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The Effect Of Financial Performance, Firm Size And Corporate Governance Towards Sustainability Report Disclosures

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ABSTRACT

This study is to examine the influences of financial performance, size of a firm and corporate governance on the sustainability report disclosure; the selected samples are determined using purposive sampling method. Testing the influence of financial performance, size of a firm and corporate governance on the sustainability report disclosure is the aim, analysis is done by using logistic regression test with the help of SPSS 20.0 software. The result shows that there are 33 firms that meet the target population set with a multiple linear analysis at a 5% level of significance, concludes that these factors have a positive influence on the sustainability report disclosure:

a. *Profitability Level*
b. *Liquidity*

While these factors do not have a positive influence on the sustainability report disclosure:

a. *Firm's Size*
b. *Audit Committee*
c. *Board of Directors*

Keywords: *financial performance, liquidity, firm size, audit committee, board of directors, sustainability report disclosures.*

INTRODUCTION

Present era of globalization there has been a paradigm shift in the business world, where financial statements are not the only thing to be revealed, at the beginning, the business was built with a single economic paradigm. However, the paradigm turned into a sustainable paradigm. In the single P (Profit) paradigm, the main goal of the firm is to generate the highest profit without considering what harm the business activities may bring about (Aulia & Syam, 2013). This view began to change along with the emergence of various issues regarding environmental damages and social problems.

To overcome these problems, the United Nations – the parent organization of all nations forms the Brunt Land Committee, where one of its recommendations is sustainable development so that it is carried out consistently (NCSR, 2009). Sustainable development considers environmental and social aspects to meet the needs of today's generation without disrupting the ability of future generations in fulfilling their lives. This influences the change of business paradigm from single P (Profit) to triple bottom line (Profit, People, and Planet).

The term Triple Bottom Line was made known by John Elkington in (1997) through his book titled Cannibals with Forks and the Triple Bottom Line of Twentieth Century Business (Effendi, 2009). The concept of Triple Bottom Line analyzes that for a firm to be able to grow sustainably – besides increasing corporate income (profit) – it is important for the firm to safeguard the earth (planet) and care for the people (citizens), which includes both employees and communities outside the firm. This signifies the disclosure of information not only from one aspect, namely the economy, but all sustainability indicators must be measured such as social and environmental.

In Indonesia, sustainability report disclosure is a voluntary action, whereas in the European continent sustainability reports are required to be disclosed and published. Even though in Indonesia it is still voluntary, a firm with good corporate governance has the responsibility to publish a sustainability report regardless if it is voluntary or not.

Disclosure of information about social environmental practices and quality sustainability report reporting standards continues to be examined in various empirical studies. Dilling (2009) examines whether there are differences between firms that have published sustainability reports and those that do not, while considering the characteristics of the firm (type of operating sector, financial performance, long-term growth, corporate governance, as well as the location of these firms).

In Indonesia, study on sustainability report disclosures tends to remain in the initial phase. Previous studies that have been done in Indonesia tend to only analyze the implementation of sustainability reports of a firm based on

the Global Reporting Initiative (GRI), including: Anke (2009); Nugroho (2009); and Wicaksono (2010) (Suryono & Pratiwi, 2011).

The renewal of this study is the measurement of the variable disclosure of Sustainability Report using dummy variables, as such, differentiating firms that voluntarily disclose sustainability reports with firms that do not is possible. This type of study is done through a quantitative study using multiple regression techniques. The benefit of this study is that it can be used as a reference material for the development of study on sustainability report disclosure and the factors that can influence the sustainability report. In addition, it also can be a basis for people who are considering investing in the intended firm and as a consideration to make the disclosure of sustainability report as a mandatory disclosure instead of the current voluntary disclosure.

LITERATURE AND HYPOTHESIS DEVELOPMENT

Literature Review

Stakeholder Theory

Ghozali & Chariri (2007) explained that in Stakeholder Theory, a firm is not an entity that solely operates for its own benefit, but also provide benefits to its stakeholders such as shareholders, creditors, consumers, suppliers, government, society, analysis, and many other parties involved. Firms with good corporate governance are expected to have a higher chance in disclosing their sustainability report voluntarily as an effort to fulfill stakeholder needs (Anikita & Khafid, 2015).

Sustainability disclosure by a firm can provide more and better information related to activities and their influence on the social conditions of the community as well as the environment (Ghozali & Chariri, 2007). The focus of Stakeholder Theory is how a firm is able to establish good relationships with stakeholders by responding to all the needs being put up and expressing it in the sustainability report as a form of meeting those needs.

