Analysis on the Effect of Company Size, Company Type, and Profitability on Sustainability Report Based on GRI Index

Baby Fadilla*, Nurafni Eltivia, Edi Winarto

Accounting Department
State Polytechnic of Malang
Malang, Indonesia
*bebyfadilla@gmail.com

Abstract—The aim of this research is to examine the effects of company size, company type, and profitability to sustainability report quality based on GRI Index. The population of this research is BUMN companies that publish sustainability report in 2015-2018. Based on purposive sampling method, the number of sample companies is 12 companies. The data used in this research is sustainability report, and annual report. The GRI index used is GRI-G4 index and GRI Standard. The analysis technique used is content analysis and hypothesis test using the SPSS program. Results of this research indicate that there are differences hypothesis results between report using GRI-G4 index and those using Gri Standard. In report that use GRI-G4 index, all independent variables showed no effect on sustainability report quality. Whereas in report that use GRI standard index, profitability have a positive effect on sustainability report quality, company size and company type showed no effect on sustainability report quality.

Keywords—component, sustainability report, GRI index, company size, company type, profitability

I. INTRODUCTION

Sustainability Report (SR) is a report that provides social and evironmental information. The disclosure of a sustainability report is based on the company's awareness of the importance of disclosing a report that does not only contain financial conditions, or is based on a single bottom line. Companies are required to not only focus on corporate profits, but also to benefit of people and the environtment.

According to the laws of Indonesia No.19 of 2003, a state-owned company is a business entity whose capital is wholly or partly owned by the state through direct investment that comes from separated state assets [1]. In 2015, from 115 state-owned companies, only 36 companies whose disclosed sustainability report. The lack of enthusiasm in disclosure sustainability report in state-owned companies must be the concern of the government and all stakeholders, considering that awareness of social and environmental responsibilty must be carried out together in order to realize the sustainability development goals.

The increasing trend of sustainability report has been followed by increasing guidelines or regulations provided by government and institutions [2]. Among all the sustainability report guidelines, Global Reporting Initiative (GRI) Guidelines appear to be the most dominant guidelines, and become the center of international standards. GRI has issued several guidelines, two of which are GRI-G4 Guidelines 2013 and GRI Standards Guidelines 2016 [3].

Research on sustainability report in Indonesia in recent years has grown rapidly, but there are still gaps between them so there is not consistency in the influence of the independent variables on the dependent variables. Most sustainability report research focuses only on one type of research, for example qualitative research which only analyzes SR content (content analysis), or quantitative research which only performs hypothesis test. This is one of the reasons underlying this research to combine content analysis with hypothesis test, this research also uses two GRI Guidelines, namely GRI-G4 and GRI Standards as benchmarks for measuring the quality of sustainability report in order to determine whether there is a differences hypothesis result between report using GRI G-4 and those using GRI-Standard.

II. THEORETICAL REVIEW

A. Stakeholder Theory

Stakeholder theory is a theory that describes which parties companies are responsible for [4]. Disclosure in financial reporting can be seen as a dialogue between management and stakeholders [5], in addition, the form of managing the relationship between a company and its environment can be done by disclosing reports on social and environmental responsibility. Companies that disclose the report will get a responsibility image so that they can legitimize their behavior to their stakeholders.

B. Legitimacy Theory

Legitimacy theory is based on the notion of a social contract that is implied between society and social institutions [6]. From the perspective of legitimacy, the company will voluntarily disclose its activities if this is expected by the community or stakeholders. One of the ways that companies take to gain legitimacy is by expressing social and environmental responsibilities through sustainability reports.

C. Agency Theory

This theory seeks to describe the main factors that should be considered in designing incentive contracts [7]. As an agent, the manager is morally responsible for optimizing the profits of the owners (principal), but also wants to get compensation in accordance with the contract. Apart from being responsible for optimizing profits, agents are also responsible for fulfilling principal information. Fulfillment of this information is realized through the issuance of financial reports. But now, principals need not only financial reports, but also other reports such as sustainability reports.

