International Journal of Business and Management Studies,
CD-ROM. ISSN: 2158-1479 :: 03(03):225–239 (2014)

THE EFFECTS OF SUSTAINABILITY REPORT DISCLOSURE TOWARDS FINANCIAL PERFORMANCE

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The purpose of this study is to examine the effects of Sustainability Report disclosure on the company's financial performance which are measured by profitability, liquidity, leverage, activity, and dividend payout ratio. Independent variables used in this study is the Sustainability Report disclosure which was measured by using the GRI (Global Reporting Initiatives) index. The dependent variables used were Return on Assets (ROA), current ratio (CR), Debt Equity Ratio (DER), Inventory Turnover (IT) and Dividend Payout Ratio (DPR). The samples were taken from the manufacturing companies that revealed Sustainability Report Listed on the Indonesian Stock Exchange (IDX). The statistical methods used in this study is the linear regression analysis.The results show that the Sustainability Report disclosure positively influences ROA but it has no significant effect on CR, DER, IT, and DPR. It means that the presence of SR disclosure of the company will increase of the profitability of the company.

Keywords : Sustainability report, Profitability, Liquidity, Leverage, Activity, Dividend payout ratio.

Introduction

Companies are expected to benefit not only for the interests of management and the owners of capital (investors and creditors), but also employees, customers and communities. The demands on companies to provide information that is transparent, accountable organization, and better corporate governance are increasingly forcing the companies to provide information about their social activities, one through the sustainability report.

Sustainability report increasingly becomes a trend and a necessity for progressive companies to inform about their performance of economic, social, and environmental, as well as to all stakeholders of the company (Chariri and Firman, 2009). Sustainability Reporting does not only include information about financial performance, but also non-financial information, consisting of social activities and environmental information that emphasize more on the principles and standards of disclosure that is able to reflect the company's overall activity level as a whole, to enable the company to grow continuously (sustainable performance). Sustainability is a balance between people-planet-profit, which is known as the concept of the Triple Bottom Line (TBL). Sustainability lies at the confluence between the three aspects, people-social; planet-environment, and profit-economic (Soelistyoningrum and Prastiwi, 2011).

Research on the effect of sustainability report disclosure towards the financial performance of companies listed on the Indonesian Stock Exchange, has been done by Soelistyoningrum and Prastiwi (2011) which used three financial performance variables, namely: profitability, liquidity, and dividend payout ratio. Adhima (2012) also conducted a study of the effect of sustainability report disclosure on the financial performance of manufacture companies listed on the Indonesia Stock Exchange, which only used profitability finantial ratio variable. Besides that, Widianto (2011) also conducted a study of the effect of profitability, liquidity, leverage, activity, size of the company and corporate governance towards the influence of sustainability report disclosure practices on the companies listed (go public) at the Indonesian Stock Exchange, but this study did not prove the effect of sustainability report disclosure towards profitability, liquidity, leverage, activity, firm size, and corporate governance.

This study aims to examine and obtain empirical evidence on the influence of Sustainability Report on the financial performance of companies listed on the Indonesian Stock Exchange. Financial performance variables used in this study include: profitability, liquidity, leverage, activity, and dividend payout ratio. The selection of a sample of manufacturing companies in this study is done because they are companies which have relatively higher impacts on the environment compared to the service or trading companies and it involved a large number of companies in a large population, so that the role of the manufacturing industry in the economy of Indonesia occupies a dominant position (Wijaya, 2012). This study does not only use financial ratios, including profitability (ROA), liquidity (CR), Dividend Payout Ratio (DPR) as used by the research done by Soelistyoningrum and Prastiwi (2011), but there are also additional financial variables, including leverage ratio (DER) and activity (IT) as the variables used financial ratios to measure financial performance as well as used by Widianto (2011).

The benefit of this research is based on the results of the analysis of the effects of the Sustainability Report towards the financial performance can be used as a solution to provide an understanding of the importance of economic accountability, social, and the environment of the company which are disclosed in a report called SR. Therefore, it can be a strategy for the companies in improving their financial performance in the future in building their reputations or images. Moreover, it can provide benefits to the government and other parties as an input material which is useful in providing information or discourse, given the absence of standards to define a clear and definite policy in managing the implementation of SR disclosures for companies in Indonesia.

