



THE INFLUENCE OF PROFITABILITY, LIQUIDITY, LEVERAGE, ACTIVITY AND COMPANY SIZE ON SUSTAINABILITY REPORT DISCLOSURE

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ABSTRACT

Sustainability Report is the practice of disclosure, accountability and measurement of organizational (company) performance in achieving sustainable development goals to both internal and external stakeholders. On this basis, the study aims to determine the form of business responsibility that is oriented towards fulfilling public expectations of the existence of a business in the hope that the company will gain public legitimacy. This study aims to determine the effect of profitability, liquidity, leverage, activity, company size on sustainability report disclosure, using panel data regression on 12 companies engaged in the mining industry listed on the Indonesia Stock Exchange and actively distributing sustainability reports and annual reports during the period from 2014 to 2018. This study uses panel data regression, the dependent variable in this study is the sustainability report as measured by the sustainability discloser index under the parameters of the Global Reporting Initiative (GRI). The results of the study indicate that the firm size variable affects the disclosure of the sustainability report, and Liquidity Profitability, Leverage, whilst the activity has no effect on the sustainability report.

Keywords: Sustainability Report, Profitability, Liquidity, Leverage, Activities, Company Size, Global Reporting Initiative

1. INTRODUCTION

Initially, a company has the main goal of making profits and fulfilling the wishes of stakeholders with the aim of developing a better company. Meanwhile, Theodossiou &

Kahya in (Nurlinda & Bertuah, 2019) claim that companies that experience corporate failure generally experience decreased growth, decreased profitability and fixed assets, and relatively low inventory levels, while healthy and good companies must be

able to control potential financial and non-financial in increasing the value of the company for the survival of the company in the long term. The main goal of the company is to increase the value of the company by increasing the welfare of the owners or shareholders (Adam, 2017). In most countries, the disclosure of the Sustainability Report (SR) is still voluntary, meaning that it is not mandatory as in the case of the issuance of Financial Reports (Ngwakwe, 2019). However, currently the performance of a company is not only measured through financial factors, but also through non-financial factors, because this greatly affects the company's performance which has an impact on the value of the company in the eyes of investors. According to Muda, Sidauruk, Siregar, & August (2017), Sustainability Report is defined as the practice of measuring and disclosing company activities, as a responsibility to internal and external stakeholders regarding organizational performance in realizing sustainable development goals. The Sustainability Report will be one of the media to describe the economic reporting of environmental and social impacts.

The issues of "Green Concern" and "Social Concern" are related to various cases of environmental pollution for human social life (Syahrina et al, 2017). Based on data from the Indonesian Environmental Forum, there were 302 environmental and agrarian conflicts throughout 2017. Among other things, the struggle of residents in Kalimantan to get clean water after the expansion of mining companies, the struggle of farmers and

fishermen in Batang, Central Java, whose activities have been disrupted by the existence of PLTU Batang (PLTU). These cases are the focus of the company's attention to evaluate more carefully all activities and activities carried out in the vicinity and how to manage resources correctly and appropriately. In addition, companies are required to carry out their social responsibilities to their stakeholders.

Corporate Social Responsibility (CSR) is currently mandatory for every company in Indonesia, where CSR disclosure regulations and policies are regulated in Law Number 40, Article 74 of 2007. This law emphasizes that CSR implementation must be carried out by Limited Liability Company (PT) which is engaged in and/or related to natural resources. The existence of these regulations can make the company survive in the long term. This is different from the CSR report included in the company's Annual Report which only contains environmental and social policies. The purpose of the Sustainability Report is for business growth and sustainability in the long term, to facilitate both the company and its stakeholders in achieving meaningful and beneficial benefits. In addition, the Sustainability Report can provide complete and integrated information to stakeholders.

Unfortunately, currently CSR activities have not fully contributed to sustainable development and are mostly directed at greenwashing or marketing tools for companies. Lack of analysis of reports made by the company to measure the extent to

which the company's program commitment to the preservation of the natural and social environment is affected by its operational activities. This phenomenon poses a dilemma for companies how to demonstrate their contribution and commitment to sustainability reporting without reducing investor confidence in the company's business continuity itself.

