# Influence of Financial Performance, Company Size and Company Age on Disclosure of Sustainability Reports in Non-Financial Companies on IDX 2019-2021

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**Abstract**

Most companies prioritize the interests of shareholders, while other parties do not receive special attention. In these conditions, many business world phenomena often ignore environmental and social problems. To support this problem, a concept is needed. This concept is called a sustainability report. The aims of this research is to analyze the influence of financial performances, firm size, and company age on the disclosure of non-financial companies' sustainability reports. This research uses a quantitative data in the form of secondary data: financial reports of companies obtained from the IDX. The sample was selected using purposive sampling method and the sample for this research includes 10 companies. This hypothesis testing uses multiple linear regression tests using SPSS version 26 software. The partial test results show that profitability has an influence on sustainability report disclosure, while firm size and company age do not influence sustainability report disclosure.

**Keywords:** Sustainability Report, Financial Performance, Company Size, Company Age

## Introduction

The main motivation for companies to carry out their business activities is to achieve high profits and maximize the welfare of shareholders. Most companies prioritize the interests of shareholders who directly contribute to the entity itself (Iswahyudi et al., 2023), while other parties do not receive special attention. In this condition, many business world phenomena often ignore environmental and social problems as well as the impact of economic activities (Liana, 2019).

Environmental and social impacts that have occurred in Indonesia, such as: foamy waste pollution in the Cibeet River in Taman Mekar Village (Karawang) by PT Pindo Deli Pulp and

Paper Mills 3, hot mud flood disaster in Sidoarjo by PT Lapindo Brantas Inc, also air pollution and river water in Sukoharjo by PT Rayon Utama Makmur (RUM). This pollution shows the company's lack of responsibility for its activities.

The company's main goal is not just to achieve gains (Zhang et al., 2023), but to be responsible for the People and the environment or Planet. These three elements are called the Triple-P Bottom Line. The 3P principles are considered capable of being a guideline for companies to always carry out their corporate responsibility towards social aspects (Kvasničková Stanislavská et al., 2023). To support this, a comprehensive concept is needed as well as a stable language that is also calculated with the aim of being clear and understandable. This concept is called a Sustainability Report. Indonesia adopted the G3 Global Reporting Initiative (GRI) as a standard for preparing Sustainability Reports (Handini, 2023).

There are different factors that can encourage companies to publish sustainability reports and these factors have been studied and researched by previous researchers, including financial performance, company size, and company age. (Purnama & Handayani, 2021) A company's profitability does not influence  sustainability report disclosure. In researched (Fuadah et al., 2019), company size has a positive affect on sustainability reporting. (Wijayana & Kurniawati, 2018) stated that company age has a negative affect on sustainability report disclosure.

From several things that have been explained, the author wishes to conduct research entitled "The Influence of Financial Performance, Company Size and Company Age on Disclosure of Sustainability Reports in Non-Financial Companies on The IDX 2019-2021".

**Literature Review**

*Stakeholder Theory*

Based on research (Wheelen et al., 2018) Stakeholder are groups that have an interest in a company's business activities. In essence, this theory argues that an entity is a company that not only has to act for individual interests, but also needs to provide benefits to its stakeholders or stakeholders. Stakeholders here include shareholders, creditors, society, government, consumers and other interested parties. Based on this theory, shareholder desires can be fulfilled if the desires of other stakeholders have been fulfilled to a certain level beyond profit maximization (Karaman et al., 2018).

*Ligitimacy Theory*

Legitimacy theory focuses on the entity's obligation to ensure that the company operates within the appropriate framework and standards in the social environment in which the company is located, where the company ensures that the activities carried out are permitted as legitimate (Manisa & Defung, 2018). Legitimacy is considered important for an entity because public legitimacy towards a company is a strategic factor for future business development. If a company carries out its operations not in line with the norms of the surrounding community, it will hinder its survival.

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## *Sustainability Report*

Sustainability reporting is an organization's public reporting about the economic, social and environmental impacts of its production activities, which contributes to both negative and positive impacts on sustainable development goals (Global Reporting Initiative, 2016). Through these reports, entities inform their results and impacts on a wide range of sustainability topics, including social, environments and governance indicators. Sustainability reports are used by investors to view and control company performance to support decision making, apart from that, they are also used as a responsibility for the entity's commitment to stakeholders in protecting the environment around the business premises (Puspitandari & Septiani, 2017).