III. HYPOTHESIS

A. Company Size

Company size is an important variable in disclosing sustainability reports. The bigger the size of a company, the greater the responsibility it has, so that it will involve many stakeholders. Therefore, large companies are believed to be more interested in disclosing sustainability reports, and are better at implementing disclosures than small companies. Based on this explanation, then the hypothesis can be formulated as follows:

H_1 = Company size has a significant positive

B. Company Type

According to Utomo, social accounting researchers are interested in testing social disclosure in various companies that have different characteristics [8]. One of them is the type of company, which is a company that is high and low profile. High profile is believed to make SR disclosures more complex and quality than low profile companies. In this study, companies categorized as high profile companies include oil and mining, forestry, chemical, aviation, automotive, agribusiness, cigarettes and tobacco, communications and media, energy (electricity), engineering, tourism and transportation and health companies. The low profile companies consist of buildings, banking and finance, suppliers of medical equipment, personal and textiles and household products, then the hypothesis can be formulated as follows:

H_2 = Company type has a significant positive effect on the sustainability report quality

C. Profitability

Profitability is the company's ability to generate profits. Profit is an important thing in the company's business process, because the assessment of the quality of a company can be seen from the stability of the profit. Based on this description, the higher the level of company profitability, the greater the disclosure of social information [9], so that companies with high profitability are believed to be able to disclose sustainability reports compared to companies that have low profitability, then the hypothesis can be formulated as follows:

H_3 = Profitability has a significant positive effect on the sustainability report quality

D. Company Size, Company Type, and Profitability

Hypothesis testing in this study not only used the t test or partial, but also used the F test or simultaneously. F test is useful to show whether there is an effect of the three variables (X), namely, company size, company type, and profitability on variable (Y), the quality of the sustainability report, then the hypothesis can be formulated as follows:

H_4 = Company Size, company type, and profitability has a significant positive effect on the sustainability report

E. Difference Hypothesis Results Between Data Using GRI-G4 with GRI Standard

Hypothesis test in this study will be conducted twice. The first test will be carried out on reports using the GRI-G4 index, or data from 2015 to 2016, while the second test will be carried out on reports using the GRI Standard index or data from 2017 to 2018. Then the hypothesis can be formulated as follows:

H_5 = The results of hypothesis test data using GRI G4 are different from data using GRI Standards

IV. RESEARCH METHOD

The research object is a state-owned company that published a sustainability report for 2015-2018. Based on the sampling criteria with purposive sampling, there are 12 state-owned companies that meet the requirements for completeness and data needs in this research.

The dependent variable used in this research is the quality of the sustainability report. The measurement of the dependent variable uses a content analysis technique with a scoring approach. The scoring of each item disclosed was carried out based on the GRI-G4 index which was carried out by developing a set of scales, referring to the research of Harun, et al., [10] while for GRI Standards it refers to research by Suharyani, Ulum, and Jati [11] (see in Table 1 and table 2).

TABLE I. SUSTAINABILITY REPORT GRI-G4 RATING SCALE

Score	Explanation
Zero (0)	Indicates that the reports do not reveal anything
One (1)	Indicates that the reports reveal qualitative information only, without explanation
Two (2)	Indicates that the reports reveal qualitative information only, and provide some evidence
Three (3)	Indicates that the reports reveal qualitative information with evidence in picture or numbers
Four (4)	Indicates that the reports reveal qualitative and quantitative information by following benchmarking on best practice as stated by the guidelines

Source: Harun, *et al.*,[10]

TABLE II. SUSTAINABILITY REPORT GRI-STANDARDS RATING SCALE

Score	Explanation
Zero (0)	Undisclosed components
One (1)	Components expressed qualitatively
Two (2)	Components expressed quantitatively

Source: Suharyani, Ulum, Jati [11]

Meanwhile, the independent variables used in this study are company size, company type, and profitability. The following is an explanation of each independent variable:

A. Company Size

This sresearch uses a proxy for total assets, because it is considered sufficient to represent the size of the company. Referring to the research of Aulia and Syam [12], the formula for calculating company size is as follows:

SIZE = Log Natura Total Assets

B. Company Type

Referring to the research of Aulia and Syam [12], the calculation of company type variables uses dummy analysis, namely for high profile types given a value of one (1), and for low profile type companies given a value of zero (0).

