

Analysis of the Factors Influencing the Disclosure Quality of Sustainability Reports in Companies in Indonesia

Fifitri Ali

Politeknik Caltex Riau

Jl. Umban Sari No.13, Umban Sari, Kec. Rumbai, Kota Pekanbaru, Riau 28265

Korespondensi penulis: fifitri@pcr.ac.id

Abstract

Sustainability reports are useful for disclosing the company's performance on economic, environmental and social aspects, as well as the company's efforts to become a company that is accountable to all company stakeholders in general and also to society in a broad context. The report describes all business activities carried out for reporting responsibility to parties who need information as a form of transparency on activities carried out by the company. This study aims to find out the quality of disclosure of sustainability reports on companies in Indonesia and the effect of company size on the quality of disclosure of sustainability reports. This research uses companies listed on the Indonesia Stock Exchange in 2021. The samples to be taken are 38 companies that meet the predetermined criteria. To measure the level of quality of disclosure of sustainability reports, researchers use the disclosure index method, using a scale of 0 to 3 of the standard disclosures set by the Global Reporting Initiative (GRI). The results of the study show that the level of quality of sustainability report disclosure is at the lowest level of assessment with the Bronze predicate in the disclosure of sustainability reports.

Keywords: GRI, sustainability reports, company size

Abstrak

Laporan keberlanjutan berguna untuk mengungkapkan kinerja perusahaan pada aspek ekonomi, lingkungan dan sosial, serta upaya perusahaan untuk menjadi perusahaan yang bertanggung jawab kepada seluruh pemangku kepentingan perusahaan pada umumnya dan juga kepada masyarakat dalam konteks yang luas. Laporan tersebut menggambarkan seluruh kegiatan usaha yang dilakukan untuk pertanggungjawaban pelaporan kepada pihak-pihak yang membutuhkan informasi sebagai bentuk transparansi atas kegiatan yang dilakukan oleh perusahaan. Penelitian ini bertujuan untuk mengetahui kualitas pengungkapan laporan keberlanjutan pada perusahaan di Indonesia dan pengaruh ukuran perusahaan terhadap kualitas pengungkapan laporan keberlanjutan. Penelitian ini menggunakan perusahaan yang terdaftar di Bursa Efek Indonesia tahun 2021. Sampel yang diambil adalah 38 perusahaan yang memenuhi kriteria yang telah ditentukan. Untuk mengukur tingkat kualitas pengungkapan laporan keberlanjutan, peneliti menggunakan metode indeks pengungkapan, menggunakan skala 0 sampai 3 dari standar pengungkapan yang ditetapkan oleh Global Reporting Initiative (GRI). Hasil penelitian menunjukkan bahwa tingkat kualitas pengungkapan laporan keberlanjutan berada pada level penilaian paling rendah dengan predikat Bronze pada pengungkapan laporan keberlanjutan.

Kata Kunci: GRI, laporan keberlanjutan, ukuran perusahaan

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* Fifitri Ali, fifitri@pcr.ac.id

I. INTRODUCTION

Many companies in Indonesia have cases of violations of environmental damage. Of course, this drew a lot of criticism from the public and also demanded the company be closed down due to the negative impact that the company had given. Many facts have been revealed that companies in Indonesia have neglected their responsibility for the sustainability of the company, such as; PT. Freeport in Irian Jaya, PT. Newmont in Minahasa and Lombok, PT. Lapindo in Sidoarjo, and many coal companies on the island of Kalimantan, as well as coal-fired power plants in Indonesia. This case is proof that many companies only orient their business to achieve profit without any responsibility towards the environment and the surrounding community.

A company's sustainability report does not only cover CSR reports. However, it can also be defined as a report issued by a company to disclose the company's performance on economic, environmental and social aspects, as well as the company's efforts to become a company that is accountable to all stakeholders of the company in general and society in a wider context. With the ultimate goal to carry out sustainable development for the future. The sustainability report describes all business activities carried out in order to report responsibility to parties who need information as a form of transparency of the activities carried out by the company.