Literature Review

Sustainability Reporting

According to GRI (in Judges, 2009) as cited by Widianto (2011), defined sustainability report as a practice in measuring and expressing the activity of the company, as the responsibility for internal and external stakeholders of the organization's performance in achieving the goal of sustainable development. Sustainability report will be one of the media to describe the reporting of economic, environmental, and social impacts (such as the concept of the Triple Bottom Line, CSR reporting).

Sustainability Report disclosure is defined as the data disclosed by a company related to its social activities which includes these following themes: Economic, Environmental, Human

Rights, Labor Practices & Decent Work, Society, and Product Responsibility (GRI-G3 Guideliness) as cited by Soelistyoningrum and Prastiwi (2011). This variable is measured through the Sustainability Report Disclosure Index (SRDI). SRDI assessed that social responsibility which is in accordance with the criteria according to GRI, namely: Economic, Environmental Performance, Human Rights, Labor Practices & Decent Work, Society, and Product Responsibility. From 6 aspects of sustainability reporting disclosures, it contained 79 items which were then adjusted back to their respective companies. SRDI calculation is done by giving a score of 1 if the item is disclosed, and 0 if it is not disclosed. After scoring on all items, the scores are then summed to obtain the overall score for each company.

Disclosure standards in SR according to the GRI-G3 Guidelines consist of:

1. Economy

Regarding the resulting impacts on the economic conditions of the company's stakeholders and on economic systems at the local, national, and global levels.

2. Environment

Regarding the impacts which are caused by the company to the creatures on earth, and the environment, including ecosystems, land, air, and water.

3. Human Rights

Considering the lack of transparency in the selection of investors and suppliers / contractors. In its work, the company should always consider the interests of shareholders and other stakeholders based on the principles of fairness and equality.

4. Community

Focusing on the impact of the organization on the community in which they operate, and reveals how the risks that might arise from the interaction with other social institutions.

5. Product liability

Contains the reporting products which were produced by companies and services that directly affect customers, i.e. health and safety, information and labeling, marketing, and privacy.

6. Social

Contains social activities undertaken by the company, what have been done and how they are carried out.

Financial Performance

Financial performance is the result of a decision based on an assessment towards the ability of the company, both from the aspect of liquidity, activity, solvency and profitability which was made by parties related to the company. The financial performance reflects the company's fundamental performance which will be measured by using data derived from financial statements. The statements of financial performance are made to describe the financial condition of the past and they are also used to predict the financial future. Financial performance measurement can be done with the assessment of financial ratio analysis. Financial ratio analysis is the basis for assessing and analyzing the achievements of the company operation or the company performance (Soelistyoningrum and Prastiwi, 2011).

Hypothesis Development

The Influence of the Sustainability Report Disclosure towards Company Profitability

Companies that spend additional costs specific to fulfill their social responsibility will result in a neutral impact on profitability, it is because of the additional costs incurred are covered by the efficiency profits generated by those expenditures. So the profitability will increase as the opportunity to earn profit for the companies will not be lost (Adhima, 2012). A research conducted by Soelistyoningrum and Prastiwi (2011) showed that Sustainability Report disclosure had significant effects on ROA in the positive direction, the results were consistent with a previous study conducted by Dahlia and Siregar (2008), which said that the purpose of using the company's sustainability reporting framework is to manage the relationship with the stakeholders, communicate management's performance in achieving the company's long-term benefits to stakeholders, such as improved financial performance, the increase in competitive advantage, profit maximization, as well as long-term corporate success. With the disclosure of the Sustainability Report which is done by the company, it is expected to provide tangible evidence that the production process is carried out by the company, not only for profit-oriented purpose, but also for paying attention to social issues, and the environment, in order to increase the confidence of stakeholders who will have an impact on increasing the company's value through the increased investment which will impact on the increase of corporate profits.

A previous research done by Adhima (2012) showed that the sustainability report disclosure which was measured by using SRDI gave positive and significant impacts on the profitability of the companies listed on the Indonesian Stock Exchange (IDX). The results are consistent with Tsoutsoura and Tresnawati (2004) as cited by Adhima (2012), which suggested a positive effect on the CSR disclosure towards company profitability. It indicates that the sustainability report disclosure can improve a company's reputation, increase public confidence, and also reliability of the company in maintaining consumers, talented human resources, and management of the company’s wealth that would result in the profitability improvement.

H_1 : SR disclosure positively affects company’s ROA.