## *Profitability*

It is a tool to assess a company's ability to generate profits within a certain period of time (Dr. Kasmir, S.E., 2021). The greater the profitability, the greater the information obtained by stakeholders aimed at convincing stakeholders. Profitability is calculated using the formula:

$$ROA: \frac{\text{Net Profit}}{\text{Total Assets}}$$

## *Company Size*

This reflects the size of the entity that is able to attract investors' interest, and also estimates how the company handles its investments (Aini, 2020). Company size calculation is calculated using the formula:

$$Size = Log(n)\ Total\ Assets$$

## *Company Age*

In the business world, age can be compared to how long a company has been founded or run. The length or shortness of a company's lifespan shows the company's success in running its business. Companies that have been in existence for a long time tend to be more adept at gathering, processing and preparing the information needed because they have a better understanding of the company's development and the demands of society (Savitri, 2020). In this research, the calculation of company age using the formula:

$$Company\ Age = Year\ of\ Research - First\ Issue\ Year\ on\ IDX$$

## *Hypothesis Development*

The higher the profitability, the more positive impact profitability has on sustainability report disclosure, the more positive impact profitability has on sustainability report disclosure, the more the company has realized its dreams and information needs in its business activities, and the more trust it will gain from its stakeholders (Liana, 2019).

**H$_1$: Profitability has a positive effect on sustainability report disclosure.**

(Gunawan & Sjarief, 2022) tested the effect of company size on sustainability reporting. This result indicates that the larger the firm, the greater its ability to gain large profits and requires more legitimacy so that stakeholders continue to support the company's existence.

**H$_2$: Company size has a positive effect on sustainability report disclosure.**

Research (Madani & Gayatri, 2021) shows that company age has a significant positive impact on sustainability report disclosure. Entities that have been established for a long time will disclose more information because they have achieved their economic goals so they can use their resources to achieve their goals.

**H$_3$: : Company age has a positive effect on sustainability report disclosure.**

From several studies and the hypotheses above, it can be hypothesized that there is an influence of profitability, company age and company size on sustainability report disclosure.

**H$_4$: Profitability, company size and company age simultaneously have a positive effect on sustainability report disclosure.**

## Research Method

This study uses quantitative data including secondary data indirectly obtained from IDX for the 2019-2021 financial reports and sustainability reports. This sampling method is a purposive, method based on the following criteria: (1) non-financial companies (Basic Materials, Energy, Industrial and Healthcare sectors) listed on the IDX during 2019-2021; (2) Companies that consistently present financial reports (in rupiah) in harmony with the information needed for research during 2019-2021; (3) Companies that do not suffer losses during 2019-2021; (4) Companies that publish sustainability reports during 2019-2021.

Therefore, 17 companies were found that met the criteria and will be used in this research. Data analysis uses SPSS software through descriptive statistical tests, classical assumption tests, multiple regression tests, T-tests, F-tests, and coefficient of determination tests.

## Result/Findings

*Descriptive Statistics*

**Descriptive Statistics**

|  | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| X1_ROA | 51 | 0,01 | 2,22 | 0,1137 | 0,30831 |
| X2_Ukuran | 51 | 28,24 | 33,54 | 30,2384 | 1,46523 |
| X3_Umur | 51 | 0,01 | 43,39 | 19,9477 | 12,10473 |
| Y_Sustainability Report | 51 | 0,07 | 0,56 | 0,2996 | 0,11662 |
| Valid N (listwise) | 51 |  |  |  |  |

Source: Data processed by SPSS v.26

1.  Descriptive statistical analysis for the profitability variable was tested using the ROA formula showing the maximum value (2.22), minimum (0.01), mean (0.1137) and standard deviation (0.30831).
2.  The company size variable obtained the minimum value (28.24), maximum (33.54), mean (30.2384) and standard deviation (1.46523).
3.  The variable company age obtained the maximum value (43.39), minimum (0.01), mean (19.9477) and standard deviation (12.10473).
4.  The sustainability report variable was measured based on the GRI-G4 disclosure index, obtaining a maximum value (0.56), minimum (0.07), mean (0.2996) and standard deviation (0.11662).

