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## **Effect of Sustainability Report Disclosure and Company Size on Company Performance**

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*Received: 05-06-2024      Reviewed: 20-06-2024      Accepted: 05-07-2024*

### **Abstract**

The study examines how sustainability report disclosure and company size impact Return on Assets (ROA) among telecommunications, basic chemicals, and other sectors listed on the Indonesia Stock Exchange from 2018 to 2022. Utilizing data from 15 companies over five years, the findings indicate that company size has a significant positive influence on ROA, suggesting that larger firms tend to be more profitable. However, sustainability report disclosure alone does not significantly affect ROA. This lack of impact may be attributed to limited environmental awareness and weak enforcement of waste management regulations in Indonesia. The research employs quantitative analysis, including multiple linear regression, to analyze the data and test hypotheses. The results highlight the need for improved environmental consciousness and stricter regulatory enforcement to enhance the effectiveness of sustainability reporting. Methodologically, the study focuses on descriptive statistical analysis and classical assumption tests, such as normality, heteroscedasticity, multicollinearity, and autocorrelation tests, to ensure the robustness of the regression model. The recommendations emphasize increasing environmental awareness and regulatory enforcement to strengthen the positive impacts of sustainability initiatives. Future research should consider broader sustainability indices and alternative metrics for company size to gain deeper insights into how these factors influence corporate performance, thereby enhancing the understanding of sustainability's role in financial outcomes.

**Keywords:** Company Size, IDX, ROA, Sustainability Report Disclosure, Telecommunication

### **Introduction**

The era of globalization has introduced significant changes across economic, social, and cultural sectors (Globalisasi, 2016). Characterized by a fast-paced and practical lifestyle, globalization is largely driven by technological advancements and the ease of social interaction. While globalization offers numerous benefits, such as improved accessibility and connectivity,

## *Effect of Sustainability Report Disclosure and Company Size on Company Performance*

it also presents challenges. One such challenge is the rise of electronic devices, notably mobile phones and gadgets. According to the Indonesian Dictionary, a gadget is a practical electronic device essential to daily life. Nowadays, most people own gadgets that offer various benefits, including easy access to information, long-distance communication, and tools for work and income generation. However, excessive use of these devices can lead to negative consequences, such as addiction, misinformation, and environmental harm due to increasing electronic waste.

Since 2014, global electronic waste (e-waste) has surged by 20%, raising concerns about its impact on ecosystems (Moore, 2023). In Indonesia, waste management, particularly of electronic waste, remains a significant issue. The increasing purchase of new electronic devices, driven by both functionality and aesthetics, exacerbates the e-waste problem. E-waste includes discarded electrical and electronic equipment containing hazardous components, whether still functional or not (United Nations Environment Programme, 2019). The World Health Organization (2023) reported that e-waste grows three times faster than the global population, with an estimated 53.6 million tons produced in 2019, and only 17.4% being recycled.

E-waste, categorized as hazardous waste, contains chemicals like mercury, cadmium, and lead. According to Aulia Qisthi, a PhD candidate specializing in recycling electronic waste, Indonesia could accumulate up to 3,200 kilotons of e-waste by 2040, equivalent to 10 kilograms per person annually (Puspa, 2022). Data from the Ministry of Environment and Forestry and the National Waste Management Information System indicated that in 2022, Indonesia generated 35.93 million tons of waste, with 2 million tons being e-waste, predominantly from Java (Wahyu, 2022). Accumulating e-waste poses significant environmental risks, including ecosystem contamination and human health hazards due to toxic exposure.

The rise of digitalization has also influenced societal trends, with increasing gadget use simplifying various activities, from online shopping to digital payments. This shift correlates with the growing number of internet users in Indonesia. According to the Indonesian Internet Service Providers Association (APJII), the number of internet users rose from 171.17 million in 2018-2019 to 215.63 million in 2022-2023. The increasing internet user base correlates with economic growth for companies, which is reflected in their annual Sustainability Reports. Since 2019, financial service institutions, issuers, and public companies in Indonesia are mandated to disclose sustainability reports, covering economic, social, and environmental performance, as per the Financial Services Authority Regulation No. 51/POJK.03/2017.