Sustainability reports are not only aimed at carrying out sustainable development. However, the sustainability report also aims to provide information about the company's commitment, economic, environmental, and social performance to stakeholders and the wider community in a transparent manner. The importance of a sustainability report for a company is that it has an important role in providing transparent information on corporate responsibility, with the aim that the company can continue strategies in achieving the company's vision in the long term. The internationally agreed disclosure of sustainability reports allows the information contained in sustainability reports to be accessed and compared, thus providing additional information to stakeholders in terms of decision making (GRI 4) The reference in preparing this sustainability report is the Sustainability Reporting Guidelines (SRG).), issued by the Global Reporting Initiative (GRI) which is adjusted to the characteristics of the company. The principles of balance, comparability, accuracy, timeliness, clarity and reliability are required in determining the quality of a

sustainability report. Sustainability reports can be published as an integral part of the company's annual report and can also stand alone.

The quality of the sustainability report depends on how the social responsibility information is disclosed. However, there is no unified standard to measure the quality of sustainability reports (Leitoniene & Saupkauskiene, 2015). In this study the authors intend to determine the quality of disclosure of sustainability reports for companies in Indonesia. This is due to the low-quality level of disclosure of sustainability reports for companies in Indonesia and shows that CSR reporting for companies in Indonesia is still in the developing stage and not yet fully integrated. In this study the authors discuss how the quality of disclosure of sustainability reports in companies in Indonesia and the influence of company size on the quality of disclosure of sustainability reports. This research was conducted on companies listed on the Indonesia Stock Exchange (IDX) in 2020.

II. LITERATURE REVIEW

Quality of Sustainability Report Disclosure

Currently, many companies have voluntarily started preparing sustainability reports for each year along with the annual report known as the Sustainability Report which was initiated from the concept of Sustainability Development. According to GRI 4, sustainability reports are practices in measuring and disclosing company activities. There are two types of disclosure in the accounting literature, namely the quantity of disclosure and the quality of disclosure (Alotaibi & Hussainey, 2016).

The quantity of a disclosure focuses on how extensive the disclosure is made by the company. In other words, it only focuses on the amount of information about a topic such as social or environmental topics, while the quality of disclosure focuses on the meaning contained in the writing which can be evaluated using the Disclosure Quality Index (Hooks & Staden, 2011). The preparation of a sustainability report is a new breakthrough made by regulators in responding to problems in society regarding corporate concern for the safety of the environment and the surrounding nature of the business being carried out. This is quite reasonable, because there are so many companies that run their business using natural resources directly or indirectly. More and more companies are preparing CSR reports or similar reports, but the quality of the information disclosed varies.

Therefore, the quality of sustainability report disclosure is more important than the quantity of sustainability report disclosure (Habek & Wolniak, 2016) .

Company Size

According to (Sari, 2012) research, it shows that the company size variable as measured by the natural log (total assets) has a positive effect on sustainability reports. Research (Yaparto, 2013) shows that the variable company size has a significant effect on the extent of disclosure of social responsibility in annual reports. This shows that the greater the company's assets, the greater the agency costs that arise to reduce agency costs, the company discloses reports more broadly. Theoretically, large companies cannot be separated from risks and political pressures. Compared to smaller companies, large companies tend to have a public demand for information about corporate social responsibility. Of course, this makes companies obligated to provide sustainability report information openly to increase the legitimacy of the community.

III. RESEARCH METHOD

The population taken in this study is all companies in Indonesia that publish sustainability reports and also annual reports for 2021. The number of companies listed on the Indonesian stock exchange has reached 700 companies. The samples to be taken are 38 companies that meet the criteria set by the researcher. The sampling technique used was purposive sampling with the aim of obtaining samples that match the criteria specified in this study.

Before measuring the effect of the independent variable on the dependent variable, the researcher first measures the progress of improving the quality of sustainability report disclosure to find out whether the quality of sustainability report disclosure in Indonesia is classified as good or not. To measure the quality level of sustainability report disclosure, researchers use the disclosure index method, using a scale of 0 to 3 of the standard disclosures set by the GRI of 48 items in Appendix 1. A scale of 0 indicates that the company does not disclose the items in question. Scale 1 indicates that the company discloses the item in question only with narration. Scale 2 indicates that the company discloses the item in question on a non-monetary basis. Scale 3 indicates that the company discloses the item in question in monetary terms. The maximum score obtained from each

aspect is 144. Furthermore, the accumulated number of each aspect is divided by the maximum total score that should be. In other words, the formula is as follows:

$$SRQ = \frac{\text{total score obtained}}{\text{Maximum total score}} \times 100$$