The Effects of Sustainability Report Disclosure towards the Company’s Liquidity

Sustainability report disclosure is expected to increase stakeholders’ supports to encourage the coming investment. The investments which are obtained from stakeholders, can be used to finance the company's obligations, thus increasing the company's liquidity (Soelistyoningrum and Prastiwi, 2011). A research conducted by Almilia and Devi, (2007) showed that Sustainability Report disclosure significantly affected the CR with the positive direction, this is due to the high level of liquidity will demonstrate strong financial condition. Companies with a high level of liquidity will be able to create a strong and positive image in front of its stakeholders and also has a great ability to pay its financial obligations in a timely manner due to the liquid state and the company has current assets which are greater than current liabilities. The efforts that can be taken to establish and strengthen the company's image is through the creation of the additional reports. One effort to do the company disclosure is through the creation of voluntary sustainability report, the company's actions to gain support from its stakeholders.

A research held by Rahajeng (2010), also suggested that voluntary disclosures positively and significantly affected the liquidity of companies listed on the Indonesian Stock Exchange. The study stated that the ratio of broad liquidity affected the voluntary disclosure. Due to the condition of the company based on the premise that companies that have good liquidity have good financial structures. If this condition is known by the public, then the company's performance is not threatened, even if the company's liquidity is high and is known by the public, directly or indirectly, the validity of the company shows its good performance.

H_2 : SR disclosure positively affects company's CR.

The Effects of Sustainability Report Disclosure towards Company's Leverage

Companies that undertake more extensive disclosure tend to have high levels of leverage because by revealing social information, those companies have done their social responsibility well, so as to increase the interest and confidence of creditors as a source of corporate funding. The higher the level of the company's debt has a high level of trust from its creditors because it indicates that the company is able to meet its obligations to the creditors (Setiawan, 2006).

A research conducted by Rismanda (2003), as cited by Widianto (2011), suggested that the Sustainability Report disclosure significantly influenced the DER with the positive direction. This study suggested that the level of leverage ratios illustrated the company's financial risks. The higher levels of leverage, then there will be a tendency to report that the company strives to remain its high profitability. This is because a high level of profitability will reflect the company's strong financial condition in order to convince the company to obtain loans from its stakeholders. Companies that have high levels of leverage, consider the need to provide disclosure statements of social responsibility, so that there is "good news" about the companies' performances, so it can attract stakeholders to invest in the companies that have a good and healthy financial condition. Social and environmental disclosure can be done by the companies through making the sustainability report.

H_3: SR disclosure positively affects the company's DER.

The Effects of Sustainability Report Disclosure towards Company's Activities

The high level of activities undertaken by the company reflects the better ability of management to manage the company in financing activities in order to achieve a stable and strong financial condition. It is because a financial condition which is more stable and stronger is a reflection of the efforts of the company to have the supports from its stakeholders in order to survive (Setiawan, 2006). A research conducted by Widianto (2011) said that about seventy percent of studies suggest a positive relationship between the performance of companies with CSR disclosure. The making of sustainability report by the company, as well as a means for corporate social reporting, to its stakeholders regarding CSR activities that have been carried out. Based on these arguments, it can be assumed that the level of activity of the company has a positive relationship with the sustainability report disclosure.

A research done by Luthfia (2012), showed that sustainable disclosure reports positively and significantly affects on the company's activities. That is because the higher the ratio, the more effective the company's activities in managing its funds, the company will have a tendency to achieve a more stable and stronger financial condition. Stable and strong financial conditions of the company is one of the company's efforts to gain the supports from its stakeholders. Supports from stakeholders are used by the company to achieve its corporate sustainability. The supports from stakeholders can be collected by the company by publishing its SR (Sustainability Report).

H_4: SR disclosure positively affects company’s IT.

The Effects of Sustainability Report Disclosure towards Dividend Payout Ratio

In general, the goal of the investor in investing stocks is to gain benefits in the form of dividends or capital gains. Shareholders expect to receive dividends in a large amount or at least relatively stable from year to year, so that the incoming investment is expected to increase the DPR (Hadiwidjaja, 2007). A research conducted by Amalia and Wijayanto (2007), in Dahlia and Siregar (2008) , indicated that the Sustainability Report disclosure significantly affects the Dividend Payout Ratio (DPR) in the positive direction.The study found that companies with good environmental performances will get positive responses from investors through stock price fluctuations which are increasingly rising from period to period. The SR Disclosure is the way for the company to be responsible to economic, social, and environmental issues. The disclosure is expected to attract the interest of stakeholders to invest. Because in general, the goal of the investor is investing stocks is to gain benefits in the form of dividends or capital gains.