## *Classic Assumption Test*

Normality Test

### Gambar 1. Grafik P-Plot
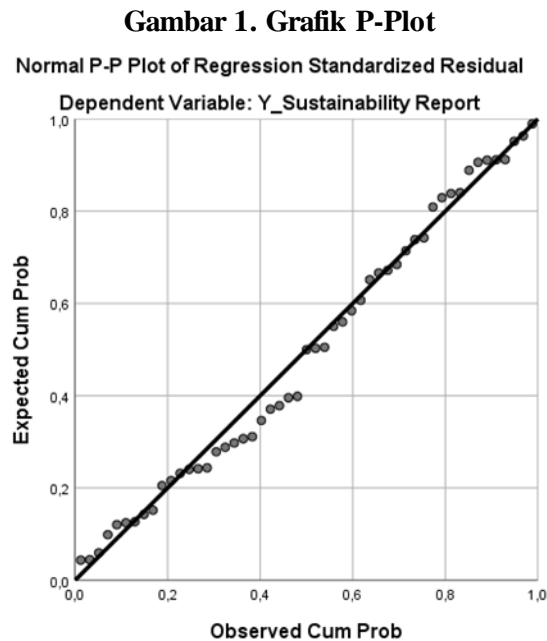


Source: Data processed by SPSS v.26

The graph shows that the Normal P-P Plot graph shows a straight model. So, the regression model admits the assumption of normality because the data is distributed normally.

**Tabel 2. Hasil Uji One-Sample Kolmogorov-Smirnov**

**One-Sample Kolmogorov-Smirnov Test**

| | | Unstandardized Residual |
|---|---|---|
| N | | 51 |
| Normal Parameters[a,b] | Mean | ,0000000 |
| | Std. Deviation | ,10835252 |
| Most Extreme Differences | Absolute | ,095 |
| | Positive | ,095 |
| | Negative | -,053 |
| Test Statistic | | ,095 |
| Asymp. Sig. (2-tailed) | | ,200[c,d] |

Source: Data processed by SPSS v.26

These results show the magnitude of the Kolomogorov value (0.095) with a significance probability of (0.200). These results showed that the residual data was distributed normally and the Kolomogorov Smirnov test was consistent with the normal P-plot graph.

*Multicollinearity Test*

**Coefficients[a]**

| | | Collinearity Statistics | |
|---|---|---|---|
| Model | | Tolerance | VIF |
| 1 | X1_ROA | ,975 | 1,026 |
| | X2_Ukuran | ,572 | 1,748 |
| | X3_Umur | ,583 | 1,716 |

Source: Data processed by SPSS v.26

The test results show that there are no independent variables with a tolerance value less than (0.1), and there are no independent variables with a VIF > (10) or a tolerance value > (0.1). With that, it was assume that there was no multicollinearity among the research independent variables.

*Heteroscedastivity Test*
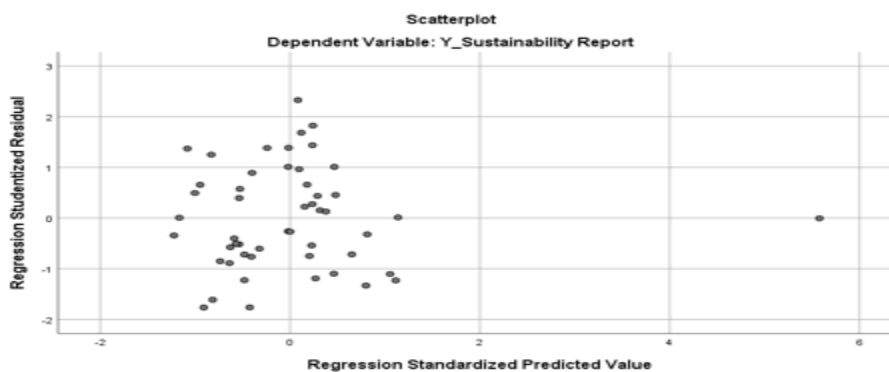


Source: Data processed by SPSS v.26

Judging from the figure, there are unclear shapes which are also distributed below the number 0 and above the number 0. Thus, the regression model does not have heteroscedasticity.

**Coefficients<sup>a</sup>**

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | ,169 | ,221 | | ,767 | ,447 |
| X1_ROA | -,031 | ,028 | -,163 | -1,126 | ,266 |
| X2_Ukuran | -,002 | ,008 | -,057 | -,301 | ,765 |
| X3_Umur | ,000 | ,001 | -,064 | -,340 | ,736 |

Source: Data processed by SPSS v.26

In the following test, the sig value of the profitability variable (0.266), the sig of the company size variable is (0.765) and the sig of the company age variable is (0.736). This means that the significant value has a confidence level greater than 5%, so assume that heteroscedasticity does not in this regression model.