Furthermore, researchers measured the effect of the independent variable on the dependent variable using multiple linear regression analysis in this study. before carrying out multiple linear regression analysis, the data were tested with the classical assumption test to ensure that the regression used was feasible and not bound by symptoms of normality, multicollinearity, autocorrelation, and heteroscedasticity. The multiple regression formula used in this study is as follows:

$$SRQ = \beta_0 + \beta_1 CS + e$$

Information:

SRQ = Sustainability Report Quality

β = Variable Coefficient

CS = *Company Size*

e = *Error*

The measurement to measure how big the company is done by measuring the size of the assets owned by the company. The larger the size of the company, the more publicly known the company will be. This means that companies will make it easier for the public to obtain information on corporate social responsibility. This will certainly gain legitimacy from the public so that it can increase trust in investment from investors (Siahaan, 2013). The formula used to assess company size is:

$$\text{Company Size} = \text{Log Natural (Ln) of Total Asset}$$

IV. RESULT AND DISCUSSION

The measurement of this company variable uses the natural log of the company's total assets. Where the company's total assets will be the basis for measuring the influence of the quality of sustainability report disclosure.

Tabel 1. Independent Variable Statistics: Company Size (in millions)

Year	Minimum Value	Maximum Value	Average	Standar Deviation
2021	10.656	102.398.459	19.467.993	26.655

Source: SPSS Result

Based on the calculation table above, it can be seen from the total assets of the companies that were sampled in this study that the smallest company size is 10 billion rupiah, namely the total assets of PT. Agincourt Resources and Perusahaan Gas Negara have the largest assets, namely 102 trillion rupiah. The average value of firm size from the research sample is 19 trillion rupiah with a standard deviation of 26 trillion rupiah. Variable quality of sustainability report disclosure To find out the increase in the quality of sustainability report disclosure, researchers used the Disclosure Index method by giving a score of 0 to 3 on 48 social aspects in the GRI guidelines. The following is a descriptive table of the variable quality of sustainability report disclosure:

Tabel 2. Sustainability Report Quality

Year	Minimum Value	Maximum Value	Average	Standar Deviation
2021	0.604167	0.930556	0.77485384	0,064047691

Source: SPSS Result

Based on the table above, it can be seen that companies in Indonesia are still not very high because the average reporting quality level only has a value of 77. With the predicate level, namely bronze. The variable minimum value is 60 which is the index of the quality of disclosure of sustainability reports from PT. Agincourt Resources. Meanwhile PT. Gudang Garam has the highest sustainability report disclosure quality index. This is of course still an illustration that companies in Indonesia have a level of reporting that is still not good. Where the level of reporting is still at the lowest level of value in reporting quality.

Quality of Disclosure of Sustainability Report

The level of quality of disclosure of sustainability reports in Indonesia is considered not good. It is known that the average value of the quality of disclosure of sustainability reports is 77.485384. The value level of the average is still at the lowest level, namely bronze. So that the quality of disclosure of sustainability reports is still not good for companies in Indonesia. The following is a recap table of the values obtained from the company's calculations.