The existence of the phenomenon of sustainability reports, which is still hotly debated, has attracted the interest of several researchers to conduct studies on this matter. Dilling (2009) examined the differences between companies that publish sustainability reports and those that do not, based on company characteristics such as type of operating sector, financial performance, long-term growth, corporate governance, and location of the company established. In another study conducted in the US, Giannarakis, G., Konteos, G., Zafeiriou, E. & Partalidou (2017) investigated how CSR is related to the financial performance of selected US companies using the Bloomberg social performance score. Using fixed-effect regression analysis, their findings show a significant and positive effect of CSR on financial performance.

The Global Reporting Initiative (GRI) is an international organization headquartered in Amsterdam, the Netherlands. Its main activities are focused on achieving transparency and reporting of a company, through the development of standards and guidelines for disclosure of Sustainability Reports. The

environmental indicators in GRI show the level of the company's operational activities that affect the environment, either directly or indirectly. The less impact the company has on the environment and the more the company cares about the environment, the more positive the company will be. Disclosure of information about a better environment and the company's positive contribution to the environment will build people's trust in the company, increase investors' confidence, and push the company's stock price higher because of the company's positive image, resulting in the sustainable growth of the company's value (Thang & Fassin, 2017). GRI (2013) states that the sustainability report is the practice of measuring, disclosing, and accountability efforts of the organization's performance in achieving sustainable development goals to both internal and external stakeholders. Based on BAPEPAM regulation Number KEP-431/BL/2012 regarding the submission of annual reports of issuers or public companies, sustainability reports are mandatory reports and can be included in the Annual Report or separately.

In 2017 there were 1,930 companies registered with the Ministry of Environment and Forestry, of which 1,422 were blue or compliant, 172 were green or one level above blue and had been more committed to environmental sustainability, 12 companies had gold status or were fully committed in an industry-based environment, while the rest or 15% have not complied. A total of 289 listed companies have sustainability reports that have not met

the requirements for environmental compliance or the Company Performance Rating Program (PROPER). Of these, five have black status or are found to have committed serious violations that damage the environment. In total, the company's compliance in PROPER in the 2015-2016 assessment year increased. This year the company's compliance reached 85%. The total increased from the previous two assessment periods.

Red status recipients will be given a warning or sanction according to the violation. The results of the assessment will be used by the government as a consideration for the extension of the permit. Currently, the process of law enforcement and investigation of 21 black companies in the 2014-2015 period is still ongoing. However, there are still 4 companies that have not been processed. While 5 black category companies will be handed over this year to law enforcement for processing by the Ministry of Environment of the Republic of Indonesia (Ministry of Environment, 2017).

This study focuses on the mining sector (coal mining sub-sector and metals and minerals sub-sector) which are listed on the Indonesia Stock Exchange and actively share sustainability reports for the period 2014 to 2018. The authors of this study aim to continue previous research, delving deeper into the practice of disclosing sustainability reports, and trying to get better research results to study developments in Indonesia until 2018. In addition, this is due to the fact that this period shows relatively new

conditions, so that research results are expected to be more relevant to conditions in Indonesia. This study uses the standard GRI indicators needed to display the Sustainability Report as an item measuring the dependent variable in a company. This study only discusses how the influence of profitability which is proxied by Return on Assets (ROA), Liquidity is proxied by Current Ratio (CR), leverage which is proxied by Debt to Equity Ratio (DER).

The results of this study are expected to be a reference for scientific studies regarding the analysis of the influence of profitability, liquidity, leverage, activity and company size on the disclosure of the Sustainability Report, as well as providing information and awareness to stakeholders with the aim of knowing the extent to which the company's performance activities both in the economic, environmental and social expressed based on the variables that exist in this study.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Stakeholder theory is a theory that explains how company management meets or manages stakeholder expectations. Stakeholder theory states that the company is not an entity that only operates for its own interests, but must provide benefits to its stakeholders (Diantimala, 2018).