Legitimacy Theory

Legitimacy Theory explains that organizations will continuously operate in accordance with the limits and values received by the community around the firm to gain legitimacy. Legitimacy Theory is very useful in analyzing organizational behavior. Dowling & Pfeffer and Ghozali & Chariri (2007) explain that legitimacy is important for the organization, the boundaries that are emphasized by social norms and values, the reaction to these limits encourage the importance of analyzing organizational behavior about the environment.

A firm's effort to follow changes to gain legitimacy is a process that is carried out continuously. The process of gaining legitimacy is related to social contracts between those made by the firm and various parties in the community. This is in accordance with the statement of Ghozali & Chariri (2007), which explains that the key that underlies legitimacy theory is the social contract that occurs between the firm and the community, where the firm operates and uses economic resources.

Shocker & Sethi and Ghozali & Chariri (2007) provide their insight on the concept of social contract, which explains that all social institutions have no exclusiveness. All firms operate in the community through social contracts – both explicit and implicit – in which their survival and growth are based on:

a. Overall outcome (output) that can be socially given to the wider community.
b. Distribution of economic, social or political benefits to groups the power they have.

One form of alignment from the firm to the community is shown by the disclosure of information that describes environmental responsibility. This needs to be done so that the firm can be accepted well in the community. If they are received well by the community, it will be easier for the firm to achieve its goals efficiently and effectively. Thus, it guarantees the sustainability of the firm.

Sustainability Report (SR)

In Indonesia, the obligation on CSR disclosure has been included in the Statement of Financial Accounting Standards (SAK) No.1 (2015 Revision) paragraph 14. It states that several entities also present financial reports, environmental reports and value-added reports, especially for industries that involve the environment and when employees are considered a group of financial report users who play a significant role. The reports presented outside the financial statements are not within the boundaries of the SAK/IFRS.

Based on this, the firm should report all aspects to the community as it may affect the continuity of the firm's operations. However, SAK No.1 (2015 Revision) shows that firms in Indonesia are given the freedom to disclose information about environmental and social responsibility on the firm's annual report (Aniktia & Khafid, 2015).

The urgent importance of our joint risks, threats to sustainability and increased opportunities will make transparency on economic, environmental and social impacts a key component for an effective relation with stakeholders, investment policies and other market relations (GRI, 2015).

The issue of CSR is closely related to sustainability reporting. GRI is one of the institutions that are serious in addressing issues related to sustainability, the SR is a measurement, disclosure and accountability effort of an organization's achievement in reaching the sustainable development goals for both internal and external stakeholders and in a general term that describes reports on economic, environmental and social impacts, for an example, the triple bottom line, corporate accountability reports, and so on.

The SR, which is compiled based on the GRI reporting framework, reveals the outputs and results that occur in a specific period of reporting in the context of organizational commitment, strategies, and management approaches (GRI, 2015). Those reports can be used to for the following objectives:

1) Benchmarking and measuring sustainable performance that respects laws, norms, codes, performance standards and voluntary initiatives.
2) Demonstrate how an organization can affect and be affected by its expectations regarding sustainable development.
3) Analyzing the performance in an organization itself and analyze the performance between various organizations within a given period.

Triple Bottom Line

One of the initial models used by firms in developing SR is adopting a new accounting method called the Triple Bottom Line (TBL). Elkington (Efendi, 2009) describes the triple bottom line method as follows:

"The three lines of the triple bottom line represent the society, the economy and the environment. Society is dependent on the global ecosystem whose health represents the ultimate bottom line. The three lines are not stable; they are in constant flux, due to social, political, economic, environmental pressures, cycle and conflicts ".

Elkington (Efendi, 2009) established the concept of a TBL in terms of economic prosperity, environmental quality and social justice. Firms aiming to be continuously prosperous must pay attention to the "3P". A firm must be able to fulfill the welfare of the people (citizens), contribute to maintaining the environment (planet), and pursue profit. The triple-p bottom line (3P) is explained as follows:

1. People

A firm is founded by a human being by hiring humans and aims to bring a good impact to the humans working at the firm and the people around it. Thus, the focus of establishing a firm is the humans, not the building of the firm, not merely profit, or anything else. In another word, sustainable business is a business where people can mature and work together as a team or a socially oriented business. Usually firms implement the concept of "People" in educational CSR programs such as scholarships, SME training, and housewife coaching.

2. Planet (Environment)

Global warming, climate change, illegal logging and overfishing are a few of the environmental issues that we are hearing more and more often. We cannot blame Mother Nature. All the environmental issues that occur are indeed nothing but our own fault for not protecting Mother Nature. Hence, a business that does not only exploit natural resources for its gain, but also helps in maintaining and improving the condition of mother nature is considered a sustainable business.

3. Profit

A firm cannot fulfill the welfare of the people and maintain the environment if the business makes no profit. Profit is the key element in connecting both people and the planet. To a firm, profit is a necessary goal that must be pursued. There is nothing wrong with it if they manage the profit to not benefit only themselves, but to the people and the environment.