Telecommunication companies significantly contribute to e-waste through discarded mobile phones. The basic and chemical industries also play a role in e-waste production. To address this, the Indonesian government introduced regulations, such as Government Regulation No. 101/2014 on hazardous waste management, which includes a take-back program for electronic goods (Suhanta, 2023). Given these issues, this research aims to evaluate how companies, particularly in telecommunications, basic, and chemical industries, respond to environmental pollution caused by e-waste, societal trends, and economic growth through their sustainability reports. These reports, assessed using the Global Reporting

Initiative (GRI-G4) guidelines, provide insights into a company's economic, social, and environmental performance, helping stakeholders make informed decisions.

Despite the crucial role of telecommunications in supporting various industries, only a few large companies remain due to high maintenance costs. This study will examine how company size affects performance, expanding on previous research like León & Salesa (2023), which evaluated the materiality of sustainability reporting in Spanish telecommunications companies, revealing inconsistent adherence to GRI standards. This research includes variables like company size and financial performance, proxied by Return on Assets (ROA), to assess how adherence to sustainability reporting influences stakeholder decisions. Prior studies (Nguyen et al., 2022; Putra & Subroto, 2022; Jadhav et al., 2020; Mulpiani, 2019) show a significant positive impact of sustainability reports on financial performance, though some (Iriansyah et al., 2023; Chi et al., 2022) found non-significant positive effects. Others (Tamara et al., 2023; Wartabone et al., 2023; Sari, 2020) reported no influence, highlighting the need for further investigation.

Based on the observed phenomena and differences in previous research findings, this study aims to further investigate the telecommunications, various industrial sectors, and basic and chemical industry sectors listed on the Indonesia Stock Exchange from 2018 to 2022. This research focuses on two main questions: whether the disclosure of sustainability reports affects Return on Assets (ROA) in companies within these sectors, and whether company size also influences ROA. The objectives are to determine the impact of sustainability report disclosure on ROA and the effect of company size on ROA for companies listed on the IDX during the specified period. The theoretical benefits include describing the influence of these variables on ROA. Practically, for academics, it serves as a resource for developing knowledge related to the impact of sustainability report disclosure and company size on corporate performance, and as a reference for future research. For investors, this study can inform decision-making by highlighting indicators of sustainability report disclosure and company size that affect performance. Empirically, the study aims to raise awareness of environmental issues and provide a basis for decision-making for both internal and external stakeholders.

## **Literature Review**

### **Legitimacy Theory**

Legitimacy theory, as explained by Suchman (1995) in León & Salesa (2023), suggests that an organization's actions must align with societal values and norms to gain support. Implementing sustainability report disclosures enhances social trust and credibility, especially for larger companies where stakeholders scrutinize more closely (Iriansyah et al., 2023).

### **Sustainability Report**

Sari (2020) describes sustainability reports, per Elkington and Rowlands, as comprising financial and non-financial information affecting social and environmental activities. GRI 101 (2016) views them as reports on economic, environmental, and social impacts. The triple

## ***Effect of Sustainability Report Disclosure and Company Size on Company Performance***

bottom line concept (profit, people, planet) aligns with this, influencing investor reactions and company performance (Safitri & Fidiana, 2015; Latifah & Luhur, 2017).

### **Company Size**

Total assets reflect a company's size, indicating its wealth (Cantika & Riduwan, 2021). Larger asset holdings suggest better performance compared to competitors (Sari, 2020), as more assets can generate higher profits. Stakeholder trust is also influenced by the entity's size (Herawati, 2015; Iriansyah et al., 2023).

### **Company performance**

A company's performance reflects its business activities' outcomes. One way to assess this is through financial performance, which measures the company's ability to control and manage resources for stakeholders' benefit (Kusuma & Widiarto, 2022). Key financial ratios include liquidity ratios like Current Ratio and Cash Ratio (Sofyan, 2019); activity ratios such as Receivable Turnover, Inventory Turnover, and Asset Turnover; profitability ratios including ROA, Net Profit Margin, and ROE; and solvency ratios like Debt to Equity Ratio (DER) and Debt to Total Assets. These ratios collectively provide insights into a company's operational efficiency and financial health.

