on the environment and society are even greater, one of the relevant government laws is Law 40 of 2007 which requires entities to carry out CSR activities and carry out their responsibilities. they replied. (Leksono, 2018, p. 6). Research from Damayanti (2020), Tobing (2019), Fitriana (2019).

2. RESEARCH METHOD

The type of research in this research is associative research, namely the type of research that aims to determine the influence or also the relationship between two or more variables. Source of data in this research is secondary data. The secondary data is in the form of data obtained from the annual report and the Sustainability Report of the company concerned.

The unit of analysis in this study is related to obtaining data and then grouping it until it is ready to be analyzed. The research uses the annual report analysis unit which includes financial reports, sustainability reports and organizational structure from 2015 to 2019. This research uses secondary data, data obtained from literature and other sources as reference material. The data that has been collected is then analyzed using statistical inference so that it can prove the hypothesis that has been formulated.

The population in this study are companies listed on the IDX which are included in the LQ 45 index in 2015-2019. The number of population in this study, namely 45 companies. Table 1 shows the data on the number of research samples using the purposive sampling method.

. Table 1. Research Sample Criteria

Sample Criteria	Number of Samples
Companies listed on the IDX with an LQ Index of 45 for 2015-2019	45
Financial sector companies such as finance companies and banks listed on the IDX LQ 45 index were excluded from the research sample.	(15)
Companies that do not consistently publish Sustainability Reports in a row during 2015-2019.	(13)
Number of Research Samples	17

3. RESULTS AND DISCUSSIONS

1. Effect of Profitability on Disclosure of Sustainability Report

The first hypothesis (H1) states that Profitability (X1) has a significant and significant effect on the disclosure of the company's Sustainability Report (Y), with a negative direction, based on the results of the hypothesis test, it can be concluded that Profitability has a significant effect on the disclosure of the company's Sustainability Report, so that it can be stated that H1 is rejected

Profitability is the company's ability to earn profits in relation to sales, total assets and own capital. Profitability is the ratio to assess the company's ability to make a profit. This ratio also provides a measure of the level of management effectiveness of a company. This is demonstrated by the profit generated from sales and investment income (Tobing, 2019, p. 3).

Profitability is needed to assess the potential of economic resources that may be controlled in the future. The profitability of a company can be assessed in various ways depending on profits and assets or capital that will be compared with one another. Profitability is the amount that comes from reducing the cost of production, other costs and losses from income or operating income which is the excess of income over costs during an accounting period (Alhamra, 2016, p. 4).

The results of this study indicate that with the condition of a company whose profitability has decreased, it will also not have an impact on reducing the implementation of sustainability report disclosure. The results of this study are not in line with previous research from Tobing (2019) and Leksono (2018), andInsan and Hendre (2017), namely profitability has an effect on sustainability report disclosure and is in accordance with Ainul Fatihan Damayani's research (2020) that profitability has no effect on sustainability report disclosure.

2. Effect of Leverage on Sustainability Report Disclosure

The second hypothesis (H2) states that Leverage (X2) has a significant negative effect on the disclosure of the Sustainability Report (Y). Based on the multiple linear regression analysis test which can be seen in table 5.22 it states that the regression coefficient value of the leverage variable is 0.145 in a negative direction with a tcount value that is greater than the t-table value (6.5495 > 1.9906) and a larger significant value smaller than the significant level (0.000 <0.05), based on this it can be stated that the second hypothesis is rejected.

*Financial leverage*according to Brigham and Houston (2006:17), namely: "Financial leverage is the level to which debt is used in the capital structure of a company." Financial leverage is a ratio that shows the extent to which the use of debt in the company's capital structure and companies that have a high level of leverage compared to company capital can be said to have a high risk.

The results of this study indicate that under conditions of high corporate leverage, it also does not have an impact on reducing the implementation of sustainability report disclosure.and in line with the research of Sri Sundari (2011), Aurelia Adi Leksono (2018) and Tobing (2019), namely leverage has no effect and is significant on the disclosure of sustainability report

3. Effect of Institutional Ownership on Sustainability Report Disclosure

The third hypothesis (H3) states that institutional ownership (X3) has a positive effect on disclosure of the Sustainability Report (Y). Based on the results of hypothesis testing, it can be concluded that institutional ownership (X3) has no effect on sustainability report disclosure (Y), so that it can be stated that H3 is rejected. The test results of multiple linear regression analysis which can be seen in table 5.22 state that the regression coefficient value of the institutional ownership variable is 0.000 with a t-count value that is smaller thanttable value (0.039 < 1.9906)and the magnitude of the significant value is greaterfrom the significant level (0.969 > 0.05).