Financial Performance

Profitability is a net result of several firm policies and decisions. Profitability ratio measures how much the firm can make profits. Gitman (2003: 591), "Profitability is the relationship between income and costs generated by using firm assets - both now and in productive activities".

Profitability is the factor that should be given the most attention because for a firm to grow and be sustainable, it must be in a good financial state, generating profit consistently, without it, the firm will struggle in finding capital from outside. Firm owners, creditors and especially the management team of the firm will try to uplift profits and are fully aware of the importance of profit towards the sustainability and future of the firm.

A high level of profitability in the firm will increase competitiveness between firms. Firms that generate high profits will open new branches and tend to increase investment or open new investments related to their parent firm. With a large profit level, the firm will surely grow in the future. The growth of a firm requires broader disclosure in fulfilling the needs of each user (Suryono & Prastiwi, 2011).

Some studies reveal that there is a connection between profitability and disclosure of corporate social responsibility. The measures that can be used to determine a firm's profitability include: return on equity (ROE), return on assets (ROA), net profit margin (NPM), profit margin (PM), and operating profit margin (OPM). In this study, the researcherwill utilize the ROA as a measuring instrument, Hanafi & Halim (2003: 27), stated that ROA is the firm's financial ratios related to profit potential to measure the strength of a firm to produce profits or profits at the level of income, assets and specific share capital.

Liquidity

Liquidity refers to a firm's ability to achieve its short-term obligations. Another possible definition refers to the ability of a person or firm to fulfill obligations or debt that must immediately be paid with the current assets.
The level of liquidity of a firm is usually used as one of the benchmarks for the decision making of people related to the firm and usually related to the level of liquidity of a firm, namely shareholders, raw material suppliers, firm management, creditors, consumers, government, insurance institutions and financial institutions.
To measure a firm's level of liquidity, you can compare the existing components in the balance sheet, namely the total current assets and the total current liabilities (short-term debt). This measurement can be carried out for several periods so that the firm's liquidity development from time to time is seen. There are several ways to calculate the level of liquidity of a firm such as current ratio, quick ratio, cash ratio and cash turnover ratio.

Firm Size

Firm size is a scale, where the size of the firm can be classified by different ways such as total assets, log size of stock market value, number of employees, and others. In simple words, the size of a firm is only divided into three categories, namely a large-sized firm, a medium-sized firm, and a small-sized firm.
Based on the description of the size of the firm above, it can be concluded that the size of the firm is an indicator that shows the characteristic of an organization or firm. There are several parameters that can guide in determining the size of a firm such as:

1. Number of employees operating in the firm to carry out the firm's operational activities
2. Amount of assets owned by the firm
3. Total sales achieved by the firm in a period
4. Number of outstanding shares

The larger these parameters are, the larger the size of the firm will be. Thus, the size of firms shows the characteristics of the organization or firm.
In general, large-sized firms will disclose more information than small-sized firms. There are several explanations for this. The larger the firms, the more information it tend to disclose and allows the firm to disclose its sustainability report (Idah 2013).

Corporate Governance

The Organization for Economic Cooperation and Development (OECD) defines corporate governance as follows: "Corporate governance is a system of business enterprises that are directed and controlled. The corporate governance structure determines distribution rights and responsibilities among different participants in the firm, such as the board, shareholders, shareholders and other stakeholders, and describes the rules and procedures for making decisions regarding firm affairs.Its also provides a structure in which the firm's objectives are established and means to achieve the monitoring objectives and performance ".

Audit Committee

The audit committee is a group of people chosen by the firm as a between the board of directors and external audits, internal auditors and independent members, who have the duty to provide auditor oversight; ensuring the management performs appropriate corrective actions against law and regulation (Suryono & Prastiwi, 2011).
OJK decision number Kep-24 / PM / 2004 stated that the audit committee held a meeting at least equal to the provisions of the minimum board of directors meeting stipulated by the firm's articles of association. Meetings

are held to maintain the effectiveness in carrying out the supervision of corporate governance reports and implementation to become better (Suryono & Prastiwi, 2011).

Board of Directors

Article 1 Paragraph 5 of the Limited Liability Firm Law No. 40 of 2007 states the definition of Board of Directors:

"The Board of Directors is the organ of the firm that is authorized and fully responsible for managing the firm for the benefit of the firm, in accordance with the purposes and objectives of the firm and representing the firm both inside and outside the court in accordance with the provisions of the articles of association."

Based on the Code of Corporate Governance issued in November 2004 by the National Committee on Corporate Governance Policy a firm's management function carried out by the Board of Directors includes five tasks, namely:

1. **Management**

The BOD is tasked with developing the vision and mission as well as the firm's high-resource programs effectively and efficiently, must pay attention to the interests of various stakeholders.