*Autocorrelation Test*

**Model Summary<sup>b</sup>**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | ,449<sup>a</sup> | ,201 | ,149 | ,10733 | 1,958 |

Source: Data processed by SPSS v.26

From the test results, it can be seen that DW is (1.958). From the DW table, if the three variables (profitability, company size, and company age) are K3 with 51 sample data, then the DU value is (1.675). So the value obtained is $1.675 < 1.958 < 2.324$ suggests that there is no autocorrelation.

*Multiple Linear Regression*

**Coefficients<sup>a</sup>**

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | -,146 | ,232 | | -,628 | ,533 |
| Profitabilitas | ,121 | ,047 | ,343 | 2,577 | ,013 |
| Ukuran Perusahaan | ,016 | ,012 | ,237 | 1,347 | ,185 |
| Umur Perusahaan | ,001 | ,002 | ,117 | ,671 | ,505 |

Source: Data processed by SPSS v.26

These results show that the amount of sustainability report disclosure from the constant variable is (-0.146). The profitability variable obtained a value of (0.121). Meanwhile, the variables company size and company age obtained values of (0.016) and (0.001).

*T-Test*

**Coefficients$^a$**

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | -,146 | ,232 | | -,628 | ,533 |
| Profitabilitas | ,121 | ,047 | ,343 | 2,577 | ,013 |
| Ukuran Perusahaan | ,016 | ,012 | ,237 | 1,347 | ,185 |
| Umur Perusahaan | ,001 | ,002 | ,117 | ,671 | ,505 |

Source: Data processed by SPSS v.26

From the test results above, the sig of profitability variable is (0.013), indicating that profitability has a significant negative influence on the sustainability report. Likewise, the variables company size and company age with values (0.185) and (0.505).

*F-Test*

**ANOVA$^a$**

| Model | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | ,134 | 3 | ,045 | 3,864 | ,015$^b$ |
| Residual | ,530 | 46 | ,012 | | |
| Total | ,663 | 49 | | | |

Source: Data processed by SPSS v.26

The sig value is (0.015) < (0.05), this means that all independent variables influence the sustainability report at the same time.

*Coefficient of Determination Test (R Square)*

**Model Summary$^b$**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | ,449$^a$ | ,201 | ,149 | ,10733 | 1,958 |

Source: Data processed by SPSS v.26

From these results, it is known that the Adjusted R Square from the regression is (0.149). This indicates that the dependent variable (2019-2021 sustainability report disclosure) may be described with the three independent variables as much as 14.9%. As for the rest of 85.1% described with other variables.

## Discussion

The results of H1 state that profitability using the ROA formula has a positive affect on the sustainability report. The t-test results revealed that **H1 was accepted** with a significant variable value of $(0.013) < (0.05)$.

The results of H2 reveal that company size has a negative influence on the sustainability report. The t-test results stated value of significant variable is $(0.185) > (0.05)$, therefore H2 was dismissed.

The results for H3 indicate that firm age has a negative effect on sustainability reporting by calculating the length of time a firm was registered in IDX during the specified study period. The t-test results of this research have a significant variable values $(0.505) > (0.05)$, therefore **H3 is rejected**.

The results of H4 indicate that these three variables simultaneously influence sustainability report disclosure. The f-test results state that **H4 is accepted** with a variable significance value of $0.015 > 0.05$.

## Conclusion

The conclusion from the research discussion is that the profitability variable influences sustainability report disclosure, the variables of company age and size do not affect sustainability report disclosure. At the same time, independent variables also influence sustainability report disclosures.

This research is limited to non-financial companies listed on the IDX from 2019 to 2021. Meanwhile, there are other factors that can influence sustainability report disclosure, because the independent variable only has an effect of 14.9% on sustainability report disclosure. Therefore, future research is expected to expand the sample of companies outside the non-financial sector, adding new independent variables to the research such as leverage, company activity, corporate governance, and industry type. Or future researchers can use the same independent variables with different measuring instruments.

## Declaration of conflicting interest

The authors declare that there is no conflict of interest in this work.

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