

The Effect of Corporate Characteristics and Corporate Governance to Sustainability Report Disclosure in Lq45 Company Listed on Indonesia Stock Exchange Period 2012-2016

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Abstract--- *This research is intended to analyze the effect of profitability, liquidity, leverage, Firm size, audit committee, board of director, and governance committee to sustainability report disclosure in lq45 company listed on Indonesia stock exchange period 2012-2016”, using path analysis method in a quantitative approach. The population was 45 companies included in the LQ 45 and sample in this study was 17 companies. This research is based on purposive sampling method. The hypothesis test in this research used logistic regression analysis, using the program EvIEWS 8.00. The results of research showed that partially the liquidity, audit committee, and governance committee have effect and significant to sustainability report disclosure. While variable profitability, leverage, firm size and board of director have not significantly effect to sustainability report disclosure.*

Keywords--- *Sustainability Report, Profitability, Liquidity, Leverage, Company Size, Audit Committee, Board of Directors, Governance Committee.*

1. INTRODUCTION

A company is a legal entity created to make profit from business activity. To be able to make profit, company needs management that run organization efficiently. Furthermore the management also should align with the purpose of owners who demand that enterprise is managed in accord with certain strategies and specific policies so as to remain competitive and profitable in global context.

Being competitive in global level is very important to ensure the sustainability of a firm. As concern about global warming is increasing, one of the factors that influence global competitiveness is company's attention to environmental issues. This is also the case in Indonesia which saw increasing effort to balance between profit orientation and improvement of the environment.

Sustainability is the whole set of values, issues and processes companies must address to minimise any harm resulting from their activities and to create economic, social and environmental value. It includes financial and CSR reports as initial assessment upon the credibility of a company. Standard reporting sustainability report internationally recognized refers to the Global Reporting Initiative (GRI).

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Information on the impact of economic activity, social and corporate environment can be expressed through the sustainability report. It provides information about the company's accountability on environmental and social issues. Sustainability report disclosure standards that reflect the overall corporate social activity.

Sustainability report is a report on the performance aspects of the social, economic, and corporate environment. Report on the performance aspects of the social, economic, and environmental issues is important to indicate whether a company has high CSR performance or not (Ramayana, 2009).

There are many environmental disasters created by business activities around the world. One that occurred in Indonesia was the case of PT Lapindo Brantas in Sidoarjo (Luthfia, 2012). Previous studies have examined several factors that affect companies to sustainability reports disclosure. The testing of factors that affect the disclosure of sustainability report, found inconsistent results between researchers with other researchers. Therefore, the researchers want to do research entitled "The Effect of Corporate Characteristics and Corporate Governance To Sustainability Report Disclosure in LQ45 Company Listed on Indonesia Stock Exchange Period 2012-2016".

2. LITERATURE REVIEW

2.1 Sustainability Report

Based on SFAS 1, a company should reported all aspects that affect the continuity of the operations of the company to the community. However, SFAS 1 (Revised 2015) reveals that no companies are given a freedom to disclose social and environmental responsibility in the company's annual report (Aniktia, 2015). Issue about CSR is closely related with sustainability reporting, GRI is one from institute that serious handle issues that related.

CSR activities refer to the actions taken by an organisation in relation to different CSR elements. CSR activities of a company usually mean the company's commitment to spend its economic resources to benefit its internal and external stakeholders, such as shareholders and employees. CSR activities might be positive or negative. CSR activities can be categorised as focusing on labor, business ethics, community, environment, business behaviour, finance and governance, and aggregated and local CSR policy.

2.2 Corporate Governance

According to the general guidelines of good corporate governance Indonesia, there are five main principles contained in the good corporate governance. According to Adji (2010; 20) transparency, openness in the decision-making process and transparency in expressing material and relevant information about the company. Secondly, accountability is clarity of function, structure, and accountability organ systems company so management company to run effectively. Thirdly, responsibility, it is the suitability in processing company with sound corporate principles as well as applicable laws and regulations. Fourthly, independency is condition in which company is managed professionally without any conflict of interest. Fifthly fairness, namely fair treatment and similar in meeting stakeholder rights arising under the agreement and applicable legislation.