2. **Risk management**

The BOD must develop and carry out a firm risk management system that covers all aspects of the firm's activities.

3. **Internal control**

The BOD must prepare and implement an effective and reliable internal control system that secures assets and firm performance, while ensuring that it complies with laws and regulations. For that the firm must have a control system including internal and external auditors.

4. **Communication**

The BOD must ensure a smooth communication between firms with various interested parties (stakeholders) by empowering the corporate secretary.

5. **Social responsibility**

To maintain the sustainability of a firm's business, the BOD must ensure the fulfillment of corporate social responsibility.

Hypothesis Formulation

Profitability

Sustainability report disclosure by the firm is provides a tangible evidence that the production process carried out by the firm is not only profit oriented, but also socially oriented, and focused on environmental issues, ensures that it can increase the stakeholders' trust which will influence increasing the firm's value through increased investment, which has an impact on corporate profits.

Soeryono & Prastiwi (2011) showed a positive connection between profitability and the disclosure of sustainability reports. The study was strengthened by two other studies conducted by Suryaningsih and Trisnawati (2016). Based on the statements stated above, this study hypothesis is as follows:

H1: The level of profitability affects the Sustainability Report Disclosure positively.

Liquidity

Firms that have a high level of liquidity show a great ability to pay all their short-term liabilities on time. This is supported by a research. Saputro & Agustina (2013) and Jannah & Kurnia (2016), based on the above statement and the results of previous research, the study hypothesis can be made as follows:

H2: Liquidity has a positive influence on the Sustainability Report Disclosure.

Firm Size

The greater the size of a firm, the more attention of the stakeholders they will certainly attract. In a situation like this the firm must work hard to gain stakeholder legitimacy to create alignment of firm activities with the norms of behavior that exist in society or a bigger firm will be more concerned about broader information disclosure.Broad information is intended to inform stakeholders about the goals or intentions of the organization to improve its performance; change organizational perception without changing the organization's actual performance; transfer or manipulate attention from important issues to other related issues; or change external expectations about organizational performance (Suryono & Prastiwi, 2011).

Suryono & Prastiwi (2011) showed a positive relationship between firm size and sustainability report disclosure, the study was also supported by two other studies after that, Kamil & Herustya (2012), Idah (2013), and Suryaningsih & Trisnawati (2016). Based on the above statement and some previous studies, the hypothesis of this study can be made as follows:

H3: Firm Size Affects the Sustainability Report Disclosure positively.

Audit Committee

The existence of an Audit Committee has now been included in the Good Corporate Governance (GCG); the involvement of an Audit Committee has recently received a positive feedback from various parties, including the Government, the Capital Market Supervisory Agency, IDX, Investors, and Advocates. Mulyadi (2002) explained that the Audit Committee has a task to analyze the accounting policies applied by the firm, assess internal controls, and review the reporting system to external parties and compliance with external parties.

With the task of the audit committee that allows the existence and activities in a firm or organization, it can hinder the disclosure of the sustainability report to the stakeholders. Study on the relationship of the audit committee's influence on the disclosure of Sustainability Report with positive results has been conducted by, Suryono & Prastiwi (2011), Sari & Marsono (2013), and Anikita & Hafid (2015), based on the above statement and some previous studies, the hypothesis of this study can be constructed as follows:

H4: The Audit Committee affects the Sustainability Report Disclosure positively.

Board of Directors

Pursuant to Article 1 number (5) Law Number 40 of 2007 concerning Limited Liability Firms ("UUPT") states that the meaning of the BOD in a Limited Firm ("Firm") refers to the firm's structure which authorizes and is fully responsible for administering and manage in such a way that it benefits; following the purposes and goals, are also the representative in both off and on the court in accordance with the articles of association.

Based on the code of corporate governance issued by the National Committee on Governance Policy (2006), the firm's management handled by the BOD includes five functions such as management, risk management, internal control, communication and social responsibility.

Tasks in social responsibility have very clearly explained that the BOD has a focus on carrying out corporate social responsibility. Therefore, the BOD relationship to the sustainability report disclosure seems to be very influential and has also been proven by researches conducted by Suryono & Prastiwi (2011) and Idah (2013).

Based on the above statement and some previous studies, the hypothesis of this study can be made as follows:

H5: The Board of Directors affects the Sustainability Report Disclosure positively.