This theory emphasizes organizational accountability far

beyond simple financial or economic performance. In essence, stakeholders can control or have the ability to influence the economic use of resources by the company. Stakeholders can be divided into two, based on their characteristics, primary and secondary stakeholders (Fifiyanti & Prasetyono, 2019). Key stakeholders are influential individuals or groups within the company, and without them the company cannot survive for business continuity, including: shareholders and investors, employees, customers and suppliers, other than those defined as public stakeholder groups namely the government. and the public.

Legitimacy theory is based on the idea that companies operate in society through a social contract, subsequently companies will formulate agreements to take various actions desired by society in return for acceptance of company goals, company survival, and other rewards. This theory also argues that organizational legitimacy can be seen as something that society gives to companies and something that companies want or seek from society. Thus, legitimacy is a potential benefit or resource for companies to survive (Sinaga, 2017).

Social contract theory arises from the synchronization in the social life of the community which results in conformity, harmony, and balance both socially and environmentally. A company that is a collective of people with a common goal and strives to achieve a common goal, is part of a larger society. Its existence is largely determined by the community and the two have a close relationship. The

obligation of the company or organization to the community is to provide benefits to the community itself. The company's interaction with the community will always strive to meet and comply with the norms that apply in the community, in order for the company to gain legitimacy from the activities carried out. Social contract theory is formed based on mutually beneficial agreements among its members (Irma & Lating, 2019).

The concept of sustainability was originally fashioned from the approach to forestry science. This term means an attempt not to cut down more trees than the number of trees in the forest under normal conditions. The word *nachhaltigkeit* (German for sustainability) means efforts to conserve natural resources for the future (Kuhlman SJ, Lu J, & Lazarus MS, 2010). There are two different perspectives regarding the relationship between humans and nature. One view emphasizes adaptation and harmony, while the other sees nature as something to be conquered (Kuhlman, 2010).

Nowadays, companies are voluntarily starting to compile a sustainability report together with the company's annual Financial Reports, known as the Sustainability Report (SR) which was initiated from the concept of Sustainability Development. According to Dilling (2009) Sustainability Report is defined as the practice of measuring and disclosing company activities, as a responsibility to internal and external stakeholders regarding organizational

performance in realizing sustainable development goals.

The Sustainability Report is proof that there is a commitment from the company to its social environment, which can be assessed by the results by those who need the information. In addition, the Sustainability Report is an instrument that can be used by an organization, both government and private, in dialogue with citizens or their stakeholders as an effort to implement sustainable development education. Therefore, publication of the Sustainability Report these days occupies an equally important position when compared to other information disclosed in the financial statements.

Disclosure of sustainability reports in the established rules is in the form of a stand-alone report, although there are still many CSR implementations that are disclosed in conjunction with a company's annual report (Aggraeni & Djakman, 2017). The idea of sustainability has three dimensions which are derived from the Triple Bottom Line concept that comes from a management science approach intended as a way to implement corporate social responsibility (Kuhlman, 2010).

Profitability is measured using the Return on assets (ROA) proxy which is an indicator of a company's assets profiting relative to its assets. ROA can also help investors to get an idea about the efficiency of the company, such as, how efficiently management uses its assets to generate profits (Ishaq, Amin, & Khan 2018). According to Jumono & Mala (2019), profitability is used to evaluate the

company's internal performance, whereby this helps to determine success in achieving its main goals. Liquidity is the company's ability to meet short-term obligations that have matured, liquidity measurement using the current ratio (CR), which is a ratio that shows the relationship between current assets and current liabilities (Wulandari, 2013)

According to Sartono in Hutabarat & Simanjuntak (2013) leverage is a ratio that shows management's ability to manage sources of funds, both from company assets and from debt. To measure leverage, the debt to equity ratio is used, which can be obtained by using the formula for total debt divided by total equity. In addition, according to Ross (2012) revealed that leverage as part of the company's fundamental financial performance, leverage shows the company's ability to manage sources of funds both from debt and from assets owned by the company. The increase in the leverage ratio indicates the company's high need for fresh funds, besides the high leverage value also means the company's dependence on debt which can pose a risk to the company's survival.