H_5: SR disclosure positively affects company’s DPR.

RESEARCH METHOD

Population and Sample

The population in this study are all manufacturing companies listed on the Indonesia Stock Exchange (IDX) which did the sustainability report disclosure in 2010. By choosing an industry group, that is consumer goods manufacturing industry as the population intended to avoid bias caused by the effects of industry (industrial effect) (Muhammady, 2012). In conducting this study, researchers took a sample of manufacturing companies listed on the Indonesian Stock Exchange which did sustinability report disclosures by using purposive sampling method. It means that the population to be sampled is a population which meet certain criteria. The criteria used in the sampling of this study are:

1. Manufacturing companies that published 2010 Annual Reports and contained sustainability reports information, and can be accessed through the companies’ websites and IDX websites (http://www.idx.co.id). This is to show that the information contained in the companies’ sustainability report (SR) can be accessed by the public.
2. Those companies published their annual financial reports in 2011 and had complete data related to the variables used in this study.

Data

The data used in this study is a secondary data obtained from the companies' annual financial reports in 2010 which are listed in Indonesian Stock Exchange, which contained information on sustainability reporting and financial statements data in 2011 to measure the financial performance variables. The selection of data in the time range for the data is the most recent data. Secondary data used is sustainability reports and annual financial reports obtained from the companies' websites or IDX website (http://www.idx.co.id). Data for SRDI variables obtained from the companies' sustainability reports, the data for the variables of profitability, liquidity, leverage, activity and dividend payout ratios derived from financial statements of the company and ICMD 2011 (Indonesian Capital Market Directory).

Measurement of Research Variables

Independent Variable
Sustainability Report.

$$\text{SRDI} = \frac{V}{M} \times 100\%$$

In which:
SRDI = Sustainability Report Disclosure Index company
V = Number of items which were disclosed by the companies
M = Number of items expected
Dependent Variables
Profitability

$$\text{ROA} = \frac{\text{Earnings After Tax}}{\text{Total Assets}} \times 100\%$$

Liquidity

$$\text{CR} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100\%$$

Leverage

$$\text{DER} = \frac{\text{Total Liabilities}}{\text{Total Equity}} \times 100\%$$

Activity

$$\text{IT} = \frac{\text{Sales}}{\text{Inventory}} \times 100\%$$

Dividend Payout Ratio

$$\text{DPR} = \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100\%$$

Analytical Technique

Descriptive Statistics Analysis

Descriptive statistics were used to describe the variables in this study. This analysis would produce an average (mean), maximum value, minimum value, and standard deviation to describe the variables of the study.

Classical Test Assumptions

a. Normality Test

Normality test aims to test whether the regression model, the dependent variable and the independent variables have normal data distribution or not.

b. Heteroscedastity Test

Heteroscedasticity is not a constant residual variance in the regression, so that the accuracy of the prediction results into a doubt. Heteroscedasticity test aims to test whether the regression model residuals occur inequality of any variants of an observation to other observations.

c. Autocorrelation test

To detect whether there is autocorrelation using the Durbin Watson test. Durbin Watson test is only used for a single-level autocorrelation (first order autocorrelation) and requires the intercept in the regression model and there is no longer more variable among the explanatory variables.

Regression Analysis

The method of data analysis used in this study is a simple regression model to examine the influence of independent variables towards the dependent variables. Model analysis of the effect of disclosure on the financial performance sustainability reports in this study can be described as follows:

ROA (t +1) = β0 + β1 SRDI + e (1)
CR (t +1) = β0 + β1 SRDI + e (2)
DER (t +1) = β0 + β1 SRDI + e (3)
IT (t +1) = β0 + β1 SRDI + e (4)
DPR (t +1) = β0 + β1 SRDI + e (5)

DATA ANALYSIS

Overview of Research Objects

The data used in this study was 146 manufacturing companies listed on the Indonesian Stock Exchange. From the data gathered, were then selected according to the criteria of data that had been determined, there were 33 companies that met the criteria of the research samples.

Table 1. The Results of Samples Selection.