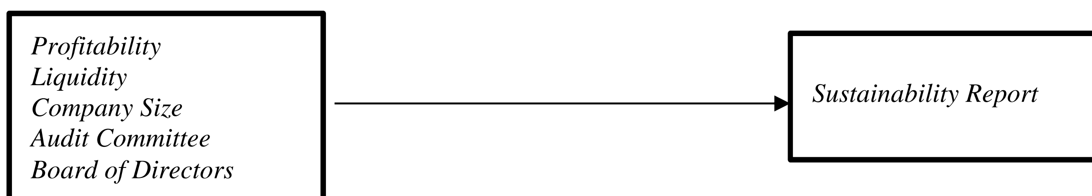

Figure 1
Framework

STUDY METHODS

Samples and Data

The sample used in this study is a manufacturing firm recorded on the Indonesia Stock Exchange whereas the sampling technique is done by purposive sampling, which samples that has the following criteria:

1. Non-financial firms recorded on the Indonesia Stock Exchange for 2013 – 2016 periods.
2. Non-financial firms registered in GRI for 2013 – 2016 periods.
3. Firms that display data that can be used to analyze how financial performance, firm size and corporate Governance may affect the SR publications.

Study Model

The study purpose is to determine the impact of financial performance, firm size and corporate governance (audit committee and board of directors) on the SR Disclosure and proven the hypotheses proposed, the regression model can be constructed as follows:

$$\mathbf{VDIS = a + \beta_1 PROF + \beta_2 LIQ + \beta_3 SIZE + \beta_4 AC + \beta_5 BOD} + e$$

Where:
VDIS = *the level of completeness of voluntary disclosure*
A = *constant*
β1 – β5 = *Regression coefficient of each variable*
PROF = *Profitability*
LIQ = *Liquidity*
SIZE = *Firm size*
AC = *Audit Committee*
BOD = *Board of Directors*
e = *error*

Variable Study and Variable Measurement
Sustainability Report Disclosure
In this study, the dependent variable is the practice of disclosing sustainability reports conducted by a firm. SR provided by a firm, where is a document that contains practices in measuring and revealing the firm's social and environmental activities. This is the responsibility of firm to the internal and external stakeholders to report the performance of the organization to ensure sustainable development goals are met (GRI, 2006). This variable is calculated using a dummy variable; a value of 1 is given to firms that disclosed in SR and a value of 0 is given to firms that do not disclosed in SR.

Profitability
Profitability is a relationship between income and costs produced by using a firm’s assets both now and in productive activities ". Gitman (2003: 591). In this study the researcherwill use the ROA calculation ratio method, because ROA is the ratio between the balances of net income after tax to the total assets of the firm and also describes the extent of return of all assets owned by the firm. ROA is measured using a given formula as follows:

$$ROA = \frac{Net\ Income\ After\ Tax}{\text{Total assets}}$$

Liquidity
The level of liquidity of a firm is usually used as one of the benchmarks for decision making, which is done by people related to the firm. Some parties are usually related to the level of liquidity of a firm, such as shareholders, raw material suppliers, firm management, creditors, consumers, government, insurance institutions and financial institutions.

There are several ways to calculate the level of liquidity of the firm, which includes: current ratio, quick ratio, cash ratio, cash turnover ratio. In this study the researcherwill use measurements using the current ratio method. The formula for calculating these ratios is:

$$Current\ Ratio = \frac{Current\ Asset}{Current\ Liabilities}$$

Firm Size (FS)
Firm size is dependent by the total assets, sales and market capitalization – the greater those variables are, the larger the size of the firm. The three variables above are used to figure out the size of the firm. The greater the assets, the more capital are invested into the firm. Higher sales will result in more money being circulated. When market capitalization becomes larger and more influenced, the firm will be even more widely known within the community. Out of the three variables listed above, the researcherwill select the total asset variable owned by a firm because it has stability and broadly describes a firm's size.

$$\text{SIZE} = Log\ of\ Total\ Assets$$

Audit Committee (AC)
The number of meetings held by the audit committee displays the success of communication and teamwork between members to ensure good corporate governance. In this research, the Audit Committee variable is proxies by the number of audit committee meetings held in one year.

Board of Directors (BOD)
Based on the code of corporate governance issued by the National Committee on Governance Policy (2006), the firm's management handled by the BOD includes five functions such as management, risk management, internal control, communication and social responsibility.
The task in social responsibility has been very clear that the board of directors has a focus on carrying out corporate social responsibility (CSR), therefore the BOD relationship to the sustainability report disclosure is considered very influential and is proxies by the number of BOD meetings held in one year.

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Data Analysis Method
This study uses data obtained from audited financial statements and firm annual reports that can be obtained by accessing the Indonesia Stock Exchange website *(www.idx.co.id)* or the website of each firm which is then processed using Microsoft Excel 2007 application program and SPSS 20 software. The processing method used is logistic regression.