2.3 The Audit Committee

The Audit Committee is considered by prior studies one of the most important corporate governance mechanisms to minimize information asymmetry through reviewing and monitoring managers' actions, enhancing the reporting process and disclosure, and improving auditing and internal control (Jensen, 1976). Based on the decision of BAPEPAM Number: KEP-24/PM/2004 states that the audit committee met at least equal to the minimum requirements set board meetings articles of association.

2.4 Board of Directors

The Board of Directors (BD) is a fundamental component of the corporate government system, its main function is to be the link between the proprietors and the management, to govern, supervise and counsel the relation of the latter with all other interested parties. A common goal in the corporate government research has been to determine the possible relation between some BD features and economic performance of the firm. Notwithstanding, it is acknowledged that no theory can explain in a broad manner the relations between BD and performance, this relation is varied and complex, therefore, it cannot be encompassed by a sole theory.

2.5 Governance Committee

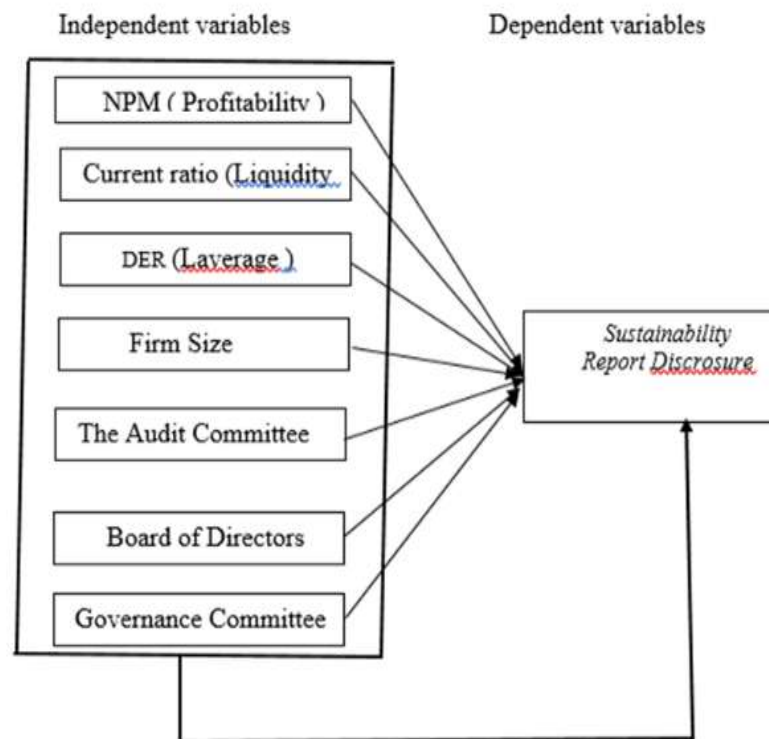
The creation of good corporate governance of a company can be realized through the establishment and appointment of members of governance Committee of competent and qualified. The objective of the governance committee is to supervise effectiveness the company's internal control over financial reporting.

2.6 Company characteristics

There are four characteristics of company. First, profitability, a ratio that measures the ability of the entity to generate profits at the rate of sales, assets, and equity (Kamil and Herusetya, 2012). Second, liquidity in term of liquid assets are assets that are traded in an active market so that the result can be quickly converted to cash by using the prevailing market price (Brigham and Houston, 2009). Third, leverage in term of leverage ratio that can be defined as the amount of the company's assets are funded with funds from outside parties. Fourth is firm size as the value that shows the size company.

3. CONCEPTUAL FRAMEWORK

Figure 1: Conceptual Model



HYPOTHESIS

H1: NPM (Profitability) Have Effect To Sustainability Report Disclosure.