The company's operating activities require investment, both for short-term assets (inventory and receivables) and long-term (property, plant, and equipment). The activity ratio itself describes the relationship between the company's operating level (sales) and the assets needed to support the company's operating activities. The activity ratio can also be used to predict

the capital needed by the company for both operational and long-term activities (Ulupui, 2009). According to Sartono (2010) company size shows the total wealth owned by the company, through company size, this wealth can determine the size of a company. To measure the size of the company used total assets transformed using the Natural Logarithm (LN) or company size can be formulated equal to Total Assets.

The Effect of Profitability on the Disclosure of Sustainability Report

Companies that have good financial performance capabilities will be identical with wider disclosure efforts. The level of disclosure made by the company is an effort to gain support and seek sympathy from its stakeholders. High performance will increase the value of the company in the process of image formation which is very influential in gaining the trust of stakeholders. Good company performance, can be reflected through the level of profitability that will be obtained from time to time. Subsequent research shows that companies that are more involved or experienced socially are more profitable than companies that pay less attention to social responsibility (Ngwakwe, 2019). The results of research by Lucia & Ria (2018), Widiyanto & Suryono (2011), Wulandari (2013) and Utami (2015) show that profitability has an influence on sustainability reporting. Therefore, this study assumes the following:

H1 = The level of profitability has a positive effect on the disclosure of the sustainability report.

The Effect of Liquidity on the Disclosure of Sustainability Report

The current ratio is a liquidity ratio that compares current assets with current debt, if the current ratio is good, then the company is considered able to meet its short-term debt and can avoid liquidity problem. However, companies with high liquidity do not guarantee to disclose sustainability reports, this is supported by the results of research by Irma & Lating (2019), Fifianti & Prasetyono (2019), Wulandari (2013) and Ariyani, Ak, & Hartomo (2018). Liquidity has no effect on the disclosure of sustainability reports. Therefore, the researcher assumes the following:

H2 = The level of liquidity has no effect on the disclosure of the sustainability report.

The Effect of Leverage on Sustainability Report Disclosure

Debt to equity is a financial ratio to calculate Leverage by dividing total liabilities by total capital or equity. This shows what proportion of equity and debt the company uses to finance its assets. According to Hutabarat & Simanjuntak (2013), long-term creditors are also concerned about the company's ability to maintain a reasonable balance between debt and equity. This balance is measured by the debt to equity ratio to show the company's leverage position. The higher the level of leverage, the more likely the company will violate the credit agreement, subsequently it will try to report higher profits. The company's stakeholders will have more

confidence and choose to invest their funds in companies that have healthy and good financial conditions. This means, in order to gain higher profits, company managers must reduce costs (including costs for disclosing social and environmental reports). As is the case of preparing a sustainability report by the company, it will require a greater cost in addition to a longer time. Subsequently the company will choose to parse the level of voluntary disclosure of reports. The results of research by Lucia & Ria (2018), Fifianti & Prasetyono (2019) and Hutabarat & Simanjuntak (2013) show that leverage has no effect on the sustainability report. These points becomes the background for the emergence of the following assumptions:

H3 = Leverage level has no effect on the disclosure of the sustainability report.

The Effect of Activity Ratio on Sustainability Report Disclosure

According to Setiawan, Zamzani, & Amelia (2018) the high ratio of company activity reflects the ability of funds embedded in the turnover of all its activities in a certain period. Based on this understanding, it can be interpreted that the activity ratio is the ability of funds embedded in the overall assets that revolve in the production process of a certain period. The higher the ratio describes the better the management of a company in managing its assets, the more effective the company in using funds, the tendency of the company to achieve stable and strong financial conditions.

According to Dilling (2009), about seventy percent of the research mentions a positive relationship between company performance and CSR disclosure. Preparing a sustainability report by the company, is one of the means of social reporting for the company, to stakeholders concerning CSR activities that have been carried out. In line with Khaula's research (2012) the tendency of companies with good financial performance to have more sources of funds, which can be used in addition to financing their operational activities as well as to carry out their social activities, through social activities, which will then affects CSR disclosure in the sustainability report. Based on these assumptions, the following hypothesis is proposed:

H4 = The level of company activity has a positive influence on the disclosure of the sustainability report.