Institutional ownership is share ownership by institutional investors which can be seen from the proportion of shares owned by institutions in the company. Institutions are institutions that have a great interest in the investments made, including stock investments (Anissa, 2019, p. 2). The results of this study are in line with previous research from Riha Dedi Prihantana (2011) which states that institutional ownership has no significant effect on disclosure of sustainability reports.and reject the research of Dwita Aliniar (2017) and Eny Suprapti (2019).

Institutional parties holding the majority of company shares also have the right to vote in formulating company policies and strategies at the GMS, one of which is in terms of cost efficiency to minimize costs that are considered too large or inefficient, because later these costs will affect the size of the return rate. they will receive from dividends. Environmental activities and their disclosures in a sustainability report that require a large budget can certainly reduce the value of company profits and the level of dividends that will be distributed by the company to its shareholders so that there is a tendency for institutional parties to minimize costs, one of which is the cost of carrying out environmental activities and their disclosures.

4. The Influence of the Audit Committee on Disclosure of Sustainability

The fourth hypothesis (H4) states that the audit committee (X4) has a positive effect on disclosure of the company's Sustainability Report (Y). Based on the results of hypothesis testing, it can be concluded that the audit committee (X4) has an effect on the disclosure of the Sustainability Report (Y), so that it can be stated that H4 is accepted.

The audit committee is a committee that works professionally and independently formed by the board of commissioners and thus its task is to assist and strengthen the board of commissioners in carrying out the oversight function of the process of financial reporting, risk management, auditing and implementation of GCG in companies. The existence of an audit committee is expected to assist the performance of the board of commissioners in environmental disclosure by companies to provide environmental information to stakeholders as a form of corporate accountability and transparency to the public. Thus, the more members of the audit committee, the better and can increase environmental disclosures made by companies(Ratnasari, 2011, p. 58).

Based on the test results, the audit committee is proven to influence the disclosure of sustainability reports, this is because the existence of an audit committee in a company will be better because it means it will increasea professional and independent oversight function in a company in its environmental disclosure activities so as to improve the quality of disclosure of the company's sustainability report. Based on the Financial Services Authority Regulation Number 55/POJK.04/2015 concerning the Establishment and Guidelines for the Implementation of Audit Committee Work, the audit committee consists of at least 3 (three) members from Independent Commissioners and parties from outside issuers or public companies, this shows that the audit committee consists of people who are independent, neutral, and do not have a conflict of interest in the company so that the audit committee in carrying out its functions and duties is truly in the interests of the company and does not side with management,

Go-public companies that trade their shares in the public are of course very dependent on the positive views and image of the public because this can affect the level of success of trading company shares on the stock exchange. The audit committee with its professional and independent considerations can provide policy recommendations for the best environmental approach along with transparency and disclosure of company information to the public in order to get the impression of a company that is responsible and has good performance so that the company gets a positive view in the public eye, therefore, the audit committee has a positive effect on the disclosure of the Sustainability Report.

The results of this study are in line with previous studies from Aurilea Adi Leksono (2018) and Eny Suprapti (2019) which state that the audit committee has a significant and significant effect on the disclosure of sustainability reportsand reject the research of Riha Dedi Prihanta (2011) Rotua Apriliya Tobing (2019) Dwita Aliniar (2017) and Ainul Fatihan Damayanti (2020)

5. Influence of the Independent Board of Commissioners on Sustainability Report Disclosure

The fifth hypothesis (H5) states that the independent board of commissioners (X5) has an effect on the disclosure of the company's Sustainability Report (Y). Based on the results of hypothesis testing, it can be concluded that the independent board of commissioners (X5) has no effect on the disclosure of the Sustainability Report (Y), so that it can be stated that H5 is rejected.

The results of this study are not in line with previous research fromHandre Diono (2017) and Dwita Aliniar (2017) which states that the independent board of commissioners has an effect on the disclosure of the sustainability reportbut according to the research of Rotua Apriliya Tobing (2019) and Ainul Fatihan Damayanti (2020) that the board of independent commissioners has no significant effect on the disclosure of sustainability reports

6. Effect of Company Size on Sustainability Report Disclosure

The sixth hypothesis (H6) states that company size (X6) has an effect on the disclosure of the company's Sustainability Report (Y). Based on the results of hypothesis testing, it can be concluded that company size (X6) has no effect on disclosure of the company's Sustainability Report (Y), so it can be stated that H6 is rejected.