H2: CR (Liquidity) Have Effect To Sustainability Report Disclosure

H3: DER (Leverage) Have Effect To Sustainability Report Disclosure

H4: Firm Size (Size) Have Effect To Sustainability Report Disclosure

H5: Audit Committe (AC) Have Effect To Sustainability Report Disclosure

H6: Board Of Director (BOD) Have Effect To Sustainability Report Disclosure

H7: Governace Committee (GC) Have Effect To Sustainability Report Disclosure

H8: Profitability, Liquidity, Leverage, Firm Size, Audit Committee, Board Of Directors And Governance Committee Have Simultan Effect To Sustainability Report Disclosure.

4. METHODOLOGY

4.1 Types of research

This research is causal research that used quantitative approach (Sugiyono (2014: 11). This research aims to analyze and explain the influence of the independent variables, namely profitability, liquidity, *leverage*, as well as

the size of the company, and *corporate governance* which include the audit committee, board of directors and *governance committee* on the dependent variable, ie. disclosure of *sustainability report*.

4.2 Population and Sample

Population is a generalization region consisting of objects/subjects that have certain qualities and characteristics set by researchers to be studied and then drawn conclusions. The population in this study are all LQ45 companies listed in Indonesia Stock Exchange 2012-2016 which amounted to 45 companies. Meanwhile the sample was 17 companies, selected using *purposive sampling*.

5. RESULTS AND DISCUSSION

Descriptive Statistics Test Results

Descriptive statistical analysis gives a picture or description of a data visible than the minimum, maximum, average (mean),

standard deviation of each variable of the study. Descriptive analysis using eviews 8 of the variables of this research was obtained as much as 85 observation data. The result is presented in Table 1.

Table 1: Test Descriptive Statistics

	SR	NPM	CR	DER	SIZE	AC	BOD	GC
mean	0.588235	0.165515	2.254789	0.720964	17.80476	15.10588	27.47059	0.529412
median	1.000000	0.131244	2.003202	0.656270	17.22171	7.000000	23.00000	1.000000
maximum	1.000000	1.149373	6.913267	2.274426	30.35403	59.00000	84.00000	1.000000
Minimum	0.000000	0.053271	0.450007	0.153484	12.02078	4.000000	3.000000	0.000000
Std. Dev.	0.495074	0.134609	1.340666	0.417219	2.956571	14.19425	18.78993	0.502096
skewness	-0.358569	4.832066	1.401646	1.124950	2.103962	1.314120	0.772604	0.117851
kurtosis	1.128571	34.928744	8.93883	4.864460	9.744580	3.793697	3.010868	1.013889
Jarque-Bera	14.22521	3941.30840	5.53524	30.23966	223.8191	26.69568	8.456731	14.16735
probability	0.000815	0.000000	0.000000	0.000000	0.000000	0.000000	0.014576	0.000839
Sum	50.00000	14.06878	191.6571	61.28196	1513.404	1284.000	2335.000	45.00000
Sum Sq. Dev.	20.58824	1.522042	150.9805	14.62204	734.2704	16924.05	29657.18	21.17647
Observations	85	85	85	85	85	85	85	85

Table 2: Partial (T) Test

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	2.467657	2.707605	0.911380	0.3621
NPM	7.254308	4.079960	1.778034	0.0754
CR	-1.227944	0.511071	2.402687	-0.0163
DER	-1.744119	1.323442	-1.317865	0.1875
SIZE	-0.226373	0.154658	-1.463699	0.1433
KA	0.105280	0.045399	2.319003	0.0204
DD	0.044290	0.033769	1.311560	0.1897
GC	5.612847	1.464302	3.833121	0.0001
McFadden R-squared	0.643708	Mean dependent var		0.588235
S.D. dependent var	0.495074	S.E. of regression		0.278807
Akaike info criterion	0.671007	Sum squared resid		5.985449
Schwarz criterion	0.900903	Log likelihood		-20.51779
Hannan-Quinn criter.	0.763478	Deviance		41.03558
Restr. deviance	115.1740	Restr. log likelihood		-57.58702
LR statistic	74.13847	Avg. log likelihood		-0.241386
Prob(LR statistic)	0.000000			
Obs with Dep=0	35	Total obs		85
Obs with Dep=1	50			

Multicollinearity Test

Multicollinearity test in this study can of output in Table 4.5, we can see that all variable in this research havent a value of more than 0.9. so that it can be concluded not happen multicollinearity in the regression model. The result is presented in Table 2.