The Effect of Company Size on Sustainability Report Disclosure

The growth and stability of the company depends on the readiness of each company in forming its CSR value chain, so the organization will try to develop its experience in supporting the objective of a long-term growth and stability. Dilling (2009) said that managers implement CSR to their goal strategies in order to achieve sustainable growth. The bigger it is, the more attention will be paid by stakeholders and the company. The results of Suryono's research (2013) shows that the size of the company has a positive effect on the disclosure of the sustainability report. Research done by

Wang (2017) and Suryono (2013) maintains that company size positively affects sustainability disclosure, company size can disclose its information widely to gain legitimacy and clarify the goals of the company. According to Chariri and Ghazali (2007), larger companies will have more influence and activities on the community, to make shareholders pay more attention to company reports in disseminating information on corporate social activities, which can be submitted more accurately and widely by the company, one of which is through publishing its sustainability reports. Based on the arguments above, it is assumed that:

H5 = Company size has a positive effect on the disclosure of sustainability report

Thinking Framework

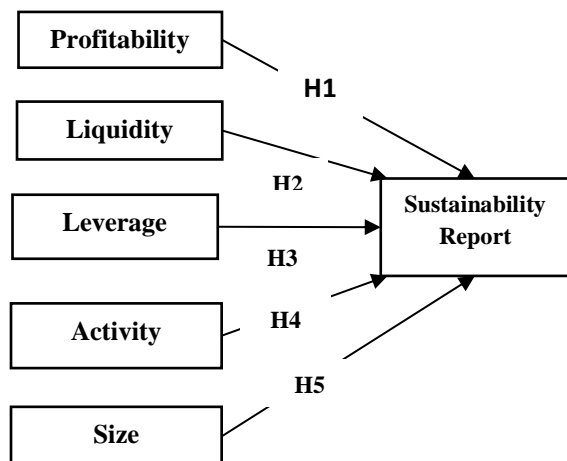


Figure 1. Research Conceptual Framework Model

3. RESEARCH METHOD

This study uses a quantitative approach because it requires a systematic approach to the influence between variables that focuses on testing hypotheses by using statistical tools to carry out the test. The variables used in this study are five variables consisting of one dependent variable, namely the sustainability report. Research variables can be seen in Table 1. below. The data collection technique is purposive sampling with the population used in this study as many as 12 mining companies that publish financial reports listed on the Indonesia Stock Exchange from 2014 to 2018 and also publish a sustainability report for the same period, which consists of 7 coal mining company, 1 oil and gas mining company and 4 metal and mineral mining companies. Testing in this study was carried out with the help of Eviews9 software. Hypothesis testing using multiple linear regression test and pre-testing performed panel data regression test which is used to determine whether financial activities have a significant relationship with the sustainability report or not. Regression analysis data used in this study is data that has been selected from the three models, namely the Common Effect Model (CEM). Parameters estimated using the Pool Least Square, Fixed Effect Model (FEM) and Random Effect Model (REM), if the Pool Least Square or Fixed Effect Model is selected, the classical assumption test (Normality, Multicollinearity, Heteroscedasticity, and Autocorrelation) must be tested first, but if the Random Effect Model is selected, the test is not carried out. If the

best classical assumption test still has Multicollinearity, Heteroscedasticity and Autocorrelation, then a Robust Test is carried out to provide test outputs that are used to improve classical assumptions and the best model results

or General Least Square (GLS) to get the best final model data, and used as data interpretation of Utami regression results (2015).

Table 1. Variable Operational

Variable Name	Variable Operational Definition	Measurement Method	Scale
Dependent: <i>Sustainability Report</i>	The number of GRI indicators in the company divided by the number of GRI standards	$SR = \frac{\text{Total S revealed by company}}{\text{total GRI Index}}$	Ratio
Independent: Profitability	Net profit after tax divided by total assets	$ROA = \frac{\text{Earning after tax}}{\text{Total Assets}}$	Ratio
Independent: Liquidity	Current assets divided by current liabilities	$CR = \frac{\text{Current Ratio}}{\text{Current Liability}}$	Ratio
Independent: Leverage	Total debt divided by total capital (equity)	$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$	Ratio
Independent: Company Activities	Cost of goods sold divided by average inventory	$ITO = \frac{\text{Cost of Sale}}{\text{Inventory}}$	Ratio
Independent: Company size	Total value of company assets in natural logarithm (Ln)	$Asset = (\ln) \text{ total Asset}$	Ratio