C. Profitability

Profitability in this research is measured using Return On Assets (ROA). Syamsuddin formulates the ROA calculation in the following ways [13]:

$$Return\ on\ Asset = \frac{Profit\ After\ Tax}{Total\ Assets}$$

This study uses the classical assumption method to test whether the data meets the classical assumptions before multiple linear regression analysis. This was done to avoid estimation bias because not all data could be applied regression. The classical assumption method in this study is the normality test, multicollinearity test, autocorrelation test and heteroscedasticity test which are carried out twice based on the GRI index used. Hypothesis testing in this study will also be carried out twice based on the GRI guidelines used and using the partial test, simultaneous test, and the coefficient of determination test. Furthermore, the analysis tool in this study

uses multiple linear regression because it has 3 independent variables. The mathematical equation model is as follows:

$$SR = \alpha + b_1 SIZE + b_2 TYPE + b_3 PROFIT$$

Explanation:
SR = Sustainability report quality
a = Konstanta
b_1, b_2, b_3 = Coefficient Regression

SIZE = Company Size
TYPE = Company Type Low Profile 0 / High Profile : 1
PROFIT = *Profitability*

V. RESULTS AND ANALYSIS

A. GRI G4

TABLE III. PARSIAL TEST GRI-G4

	Model	Sig.
1	(Constant)	0.001
	TYPE	0.085
	PROFITABILITAS	0.947
	SIZE	0.038

Source: data is processed with SPSS

The partial test (t test) aims to show how far the influence of one explanatory/independent variable individually in explaining the variation of the dependent variable [14]. Based on the results of the GRI-G4 t test, it can be concluded that the variables of company size, profitability, and company type have no influence on the quality of the sustainability report as the dependent variable in BUMN companies in 2015 and 2016 that use GRI-G4 (see in table 3).

TABLE IV. SIMULTANEOUSLY TEST GRI-G4

	Model	Sig.
1	Regression	.000[b]
	Residual	
	Total	

Source: data is processed with SPSS

Based on the table 4 results of the F test, simultaneously the independent variable also has no influence on the dependent variable. The results of this study are consistent with the research of Utari [15] who also stated that the size of the company has no effect on the sustainability report. The absence of the effect of profitability and company type on the quality of the sustainability report is contrary to the results of research by Lucia and Pangabean [16]. The size of the company does not affect the quality of the sustainability report because the increase in company assets is not directly proportional to the increase in the level of SR disclosure which can be seen from the increase in the number of items disclosed. Companies tend to focus on increasing assets and profitability every year, without being matched by increased attention to sustainability

reports. Judging from the results of the SR scoring, the average company experienced a decrease in score in the following year, which was due to the efficiency of the disclosure items, meanwhile the contradiction between the results of this study and those of Lucia and Pangabean [16], could be caused by differences in objects, data, and amount of data along with other external factors.

B. GRI Standard

TABLE V.   PARSIAL TEST GRI-STANDARD

	Model	Sig.
1	(Constant)	0.542
	TYPE	0.287
	PROFITABILITAS	0.000
	SIZE	0.281

Source: data is processed with SPSS

Based on table 5, the lower profitability test results show that partially profitability has a positive significant effect on the quality of the sustainability report. This supports the results of Lucia and Pangabean [16]. Companies that have good financial performance will generally have a high level of trust when providing information to their stakeholders. This trust is based on the fact that the company is able to meet stakeholder expectations, especially investors and creditors with good financial performance results. Companies that have a high level of profitability can encourage managers to carry out more complete information disclosure activities, including information on social responsibility such as disclosure of sustainability reports, while company size and type of company have no influence on the quality of the sustainability report which is contrary to Ahmad's research [17].

TABLE VI.   SIMULTANEOUSLY TEST GRI-*STANDARD*

	Model	Sig.
1	Regression	.011[b]
	Residual	
	Total	

sSource: data is processed with SPSS

Based on table 6 meanwhile, the results of the F test show that the three independent variables, namely company size, company type, and profitability, simultaneously influence the dependent variable or the quality of the sustainability report. The difference in results with Ahmad's can be caused by differences in objects, data, and the amount of data along with other external factors [17].

C. The Differences Hyphotesis Results Between GRI-G4 with GRI Standard

Based on the results of hypothesis testing, it is known that there is a difference between the results of the test reports of users of the GRI-G4 index, and the GRI Standard. This difference can be seen from the significant positive effect of profitability on the quality of the sustainability report in reports using the GRI Standard index, while in reports using the GRI-G4 index the three independent variables have no effect on the dependent variable. For the results of the F test, in the GRI Standard the three independent variables have a simultaneous effect on the dependent variable, in contrast to the GRI-G4 results where all the independent variables do not simultaneously affect the dependent variable.