Assessing Overall Model Fit

This test is used to assess the hypothesized model fits the data or not. Testing is done by comparing the values between -2 log likelihood at the start (blocknumber = 0) with a value of -2 log likelihood at the end (block number = 1). So the regression model used in this study completely unfit for further research between -2LL early (initial -2LL function) -2LL value on initial steps that the hypothesized variables berikutnya menunjukkan fit with the data.

Feasibility Test Regression Model

Table 3 shows the statistical value Hosmer & Lemeshow's test of 8.4968 with a significant probability 0.3865 with a value of more than 0.05 significant then not obtained any differences logistic regression estimation data with the data From the above table it can be seen if the value is equal to the initial -2LL -57.58702, After the seventh put the independent variable, then the value of the initial -2LL the next step into -20.51779 *Log likelihood* the logistic regression decline of 37.06923. It indicates the likelihood of impairment log shows that the better models or in other words the hypothesized model fits the data.

Based on logistic regression testings described in the previous section, the interpretation of the results are presented in seven sections. The regression model can be generated as follows:

$$\text{SRD} = 2.467657 + 7.254308 \text{ NPM} - 1.227944 \text{ CR} - 1.744119 \text{ DER} - 0.226373 \text{ SIZE} + 0.105280 \text{ KA} + 0.044290 \text{ BOD} + 5.612847 \text{ GC}$$

NPM has regression coefficient value of 7.254308 with probability variable value of 0.0754 > 0.05. This value indicates that the H1 is rejected, it can be concluded that the profitability does not significantly effect to sustainability report disclosure.

Results Hypothesis Test 2: The Effect Liquidity to Sustainability Report Disclosure

CR has regression coefficient value of - 1.227944 with variable probability value of 0.0163 < 0.05. This value indicates that the H2 is accepted, it can be concluded that CR has negative effect and significant to sustainability report disclosure.

Table 3: Result of value coefficient interpretation

Variable	Coefficient	Prob.	Odds Ratio
C	2.467657	0.3621	11.81318
NPM	7.254308	0.0754	1420.681
CR	-1.227944	0.0163	-3.416853
DER	-1.74412	0.1875	0.174606
SIZE	-0.22637	0.1433	0.797307
AC	0.10528	0.0204	1.111096
BOD	0.04429	0.1897	1.045315
GC	5.612847	0.0001	274.8962

Table 4: Feasibility Test Regression Model

	Quantile of Risk		Dep=0		Dep=1		Total	H-L
	Low	High	Actual	Expect	Actual	Expect	Obs	Value
1	0.0010	0.0298	8	7.82025	0	0.17975	8	0.18388
2	0.0303	0.0482	9	8.65237	0	0.34763	9	0.36160
3	0.0963	0.1587	8	7.02499	0	0.97501	8	1.11033
4	0.1658	0.2945	6	6.86004	3	2.13996	9	0.45346
5	0.3938	0.7497	1	3.24817	7	4.75183	8	2.61967
6	0.8027	0.9568	2	0.86873	7	8.13127	9	1.63055
7	0.9582	0.9682	1	0.28247	7	7.71753	8	1.88943
8	0.9692	0.9887	0	0.20302	9	8.79698	9	0.20771
9	0.9895	0.9974	0	0.03700	8	7.96300	8	0.03718
10	0.9987	1.0000	0	0.00297	9	8.99703	9	0.00297
Total			35	35.0000	50	50.0000	85	8.49679
H-L Statistic			8.4968		Prob. Chi-Sq(8)		0.3865	
Andrews Statistic			54.7754		Prob. Chi-Sq(10)		0.0000	

Results Hypothesis Test 3: The Effect leverage to Sustainability Report Disclosure

DER has regression coefficient value of -1.744119 with probability value of $0.1875 > 0.05$. This value indicates that the H3 is rejected, it can be concluded that the DER does not significantly effect to sustainability report disclosure.