STUDY RESULTS AND DISCUSSION

Sample Selection Results
In this study, the data used is secondary data collected from the financial statements of 33 firms listed on the Indonesia Stock Exchange during 2013-2016 that meet the predetermined criteria. The firms that will be sampled are firms listed in GRI, by determining the purposive sampling method of sampling method.
The purpose of this study was to examine the influence of 2 factors on the Sustainability Report Disclosure. They are:

1. Financial Performance – measured by profitability and liquidity
2. Firm size and Corporate Governance – measured by the number of audit committee meetings and the number of Board of Director meetings

Thus, there are a total of 5 independent variables and 1 dependent variable.

Descriptive Statistics
Descriptive Statistics is a method of collecting data, summarizing and presenting in a more insightful model, its analyzes and presents quantitative data to explain the various aspects of data and descriptive statistics, the researcher will display:

1. Minimum Value
2. Maximum Value
3. Mean (Average) Value
4. Standard Deviation

For each of the following: Profitability, Liquidity, Firm Size, Number of Audit Committee meetings and Number of BOD meetings.
The minimum value refers to the smallest number, while the maximum value refers to the biggest number for each variable in the study. The mean value refers to the average number of each variable studied. Standard Deviation is the distribution of data used in study that reflects whether the data is heterogeneous or homogeneous, which is fluctuating.

This study uses 33 sample of manufacturing firms listed on the Indonesia Stock Exchange (IDX) during 2013-2016 periods; table 1 represents the descriptive statistics for each of the study variable.
Looking at the 'Profitability' variable, the statistical results show a minimum value of -0.15 and a maximum value of 3.75. The mean value is 0.5150 and the standard deviation value is 0.82253.
Looking at the 'Liquidity' variable, the statistical results show a minimum value of -.64 and a maximum value of 6.15. The mean value of liquidity is 1.1352 and the standard deviation value is 1.19553.
Looking at the 'Firm Size' variable, the statistical results show a minimum value of 6.33 and a maximum value of 8.25. The mean value of the firm size is 7.3299 and the standard deviation value is 0.41273.
Looking at the 'Audit Committee' variable, which is measured by the number of audit committee meetings, the statistical result shows a minimum value of 3 meetings a year and maximum value of 61 meetings a year. The mean value of the audit committee is 14.9621 and the Standard deviation value is 12.34517.
Looking at the BOD variable, which is measured by the number of BOD meetings, the statistics result shows a minimum value of 3 meetings per year and a maximum value of 82 meetings per year. The mean value of the BOD is 31.8182 meetings per year while the standard deviation value is 15.58616 meetings per year.

Based on the results of descriptive analysis in table 2, most of the respondents are firms that publish sustainability reports, which are as many as 83 firms or 62.9% of the total firms, while 49 firms or 37.1% of the total firms do not publish sustainability reports.

Table 1 - Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	132	-.15	3.75	.5150	.82253
Liquidity	132	-.64	6.15	1.1352	1.19553
Firm Size	132	6.33	8.25	7.3299	.41273
Audit Committee	132	3.00	61.00	14.9621	12.34517
BOD	132	3.00	82.00	31.8182	15.58616
Valid N (listwise)	132				

Descriptive statistics

The following table 2 illustrates the results of descriptive statistics from 156 observations of firm samples. Firm performance that was measured by using return on equity, its shows an average value of 0.1793 which means that the firm's profit averages around 17.93% of the total equity. Debt to ratio shows that the average debt that can be paid using assets owned by the firm is 40.66%. Meanwhile, the average debt that can be paid with owner's capital or debt to equity ratio is 23.19%. The average firm size is 28.4499. Descriptive statistics for the variables of this study are tabulated in table 2 below:

Table 2 - Statistic Descriptive *Dummy*
Sustainability Report

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Issuing the Sustainability Report	49	37.1	37.1	37.1
	Issuing the Sustainability Report	83	62.9	62.9	100.0
	Total	132	100.0	100.0	

Data analysis

Multicollinearity Test

Multicollinearity arises because of an unusual relationship between two or more independent variables in an analysis model and testing was carried out on 5 independent variables, namely financial performance variables (profitability and liquidity), firm size and corporate governance (audit committee and board of directors). To find out whether multicollinearity is present or not, the value of variance inflation factor (VIF) is used. If the VIF value is higher than 10, it indicates symptoms of multicollinearity, whereas if VIF value is lower than 10, it indicates no symptoms of multicollinearity. The result of testing is tabulated in table 3 below.

Table 3 - Multicollinearity

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	Profitability	.946	1.057
	Liquidity	.903	1.107
	Firm Size	.968	1.033
	Audit Committee	.840	1.190
	BOD	.841	1.189

a. Dependent Variable: Sustainability Report

From table 3, the interrelated independent variables do not occur (multicollinearity free). This is evident in the VIF value in each independent variable, whose value shows less than 10 (VIF <10). Thus, it can be noted that the independent variables that will be analyzed have fulfilled the assumption of multicollinearity free.