VI. CONCLUSIONS AND SUGGESTIONS

A. Conclusions

Based on the results of the study, it can be concluded that there is a difference between the results of the hypothesis test reports using GRI-G4, and those using GRI Standard. In reports using GRI-G4, all independent variables have no effect on the dependent variable. Meanwhile, the report using GRI Standard proves that the profitability variable has a significant positive effect on the quality of the sustainability report, while the variables of company size and company type have no effect on the quality of the sustainability report.

B. Suggestions

Based on the research findings, the suggestion that can be given for further research is that further research is expected to expand the research population so as to increase the number of samples and data used. Then the company is also expected to improve the quality of its sustainability report and try to create a balance between social responsibility and financial responsibility.

REFERENCES

[1] PRESIDEN REPUBLIK INDONESIA, "Undang-Undang Republik Indonesia Nomor 19 Tahun 2003 Tentang Badan Usaha Milik Negara," 2006.

[2] M.P.Y. Sari and M. Marsono, "Pengaruh kinerja keuangan, ukuran perusahaan dan corporate governance terhadap pengungkapan sustainability report." Fakultas Ekonomika dan Bisnis, 2013.

[3] Global Reporting Initiative, "Sustainability Reporting Guidelines. GRI," CERES Bost., 2006.

[4] R.E. Freeman and J. McVea, "A stakeholder approach to strategic management," Blackwell Handb. Strateg. Manag., pp. 189–207, 2001.

[5] I. Octavia, "Pengaruh Pengungkapan Lingkungan Terhadap nilai perusahaan dengan Profitabilitas sebagai variabel moderasi," Skripsi Univ. Indones. Depok, 2012.

[6] A. Nurkhin, "Corporate Governance dan Profitabilitas; Pengaruhnya Terhadap Pengungkapan Tanggung Jawab Sosial Perusahaan (Studi Empiris Pada Perusahaan yang Tercatat di Bursa Efek Indonesia)." program Pascasarjana Universitas Diponegoro, 2009.

[7] M.C. Jensen and W.H. Meckling, "Theory of the firm: Managerial behavior, agency costs and ownership structure," J. financ. econ., vol. 3, no. 4, pp. 305–360, 1976.

[8] M. Utomo, "Praktik pengungkapan sosial pada laporan tahunan perusahaan di Indonesia," Lap. penelitian. Simp. Nas. Akunt. III, IAI Kompertemen Akuntan Pendidik. Jakarta, 2000.

[9] A.Z. Munif and T.J.W. Prabowo, "Faktor-Faktor Yang Mempengaruhi Indeks Pengungkapan Corporate Social Responsibility Di Indonesia

(Studi Empiris Pada Perusahaan Non Keuangan Yang Listing Di Bursa Efek Indonesia)." UNIVERSITAS DIPONEGORO, 2010.

[10] N.A. Harun, A.A. Rashid, and B. Alrazi, "Measuring the quality of sustainability disclosure in Malaysian commercial banks," Proc. B. ICEFMO, pp. 695–702, 2013.

[11] R. Suharyani, I. Ulum, and A.W. Jati, "Pengaruh Tekanan Stakeholder dan Corporate Governance Terhadap Kualitas Sustainability Report," J. Akad. Akunt., vol. 2, no. 1, 2019.

[12] A.S. Aulia and D. Syam, "Pengaruh karakteristik perusahaan terhadap praktek pengungkapan sustainability reporting dalam laporan tahunan perusahaan publik di Indonesia," J. reviu Akunt. dan Keuang., vol. 3, no. 1, 2013.

[13] L. Syamsuddin, "Manajemen keuangan perusahaan: Konsep aplikasi dalam perencanaan, pengawasan, dan pengambilan keputusan," Jakarta Rajawali Pers, 2011.

[14] I. Ghozali, "Aplikasi analisis multivariete dengan program IBM SPSS 23," 2018.

[15] N.D. Utari, "Pengaruh karakteristik perusahaan dan corporate governance terhadap pengungkapan sustainability report pada perusahaan LQ45 yang terdaftar." Universitas Islam Sultan Agung, 2018.

[16] L. Lucia and R.R. Panggabean, "The Effect of Firm's Characteristic and Corporate Governance to Sustainability Report Disclosure," SEEIJ (Social Econ. Ecol. Int. Journal), vol. 2, no. 1, pp. 18–28, 2018.

[17] F. Ahmad, "Pengaruh Karakteristik Perusahaan Dan Profitabilitas Terhadap Pengungkapan Sustainability Report (Perusahaan-perusahaan yang Terdaftar di Bursa Efek Indonesia)," J. Akunt., vol. 2, no. 3, 2014.