Results Hypothesis Test 4: The Effect Firm Size to Sustainability Report Disclosure

Firm Size has regression coefficients value of -0.226373 with a probability value of $0.1433 > 0.05$. This value indicates that the H4 is rejected, it can be concluded that the firm Size does not significantly effect to sustainability report disclosure.

Results Hypothesis Test 5: The Effect Audit Committee to Sustainability Report Disclosure

AC has regression coefficients value of 0.105280 with a probability value of $0.0204 < 0.05$ This value indicates that the H5 is accepted. it can be concluded that the DER have positive and significantly effect to sustainability report disclosure.

Results Hypothesis Test 6: The Effect board of directors to Sustainability Report Disclosure

BOD has regression coefficients value of 0.044290 with a probability value of $0.1897 > 0.05$ This value indicates that the H6 is rejected, it can be concluded that BOD does not significantly effect to sustainability report disclosure. the CR

have negative effect and significant to sustainability report disclosure.

Results Hypothesis Test 7: The effect of governance committee to sustainability report disclosure.

GC has regression coefficients value of 5.612847 with a probability value of $0.0001 < 0.05$, This value indicates that the H7 is accepted. it can be concluded that the GC have positive and significantly effect to sustainability report disclosure.

Results Hypothesis Test 8: Effect Profitability, Liquidity, Leverage, Firm Size, Audit Committee, Board of Directors and Governance Committee to Sustainability Report Disclosure.

The LR statistics worth 74.13847 value Prob is 0.00000. This value is less than 0.05, This value indicates that the H8 are accepted. Then it can be concluded Profitability, Liquidity, Leverage, Firm Size, Audit Committee, Board of Directors and Governance Committee have simultaneously significant effect to *sustainability Report Disclosure*.

Value Coefficient Interpretation

In a logistic regression that coefficient more meaningful value, it can be done antilog of the coefficient of the independent variable with the formula coefficient value of 2.72 ranks each independent variable.

As for the interpretation of the coefficient variables that effect to sustainability reporting disclosure there are three points.

Firstly, assuming if other variables constant, then every addition of 1 current ratio, will decrease the logit estimate by 1.227944. In order for the coefficient to be more meaningful, then it can be done antilog against the coefficient of the current ratio variable, it is obtained 3,416853.

Secondly, assuming other variables constant, then each additional audit Committee meeting, would raise the estimated logit of 0.10528. To be more meaningful coefficients, it can be done antilog of the variable coefficient audit committee then obtained 1.111096.

Thirdly, assuming other variables remain, then any committee their governance, will raise the estimated logit of 5.612847. To be more meaningful coefficients, it can be done antilog of the variable coefficient audit committee then obtained 274.8962.

Coefficient Determination Test

The value McFadden R-squared of 0.6437 means that the variability of the dependent variable that can be explained by the independent variability of 64.37%. While the remaining 35.63% is explained by other variables outside the research variables.

6. CONCLUSION

The results of research showed that partially the liquidity, audit committee, and governance committee have positive effect and significant to sustainability report disclosure. Variables profitability, leverage, firm size and board of director have not significantly effect to sustainability report disclosure. And result of simultaneously also found the effect of profitability, liquidity, leverage, firm size, Audit Committee, the board of directors and governance committee to sustainability report disclosure.

Future studies may be able to expand the sample by considering all companies listed on the Stock Exchange as the study population, not only in the LQ45 companies listed on the Stock Exchange. As this research focused only on the company including related mining industries Law No.40 of 2007 on Limited Liability Company. Future studies may add other parameters to produce better research. For example, adding a company characteristic variables such as type of industry, the company's activities.

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