4. ANALYSIS RESULTS AND DISCUSSION

In this study, the objects of research are 12 mining companies that

are active in distributing sustainability reports and listed on the Indonesia Stock Exchange in 2014-2018. The list of mining companies can be seen in table 2 below:

Table 2. Mining Companies That Are Actively Distributing Sustainability Reports For 2014-2018

No.	Company Name	Issuer Code	Sub-Sector
1	PT. Timah, Tbk	TINS	Metals and Minerals
2	PT. Indo Tambang Raya Megah	ITMG	Coal
3	PT. Vale	INCO	Metals and Minerals
4	PT. Bukit Asam	PTBA	Coal
5	PT. Indika Energi	INDY	Coal

6	PT. Antam	ANTM	Metals and Minerals
7	PT. Petrosea	PTRO	Coal
8	PT. Adaro	ADRO	Coal
9	PT. Golden Energy Mines Tbk	GEMS	Coal
10	PT. Toba Bara Sejahtera	TOBA	Coal
11	PT. Elnusa Tbk	ELSA	Oil and gas
12	PT. J Resources Asia Pasifik Tbk	PSAB	Metals and Minerals

Source: data processed by the author

The panel data regression method used in this study is based on three models, namely Common Effect (CE), Fixed Effect (FE) and Random Effect (RE). Which model will be used

in this study for further analysis, then a paired test is carried out on each model. The results of the pair test on each model can be seen in the table below:

Table 3. Model Estimation Test Results

Effect Test	Prob >F	Best Model		
		Determination Test	Prob > Chi2	Description
Common Effect (CE)	0,000027	Chow test (CE vs FE)	0,0000	Fixed Effect
Fixed Effect (FE)	0,000000	Hausman test (FE vs RE)	0,3054	Random Effect
Random Effect (RE)	0,045005	LM test (RE vs CE)	0,0000	Random Effect

In Table 3. It has been proven that the results of the best model estimation test show that the Random Effect model is the best model with a probability of $0.2259 >$ from 0.05 in the Hausman test and $0.0000 < 0.05$ in the LM Test. It can be concluded that the Random Effect model can be used as a

model for further testing, namely testing the interpretation of the regression results. However, before continuing to test the interpretation of the regression results, the Random effect model was tested for a blue test. The blue test can be seen in table 4 below:

Table 4. Classical Assumption Test Results

Classical assumption test	Normality	Multicollinearity	Heteroscedasticity	Autocorrelation
Prob	$> 0,05$			
Mean VIF		< 0.8		
Prob > Chi2			$> 0,05$	

(4 - dw) > dU		1,78
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In Table 4, the results of the classical assumption test above have been proven that the selected Random Effect model shows that the research data is normally distributed which is known to have a probability value of 0.6638 greater than 0.05. Based on the results of the multicollinearity test, it is known that each independent variable shows that it is free from multicollinearity with results < 0.8 which means that multicollinearity is

not detected between variables. watson (dw) 2,220 with (4-dw) > Du which means there is no autocorrelation. Coefficient determination test results adjusted R square 0.5799 which means 57.99% of the sustainability report can be explained by profitability, liquidity, leverage, activity, company size while the remaining 42.01% is explained by other variables outside the study. Data for the best regression test results can be seen in Table 5 below:

Table 5. Best Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.657359	1.861253	-1.964998	0.0559
X1 (ROA)	-0.104453	0.131565	-0.793926	0.4316
X2 (CR)	-0.026890	0.044885	-0.599090	0.5523
X3 (ITO)	0.001544	0.001961	0.787309	0.4354
X4 (DER)	-0.070263	0.129892	-0.540936	0.5913
X5 (LN)	0.252898	0.116160	2.177162	0.0350
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.714579	Mean dependent var		0.413333
Adjusted R-squared	0.608376	S.D. dependent var		0.205242
S.E. of regression	0.128440	Akaike info criterion		-1.033183
Sum squared resid	0.709367	Schwarz criterion		-0.439786
Log likelihood	47.99550	Hannan-Quinn criter.		-0.801073
F-statistic	6.728407	Durbin-Watson stat		2.220128
Prob(F-statistic)	0.000000			

$$SR = -3.657359 - 0,104453 ROA - 0,026890 CR + 0,001544 ITO - 0,252898 DER + 0,252898 LN$$

Based on Table 5 above, estimates are obtained with a constant value of -3,657359, Profitability (ROA) with a coefficient value of -0.104453 and Liquidity (CR) with a coefficient

value of -0.026890, Leverage (DER) with a coefficient value of -0.070263. Insignificant negative effect on the sustainability report with a probability > 0.05. Meanwhile, the activity (ITO)

with a coefficient value of 0.001544 has a positive and insignificant effect on the sustainability report disclosure with a probability > 0.05 and has an insignificant negative effect on the sustainability report. The size of the company as proxied by assets (ln) with a coefficient value of 0.252898 has a significant positive effect on the disclosure of sustainability reports with a probability of < 0.05 .

Results And Discussion

Effect of Profitability on Sustainability Report

Profitability proxied by Return on assets (ROA) has no effect on the disclosure of the sustainability report. The empirical results are in line with the results of research conducted by Sinaga & Fachrurrozie (2017), Ariyani et al. (2018), and Fifianti and Prasetyono (2019); profitability has a negative effect on the disclosure of sustainability reports, profitability. Disclosure is an activity that is not profitable for companies, especially for profit-oriented companies. When the company has a high level of profitability, the company considers that there is no need to increase the cost of disclosing the sustainability report on the contrary. When a company has a low level of profitability, it tends to minimize the costs of making disclosures. The company's profitability does not always affect the company's social responsibility because the company does not always make a profit. Companies with high profitability do not have to do social activities because they are more profit-oriented. When the company earns

higher profits, (management) does not need to report things that interfere with information about the company's financial success.

However, when the company obtains a loss or a lower level of profitability, the company hopes that users of the report will read good news about the company's performance, it can be in the form of social and environmental activities carried out by the company. However, the results of this study differ from those of Ngwakwe (2019), Utami (2015) and Lucia and Ria (2018) that profitability has a positive effect on the disclosure of sustainability reports. Ngwakwe (2019) shows that companies that are more socially involved or experience responsible are more profitable than companies that show less attention to social responsibility. Companies that have a high level of profitability will disclose information to these stakeholders because the company wants to maintain support and gain confidence from stakeholders through the disclosure of sustainability reports, so that stakeholders will benefit from the company's financial interests, disclosures are needed that are more in line with the needs of each user, namely through the disclosure of sustainability reports.

Effect of Liquidity on Sustainability Report

Liquidity as proxied by the Current Ratio (CR) does not have a negative effect on the disclosure of the sustainability report (SR). This is because the higher the liquidity level of mining companies, the fewer

companies disclose SR, because disclosure of SR requires costs that will reduce current assets. These empirical results are in line with research conducted by Irma and Lating (2019) and Fifianti and Prasetyono (2019) which states CR has no effect on SR which is a form of social and environmental responsibility report, that liquidity is the company's ability to pay off its short-term obligations. This does not add to the positive image of the company among stakeholders in SR disclosure. The higher the level of liquidity, the more likely the company will violate credit agreements, so it will try to report higher profits. This means, companies are trying to get high profits and have to reduce costs for disclosing social and environmental reports. As is the case with the disclosure of SR by the company, it will require a greater cost plus a longer time. Similar to the research conducted by Ariyani and Hartomo (2018), the liquidity variable has no effect on the disclosure of SR, which says that lenders focus more on additional information about financial performance than on additional information on social and environmental activities such as SR.