Based on the test results, company size is proven to have no effect on sustainability report disclosure, this is probably due both small companies and large companies both will be in the spotlight of the wider community, regardless of whether the company is a multinational company or just a local company, both of them will still be valued the same by the community for the impact of the company's operating activities on the wider community, so that large or no matter how small a company still has the same obligation in disclosing a Sustainability Report.

The results of this study are in line with previous research from Rparents Apriliya Tobing (2019), Sri Sundari (2011) and Ainul Fatihan Damayanti (2020) Diono (2017) and Dwita Aliniar (2017) which states that company size has a significant and significant effect on sustainability report disclosureand reject the research of Dwita Aliniar (2017), Handre Diono (2017) and Aurilea Adi Laksono (2018).

7. Implications of Research Results

The results showed that the audit committee had a significant positive effect on disclosure of corporate sustainability, while profitability, leverage, institutional ownership, independent commissioners had a negative effect on disclosure of sustainability and company size had no significant positive effect on corporate sustainability disclosure in companies listed on the Indonesia Stock Exchange (IDX).) period 2015-2019. The implications of the results of this study include 2 (two) things, namely theoretical and practical implications. Theoretical implications relate to the contribution of the findings to the development of sustainable disclosure theories and practical implications relate to the contribution of research findings to the achievement of sustainable disclosure in companies.

8. Theoretical Implications

The results of this study prove the influence of profitability, leverage, audit committee and independent commissioners on sustainability disclosure through empirical testing with the legitimacy theory of companies that are sampled on the Indonesia Stock Exchange. This study supports the legitimacy theory which emphasizes the importance of information released by companies to their stakeholders to gain legitimacy and acceptance of the company's operational activities.

Legitimacy theory recommends companies to ensure that their activities and performance are acceptable to society. Companies use annual reports (annual reporting) and social and environmental disclosures in their sustainability reports to describe the company's sustainability, so that they are accepted by society. The results of this study are also expected to be a reference for further research which can add variables about financial performance, good corporate governance and company size in research on sustainability and can add insight and references in the development of sustainability accounting.

9. Practical Implications

The practical implications of this research are to provide information, references, and material for consideration for companies that are members of the Indonesia Stock Exchange to be able to issue sustainability reports for decision making for all stakeholders. If companies want to increase their sustainable disclosure, companies must also improve their social and environmental performance so that later they can increase the quality and quantity of their sustainable disclosure.

The better the environmental and social performance of companies, the wider the extent of sustainable disclosure they can disclose. Management should not only focus on financial performance to pursue profitability alone, but also must focus on non-financial performance such as environmental and social along with its disclosures for the long-term sustainability of the company. Companies should evaluate their social and environmental performance regularly so that the company always gets a good view from its stakeholders.

10. Research Limitations

The limitation in this study is the low adjusted R2 value of the tested capital of 0.476. It can be said that the independent variables (profitability, leverage, institutional ownership, independent board of commissioners and market firm size) taken in this study have a degree of relationship with the dependent variable (disclosure of SR) of 47.6%, so that the remaining 52.4% are other variables that are not stated to have a greater influence because in this study, further researchers can make variables that have not been studied much by previous researchers as a reference variable for disclosure of SR in the future.

And the sample population of a total of 45 companies that can be studied is only 17 companies, in the last day the percentage was 37.8%, not yet reaching 50%.

4. CONCLUSION

Based on the research results obtained through statistical testing and discussion as described in the previous chapter, it can be concluded that; The profitability factor has no significant effect on the company's sustainable disclosure, meaning that the size of the SR disclosure is not affected by the company's profitability. The leverage factor does not significantly influence the company's sustainable disclosure. meaning that the size of the SR disclosure is not affected by the company's leverage The institutional ownership factor has no effect on the company's sustainable disclosure, meaning that institutional ownership tends to act only for its personal interests and not to maximize the value of the company. So that managers are less concerned about carrying out SR activities and disclosing company SR and there is no alignment of interests between principals and agents for company performance. The audit committee factor influences the company's sustainable disclosure. This means that the large number of audit committees will have an oversight effect on management within the operational scope and business strategy of the company's sustainability, so that oversight of the company's long-term strategy in the form of broader SR disclosures also provides guarantees that can minimize conflicts between stakeholders. The independent commissioner factor has no effect on the company's sustainable disclosure. This means that the large number of independent commissioners outside is a commitment to openness to the company's business, the background of independent commissioners who are professional and beyond management's control does not have an oversight effect on decisions that have been made by the company, so that one of the decisions taken, for example disclosure of SR is not in line with management's goals contributes to the decision on the size of the disclosure of SR. The company size factor has no effect on SR disclosure, meaning that company size does not have an influence on sustainable disclosure. in disclosing the sustainability report.

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