Table 3. Recap of Quality Value of Sustainability Report Disclosures

No	Company Name	Total Score	Total Value Should be	SRQ	Predicate
1	PT. ABM Investama	108	144	0.75	Bronze
2	PT. Acset Indonusa Tbk	116	144	0.80555556	Silver
3	PT. Agincourt Resources	87	144	0.60416667	-
4	PT. Alfa Energi Investama	102	144	0.70833333	Bronze
5	PT. Aneka Tambang Tbk.	113	144	0.78472222	Bronze
6	PT. Asia Pulp and Paper Tbk.	114	144	0.79166667	Silver
7	PT. Astra Agro Lestari Tbk.	110	144	0.76388889	Bronze
8	PT. Austindo Nusantara Jaya Tbk.	108	144	0.75	Bronze
9	PT. Bank CIMB Niaga Tbk.	106	144	0.73611111	Bronze
10	PT. Bank Bukopin Tbk.	103	144	0.71527778	Bronze
11	PT. Bank Maybank Tbk.	106	144	0.73611111	Bronze
12	PT. BPJS Ketenagakerjaan	100	144	0.69444444	-
13	PT. Bima Sakti Pertiwi Tbk.	111	144	0.77083333	Bronze
14	PT. Bukit Asam (Persero) Tbk.	115	144	0.79861111	Silver
15	PT. Bumi Resources Tbk.	124	144	0.86111111	Gold
16	PT. Gudang garam Tbk.	134	144	0.93055556	Platinum
17	PT. HM Sampoerna Tbk.	120	144	0.83333333	Silver
18	PT. Indika Energy Tbk.	128	144	0.88888889	Gold
19	PT. Indo Tambangraya Megah Tbk.	118	144	0.81944444	Silver
20	PT. Indocement Tunggul Prakarsa Tbk.	117	144	0.8125	Silver
21	PT. Jasa Marga Tbk.	115	144	0.79861111	Silver
22	PT. PELNI	102	144	0.70833333	Bronze
23	PT. Pertamina (Persero)	116	144	0.80555556	Silver
24	PT. Perusahaan Gas Negara Tbk.	132	144	0.91666667	Gold
25	PT. Pupuk Kaltim	114	144	0.79166667	Silver
26	PT. Pupuk Kujang	103	144	0.71527778	Bronze
27	PT. Reswara	105	144	0.72916667	Bronze
28	PT. Sarana Multi Infrastruktur	116	144	0.80555556	Gold
29	PT. Semen Padang	105	144	0.72916667	Bronze
30	PT. Telekomunikasi Indonesia Tbk.	103	144	0.71527778	Bronze

No	Company Name	Total Score	Total Value Should be	SRQ	Predicate
31	PT. Timah	114	144	0.79166667	Silver
32	PT. Ultra Jaya Milk Industry Tbk.	107	144	0.74305556	Bronze
33	PT. Unilever	109	144	0.75694444	Bronze
34	PT. Vale Indonesia	115	144	0.79861111	Silver
35	PT. Wijaya Karya Tbk.	107	144	0.74305556	Bronze
36	PT. XL Axiata Tbk.	100	144	0.69444444	-
37	PT Medco Energi Internasional	117	144	0.8125	Silver
38	PT. Bakrie Sumatra Plantations Tbk.	111	144	0.77083333	Bronze

Company Size

The results of the regression test show that the company size variable has a p-value of 0.00062454. the p-value is smaller than the significance level of 0.05, which means that company size has a significant influence on the quality of sustainability report disclosure. Meanwhile, the coefficient value is 0.747 which indicates the direction of the relationship between firm size and the quality of sustainability report disclosure is a positive relationship.

Table 4. Multiple Regression Results

Variable	Early Predictions	coefficient	p-value
(Constant)			0.00036614E-39
Company Size	+	0.747	0.00062454
<i>Model summary</i>			
<i>Adjusted R-square</i>		0.559	
<i>Standard error of the estimate</i>		0.042528489	
Regression Model (Sig.)		0.00022586	
*= significant variable note: significant value 5%			

In table 4 it is known that the p-value of company size is 0.0006. This value is smaller than the significance level of 0.05. This shows that the variable company size has a significant influence on the quality of disclosure of sustainability reports. These results are consistent with previous research, namely research (Dermawan & T, 2014) and (Nur & Priatinah, 2012) which state that company size has an influence on disclosure of

sustainability reports. This is due to the number of assets of the company. The greater the number of assets, the higher the responsibility that must be issued by the company. So that makes the pressure on the transparency of information becomes even greater.

V. CONCLUSION AND SUGGESTION

Conclusion

Based on the results of the research and discussion that has been carried out, the following conclusions can be drawn:

1. The level of quality of disclosure of sustainability reports has an average value of 77.485384. is at the lowest level of assessment with a bronze predicate in the disclosure of sustainability reports.
2. The company size variable has a significant influence on the quality of sustainability report disclosure because the significance level is greater than 0.05, which is 0.00062454. Thus, company size has an influence on the quality of sustainability report disclosure.

Suggestion

By considering some of the limitations of the research that has been submitted, the suggestions for further research are:

1. Using other aspects in the GRI standards, namely environmental aspects, and financial aspects. This is done to see more comprehensively the quality of the sustainability report with all aspects.
2. Future research should consider using other variables besides the variables used in this study.

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