Model Feasibility Test

The feasibility testing of logistic regression models using the Hosmer & Lemeshow test and the proper understanding in this logistic regression model is that when processing the regression model, the amount of data used is sufficiently representative to analyze the influence of a variable. Results test is tabulated below in table 4.

Table 4 - Hosmer & Lemeshow Test

Step	Chi-square	df	Sig.
1	6.020	8	.645

From the table, the logistic regression model constructed has fulfilled the feasibility of the data. This can be seen from the significance value of Hosmer & Lemeshow, which shows a value of 0.645. This number is much greater than the 5% level of significance (0.645> 0.05), resulting in the acceptance of the null hypothesis, which means that the data analyzed in the logistics model has fulfilled the feasibility. Thus, hypothesis testing analysis can be carried out further.

Overall Model Assessment Test

Testing is done to find out whether the model is fit with the data both before and after the independent variables are added into the model. The overall assessment of the regression model uses a value of -2 log likelihood (LL), where if there is a decrease in the number of -2 log likelihood in the second block compared to the first block, then it can be concluded that regression is a good model and the overall assessment results are tabulated below in table 5.

The assessment is proceeded by contrasting between -2 log likelihood (-2LL) at the beginning (block number = 0), where the model only enters a constant, and -2 log likelihood (-2LL) at the end (block number = 1), where models include constants and independent variables. The initial -2LL value is 174,138, after the independent variable is entered, the final -2LL value decreases to 174,134 and decrease in value of -2LL indicates a good regression model, which means that the model fits with the data.

Nagelkerke R Square Test

The ability of all these independent variables to influence or explain the diversity of dependent variables income smoothing, see the value of Nagelkerke R square results of logistic analysis and the logistic regression model.

Table 5 - ***Over All Models Fit Test***

Iteration History[a,b,c]

Iteration		-2 Log likelihood	Coefficients
			Constant
Step 0	1	174.138	.515
	2	174.134	.527
	3	174.134	.527

a. Constant is included in the model.
b. Initial -2 Log Likelihood: 174.134
c. Estimation terminated at iteration number 3 because parameter estimates changed by less than .001.

Table 6 - Nagelkerke R Square Result

Summary Model

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	123.615[a]	.318	.434

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

The calculations presented in table 6, the Nagelkerke R Square value of the logistic regression model created is 0.434, which indicates that the capability of financial performance variables (profitability and liquidity), firm size and corporate governance variables (audit committee and board of directors) affecting SR disclosure is 43.4%. However, the remaining 56.6% (100% - 43.4%) shows that there are still other variables that also have a big influence on the SR disclosure and determination coefficient value is 56.6% (a very small influence value).

Simultaneous Test

The simultaneous testing uses the Omnibus Test of Model Coefficient Method (OTMCM), is carried out to see the simultaneous effect between financial performance (profitability and liquidity), firm size and corporate governance (AC & BOD) on the SR disclosure. Simultaneous testing result is reflected in Table 7.

Table 7, it shows that the determination coefficient is 0.598 and indicates that the ability of the independent variable (debt ratio and debt equity ratio) in explaining or influencing the fluctuation of data on the return on equity variable is 59.8%. The remaining 40.2% (100% - 59.8%) shows that there are still other variables that also have a large effect on financial performance and the determination coefficient is 59.8%, which is a large value of influence.

Table 7 its shows that among the five independent variables analyzed; they did not have a large impact on the variables of SR disclosure and can be determined from the significance value of OTMCM in the part of the model, whose value is 0.796 and this significance value is greater than Alpha 5% (0.796 > 0.05) and can be concluded that altogether financial performance variables (profitability and liquidity), firm size and corporate governance (AC & BOD) influence the disclosure of SR.

Table 7 - Simultaneous Test Analyses

Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	50.518	5	.000
	Block	50.518	5	.000
	Model	50.518	5	.000

Table 8 - Regression Test Analyses

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp (B)
Step 1[a]	ROA – Profitability	1.171	.467	6.281	1	.012	.310
	CR – Liquidity	.890	.356	6.246	1	.012	2.434
	TA – Firm Size	-.186	.548	.115	1	.734	.830
	AC – Audit Committee	-.032	.020	2.725	1	.099	.968
	BOD – Board of Directors	-.003	.015	.054	1	.817	.997
	Constant	2.275	4.100	.308	1	.579	9.728

a. Variable(s) entered on step 1: ROA, CR, TA, AC, BOD.

Results Analysis and Interpretation

From the results of regression testing partially (t-test) shown in table 8, it can be inferred that the significant value of profitability is measured by ROA is 0.012 and it's smaller than 0.05 (0.012 < 0.05) with a regression coefficient of 1.171. This result explains that *ha* is accepted which means that the level of profitability has a positive effect in the SR disclosure.