## **Research Method**

### **Population and Sample**

The population of this study comprises companies in the telecommunications sector, various industries, and the basic and chemical industries listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022. The sample includes 15 companies selected from a total of 182, using purposive sampling based on specific criteria. The criteria for selecting the sample are: companies from the specified sectors listed on the IDX during the study period, those that published sustainability reports adhering to the GRI G4 standards between 2018 and 2022, and those that use the Indonesian Rupiah. This process resulted in a sample size of 15 companies, providing 75 observations over five years. After excluding five outliers, the final dataset comprised 70 observations.

### **Type and Source of Data**

This quantitative study utilizes secondary data from annual reports and sustainability reports, which are accessible through the respective companies' official websites. Descriptive statistical analysis is employed to summarize the data, providing calculations of maximum, minimum, average values, and standard deviations for each variable. The study also conducts several classical assumption tests: the Kolmogorov-Smirnov test for normality, heteroscedasticity tests to assess the consistency of residual variances, multicollinearity tests to evaluate the inter-correlation among independent variables, and the Durbin-Watson test to detect autocorrelation in the data. Hypothesis testing is carried out using multiple linear regression analysis to examine the relationships between sustainability report disclosure, company size, and Return on Assets (ROA). The goodness of fit for the regression model is

assessed using the coefficient of determination ( $R^2$ ), while the significance of the relationships is evaluated through F-tests (simultaneous) and t-tests (partial).

**Result**

**Descriptive statistics**

**Table 1.** Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
SRDI	71	0,12	0,56	0,3030	0,10691
SIZE	71	26,36	33,66	30,4469	1,68336
ROA	71	-0,20	21,37	5,3525	4,48387
Valid N ( <i>listwise</i> )	71				

The table above outlines that the study comprises 71 samples, with sustainability report disclosure (X1) measured by the total number of disclosed indicators out of 91. Notably, PT Tower Bersama Infrastructure Tbk. in the telecommunications sector recorded the lowest disclosure rates in 2018 and 2019, both at 0.12, indicating minimal compliance with sustainability reporting standards compared to other sampled companies. Conversely, PT Steel Pipe Industry of Indonesia Tbk. and Semen Indonesia (Persero) Tbk. in the basic chemicals and cement industries respectively, exhibited the highest disclosures, with values of 0.56 and 0.55 in certain years. The overall mean disclosure rate was 0.30, with a standard deviation of 0.10, suggesting generally low awareness and compliance with GRI G4 sustainability reporting standards across the sampled sectors.

Regarding company size (X2), measured by total assets, findings indicated a minimum value of 26.36, observed in PT Solusi Bangun Indonesia Tbk. in the basic chemicals industry in 2019, signifying relatively lower asset totals compared to other samples. PT Astra International Tbk. in the miscellaneous industries sector recorded the maximum value of 33.66 in 2022, categorizing it as a large company with assets exceeding 20 billion. The average asset size (mean) across all samples was 30.44, with a standard deviation of 1.68, indicating that on average, the sampled companies are large entities with substantial asset bases.

**Multiple Linear Regression Test Results**

**Table 2.** Multiple Linear Regression Test Results

Model	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	t	Sig.
	B	<i>Std. Error</i>	Beta		
1 (Constant)	38,371	9,047		4,241	0,000
SRDI	-1,994	4,658	-0,048	-0,428	0,670
SIZE	-1,065	,296	-0,400	-3,599	0,001

Based on regression analysis depicted in table above, the model shows that for this study, Return on Assets (Y) is predicted by the formula  $Y = 38.371 - 1.994X_1 - 1.065X_2 + e$ . The constant value of 38.371 represents the base level of Return on Assets when all independent

## *Effect of Sustainability Report Disclosure and Company Size on Company Performance*

variables are held constant. A negative coefficient of -1.994 for sustainability report disclosure (X1) indicates that an increase in disclosure leads to a decrease of 1.994 in Return on Assets, assuming other variables remain constant. Similarly, a coefficient of -1.065 for company size (X2) suggests that an increase in company size results in a decrease of 1.065 in Return on Assets, under the condition that other variables remain unchanged. This regression model highlights how sustainability report disclosure and company size impact Return on Assets within the context of the study's variables.