Effect of Leverage on Sustainability Report

Leverage proxied by the Debt to Equity Ratio (DER) has no effect on the disclosure of the sustainability report (SR). These empirical results are in line with research conducted by Hutabarat and Simanjuntak (2013), Lucia and Ria (2018), Fifianti and Prasetyono, (2019) and Hardika, Manurung and Mulyati (2018) whose research results have an

insignificant negative effect; stated that long-term creditors are also concerned about the company's ability to maintain a reasonable balance between debt and equity. This balance is measured by DER showing the company's leverage position. The higher the level of leverage, the more likely the company will violate the credit agreement. In contrast to research conducted by Ariyani and Hartomo (2018) and Utami (2015) leverage has a significant positive effect, the higher the level of leverage in the company, the better the level of SR reporting. Through the disclosure of SR, it can reduce the risks that occur in the company so that the company gains the trust and presence of creditors.

Effect of Activities on Sustainability Report

The activity ratio proxied by inventory turnover (ITO) has no effect on the disclosure of the sustainability report. The empirical results are in line with the research of Sinaga and Fachrurrozie (2017), the activity ratio does not affect the disclosure of sustainability reports which indicate that asset funds are rotated during the period process where management does not manage their assets well and effectively in managing funds, resulting in the company's tendency to achieve less stable conditions. However, this study is not in line with research by Dilling (2009) and Khaula (2012) which have a positive effect on the disclosure of sustainability reports. Dilling (2009) said that about seventy percent of the research stated that there was a positive relationship between

company performance and the disclosure of sustainability reports. Making a sustainability report by the company, is one of the means of social reporting for the company, to stakeholders regarding CSR activities that have been carried out. Khaula (2012), companies with good financial performance have a tendency to have more sources of funds, which can be used, among others, to finance their operational activities as well as to carry out their social activities, which affects disclosure in the sustainability report.

Effect of Size on Sustainability Report

Company size as proxied by asset (ln) has an influence on the sustainability report. The empirical results are in accordance with the research results of Suryono (2013), Wang (2017) and Fifianti and Prasetyono (2019), which show that company size has a positive and significant effect on the disclosure of sustainability reports, company size in disclosing its information widely to obtain legitimacy and clarify company goals. . In line with the theory of legitimacy according to Sinaga et al., (2017) based on the idea of a company operating in the community through a social contract, the company will make an agreement to take various actions desired by the community in exchange for receiving company goals, company survival, and other rewards. . Organizational legitimacy can be seen as something that society gives to companies and something that companies want or seek from

society. Thus, expanding the size of the Company.

In this study, the greater the percentage of sustainability report disclosure (SR), the larger the size of the company. This is in line with the opinion of Chariri and Ghazali (2007) suggesting that larger companies will have more influence and activities on the community, with the aim of making shareholders pay more attention to company reports in disseminating information on corporate social activities, can be conveyed more broadly by the company, one of which is through the creation of a media sustainability report. The company's interaction with the community will always try to fulfill and comply with the norms that apply in the community, so that the company will gain legitimacy from the activities carried out. Social contracts are formed based on mutually beneficial agreements (Irma & Lating, 2019).

In line with stakeholder theory, large companies are not entities that only operate for their own interests, but must provide benefits to their stakeholders (Diantimala, 2018). This emphasizes organizational accountability far beyond simple financial or economic performance. Stakeholders basically can control or have the ability to influence the economic use of resources in this case assets, which are managed as well as possible by the company.

However, the results are different from the research conducted by Hardika et al (2018) and Budiyo and Maryam (2017) where according to the results of this study, company size

has a negative effect on sustainability report disclosure, which means that larger company size is not necessarily wider disclosure level by the company.

5. CONCLUSION AND SUGGESTION

Conclusion

Profitability variable has no significant negative effect. The more profit the company makes is not a guarantee for the company to disclose its sustainability report. Liquidity does not have a negative effect on the disclosure of the sustainability report. Leverage has no effect on the disclosure of the sustainability report. The activity ratio proxied by inventory turnover

(ITO) has no effect on the disclosure of the sustainability report. While the size of the company has a positive and significant effect on disclosing sustainability.

Suggestion

For further research, it is expected to add other variables that will affect the Disclosure of Sustainability Reporting such as good governance mechanisms and expand the research sample. This research is expected to provide information to stakeholders to pay more attention to the disclosure of Sustainability Reporting through the size of the company's asset management which will make the company size stable or even better growth.

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