Liquidity is measured by CR *(current assets)* of 0.012 so that it is smaller than 0.05 (0.012 <0.05) with a regression coefficient of 0.890. This result explains that *ha* is accepted, which means that 'Liquidity' has a positive impact on the SR disclosure.

Firm Size is 0.734 is measured by *total assets* (TA), which is greater than 0.05 (0.734 > 0.05), thus it explains that *ho* is accepted, which means that 'Firm Size' does not have a positive impact on the SR disclosure.

The *Audit Committee* (AC) is 0.099, which is greater than 0.05 (0.099 > 0.05), thus it explains that *ho* is accepted, which means that the 'Audit Committee' does not have a positive impact on the SR disclosure.

The BOD is 0.817, which is greater than 0.05 (0.817 > 0.05), thus it explains that *ho* is accepted, which means that the BOD does not have a positive impact in the SR disclosure.

CONCLUSION

The result of hypothesis 1 shows that the level of profitability has a positive impact on the Sustainability Report Disclosure, this study is *in line* with Suryono & Prastiwi (2011), Sugiharta (2014) and also supported by Suryaningsih & Trisnawati (2016), which also showed a positive influence between profitability and disclosure of sustainability reports. These results explain that SR disclosures conducted by the firm are expected to provide tangible evidence that the production process carried out by the firm is not only profit oriented, but also to pay attention to social, and environmental issues, so that it can increase stakeholder's trust, which will have an impact on increasing the firm's value through increased investment – increasing corporate profits. Profitability is one of the measures used by investors to invest because through profitability, one can know the firm's ability to generate profits, suppose the profitability becomes higher, so that managers may provide more information to convince investors about the firm's performance.

The result of hypothesis 2 shows that liquidity has a positive impact on the Sustainability Report Disclosure, this study *match* with Saputro & Agustina (2013) and Jannah & Kurnia (2016) and also supported by Suryaningsih & Trisnawati (2017), which showed a positive influence between liquidity and the disclosure of sustainability reports. This result explains that firms with high liquidity will generate more sustainability report disclosure. The firm will try to give out transparent information about financial performance and improve the good image of the firm.

The result of hypothesis 3 shows that the size of the firm does not have a positive impact on the Sustainability Report Disclosure, this study *do not match* with Suryono & Prastiwi (2011), Kamil & Herustya (2012), Idah (2013), and Suryaningsih & Trisnawati (2016), which showed a positive relationship between firm size and SR disclosure, its explain that firm size does no impact to the SR disclosure. This is because large firms and small firms both have the responsibility to conduct SR disclosures. Large or small firms both have the costs to carry out activities that can create harmony of social values from their activities with the norms of behavior that exist in a society. This will bring about the legitimacy of the firm through SR disclosure that will reveal how the firm's responsibility in carrying out its activities.

The results of hypothesis 4 shows that the audit committee has no positive impact on the Sustainability Report Disclosure, this study *do not match* with Suryono & Prastiwi (2011), Sari & Marsono (2013), and Anikita & Hafid (2015), which showed a positive connection between the audit committee and the SR disclosure. These results explain that the high and low intensity of audit committee meetings did not affect the SR disclosure. This goes to show that there is less effective implementation of the audit committee's duties and responsibilities due to the lack of audit committee meetings resulted in no audit committee meeting influencing the SR disclosure.
The results of hypothesis 5 shows that the BOD has no positive impact on the SR disclosure, this study *do not match* with Suryono & Prastiwi (2011), Luthfia & Prastiwi (2012), and Idah (2013), which showed a positive connection between the BOD and the SR disclosure, this result explains that the high and low intensity of the board of directors meeting does not affect the SR disclosure. This is due to the lack of effective meeting of the BOD indicating the domination of the votes of the members of the BOD who have personal or group interests to override the interests of the firm.

RECOMMENDATION

The implication of this study is that firms are advised to pay attention to factors of financial performance *(profitability and liquidity)*, assets that can be used as firm size and corporate governance *(AC and BOD)* that can help firms to disclose sustainability reports. For investors, it is better to take the decision to invest in the firm to pay attention to factors, such as financial performance; assets that can be used as firm size and corporate governance (AC & BOD) that can improve SR disclosure and represents one of the important information about the firm's social activities and shows that the firm has environmental responsibility and suggestions for further study are as follows:
1. The minimum number of firms that are sampled to make the results of this study less than optimal, its recommend adding a study sample so that the results can be maximized or you can add other variables that have not been examined and may use a sample of firms that come from only one type of industry.
2. The sample used consists of many types of industries so that the results of this study cannot be seen only from one type of industry.

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