### **Hypothesis Test Results**

**Table 3.** Hypothesis Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Conclusion
	B	Std. Error	Beta			
(Constant)	-12,501	7,428		-1,683	0,097	
SRDI	1,232	4,982	0,030	0,247	0,805	H1 Not Supported
SIZE	0,560	,227	0,298	2,469	0,016	H2 Supported

Based on the results shown in Table 4.8, the Adjusted R Square value of 0.058 indicates that the independent variables (Sustainability Report Disclosure and Company Size) collectively explain 5.8% of the variation in the dependent variable, Return on Assets. This implies that the model's ability to explain the variability in Return on Assets is limited, with 42% of the variation influenced by factors outside the scope of the study's variables. Additionally, from Table 4.10, the partial effects (t-test) indicate that Sustainability Report Disclosure (SRDI) does not significantly influence Return on Assets (Sig. = 0.805 > 0.05), thus rejecting H1. Conversely, Company Size (SIZE) shows a significant positive influence on Return on Assets (Sig. = 0.016 < 0.05), supporting H2. Therefore, the study concludes that while Company Size has a significant impact, Sustainability Report Disclosure does not significantly affect Return on Assets in the examined context.

### **Discussion**

#### **The Effect of Sustainability Report Disclosure (X1) on Return on Assets (Y)**

Based on hypothesis testing results, the insignificance value obtained was 0.805, suggesting that sustainability report disclosure (X1) does not positively influence Return on Assets (ROA) (Y). Thus, H1 is not supported. According to legitimacy theory, corporate actions impact stakeholder perceptions, including societal stakeholders. Findings reveal a mean sustainability report disclosure of 0.3030, indicating companies in telecommunications, basic chemicals, and various industries averagely disclose only 30 out of 91 indicators. Such disclosure serves as a gauge for assessing corporate quality, influencing stakeholder support. Notably, GRI G4 indicators cover economic, social, and environmental contexts, emphasizing companies' sustainability awareness. However, many fail to disclose, notably in sectors generating hazardous electronic waste (e-waste), with Asia leading in e-waste production. In

Jakarta's 2018 Car Free Day, 5.3 tons of e-waste, predominantly obsolete gadgets, were collected. Investor awareness lags, possibly due to weak environmental regulations (Peraturan Pemerintah No. 101/2014). Government involvement is crucial per Muchlis et al. (2023) due to poor waste management amid urbanization. This study supports Tamara et al. (2023), Wartabone et al. (2023), and Sari (2020) but contrasts with Putra & Subroto (2022) and Jadhav et al. (2020).

### **Company Size on Return on Assets**

The hypothesis testing yielded a significance value of 0.016 for the relationship between company size (X2) and Return on Assets (Y), indicating a significant influence. According to legitimacy theory, corporate actions shape stakeholder responses. Meiyana & Aisyah (2019) suggest larger firms have greater profitability and asset management efficiency, attracting stakeholder investment. Higher profits signify better performance, reinforcing findings by Tamara et al. (2023) and Sari (2020), but differing from Iriansyah et al. (2023) and Mulpiani (2019).

### **Conclusion**

The study investigates the combined impact of sustainability report disclosure and company size on Return on Assets (ROA) across telecommunications, basic chemicals, and other sectors from 2018 to 2022. Results indicate that while sustainability report disclosure (X1) and company size (X2) collectively influence ROA (Y), individually, X1 does not significantly affect ROA, possibly due to low environmental awareness and lax governmental enforcement of waste management regulations. In contrast, X2 positively affects ROA, suggesting larger firms tend to exhibit higher profitability. Limitations include reliance on GRI G4 indicators for disclosure measurement, sole use of total assets for company size, and exclusion of variables like company value. Future studies should consider broader sustainability indices and alternative size metrics (e.g., equity, liabilities) to enhance understanding. Recommendations emphasize improving environmental consciousness and regulatory enforcement. Future research could explore additional moderating factors to enrich insights into these dynamics.

### **Declaration of conflicting interest**

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

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## *Effect of Sustainability Report Disclosure and Company Size on Company Performance*

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