Criteria for the Samples	Number of Data
Data of companies listed on the Indonesian Stock Exchange in 2010	146
Data of companies which were not a manufacturing company (24)	(24)
Data of manufacturing companies which did not publish their Sustainability Reports in 2011	(4)
Number of samples	118
Samples which were removed	85
The number of samples used	33

Sources: The processed financial statements secondary data

Descriptive Statistics

Descriptive statistics analysis describes the characteristics of the sample and is used to determine the probability distribution of the data pattern. In this analysis, the characteristics obtained in the form of minimum value, maximum value, mean, and standard deviation.

Table 2. Descriptive Statistics.

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	33	.01	.42	.1073	.09310
CR	33	.48	11.74	2.4047	2.35440
DER	33	.07	5.96	1.2728	1.19290
IT	33	1:49	25.91	7.6560	5.12798

DPR	33	.00	9:29	.6026	1.58167
SRDI	33	.20	.75	.4626	.15620
Valid N (listwise)	33				

Sources: The processed SPSS secondary data

This study used the theme of social, economic, and environment disclosures as a whole, which consist of 79 items on 6 aspects which were disclosed in the Sustainability Report. The index of Sustainability Report disclosure obtained at 0.4626 or 46.26%. It means that in the period 2010-2011 in the Sustainability Report, the sample companies revealed as much as 46.26% of social, economic, and environment disclosures which were done by the companies. The smallest Sustainability Report disclosure index of 0.20 was owned by PT. Jembo Cable Company Tbk and the biggest disclosure index of 0.75 is owned by PT. Tunas Baru Lampung Tbk.

The Results of Hypothesis Testing

The results of regression analysis were conducted to examine the effect of disclosure level of Sustainability Report towards the financial performance of Return of Assets (ROA), current ratio (CR), Debt Equity Ratio (DER), Inventory Turnover (IT), Dividend Payout Ratio (DER). The results of the hypothesis tests can be seen in Table 3 below:

Table 3. Hypothesis Test Results.

Dependent Variables	Constants	B	t	Sig	R Square	Adj R Square
Ln ROA	-1675	1.097	2.620	0.014	0.181	0.155
Ln CR	0.606	0.006	0.017	0.987	0.000	-0.032
Ln DER	-0.543	-0.455	-0.922	0.364	0.027	-0.005
Ln IT	2.311	0.545	1.935	0.062	0.108	0.079
Ln DPR	-1.869	-0.530	-0.746	0.461	0.018	-0.014

Sources: The processed SPSS Secondary data

Based on the results of the tests performed on the hypothesis 1, it obtained t value of 2.620 with a significance level of 0.014, which was smaller than $\alpha = 0.05$. Thus, the results of this study support the first hypothesis. It suggests that changes in the Sustainability Report significantly affects the changes in profitability. From the results of this analysis, it can be seen that there is an indication of the direction of the level of SR disclosure which showed any indication of the positive direction of the outcomes of the SR disclosure levels, which means more SR disclosure, the higher profitability values. This means that the more SR disclosure, the higher company's ability to earn profits. These results are consistent with studies conducted by Dahlia and Siregar (2008), which said that the purpose of using the company's sustainability reporting framework is to communicate the management's performance in achieving the company's long-term benefits to the stakeholders, such as improved financial performance, the increase in competitive advantage, profit maximization, as well as long-term corporate success. Sustainability Report disclosure by the company will provide positive information about the things done by the company with regards to economic, environmental, labor, product, and other social issues matters. However, the information in the Sustainability Report can be one of the promotional media for the public, so that the positive attitude of society towards the company will be even greater. It can have impacts on improving the performance and ability of the company to earn profits.

Based on the results of the tests performed on the hypothesis 2, it shows the t value of 0.017 with a significance level of 0.987, which was greater than $\alpha = 0.05$. Therefore, the results of this study do not support the second hypothesis. It suggests that changes in the Sustainability Report do not significantly affect the changes in liquidity. Thus, this case is different from the results obtained by the previous research done by Soelistyoningrum and Prastiwi (2011) which found evidence that continuous reports disclosures positively and significantly affect the company's liquidity. The lack of effect of Sustainability Report disclosure towards CR seems to be caused by the nature of the cost of SR disclosure value which is too high, causing limitations of budget funds to disclose social information. Because of limited funds to disclose this social information causes companies do not have the supports from all stakeholders to make investments, so that the company's liquidity decreases causing the company becomes unable to pay its short-term obligations, so that the image of the company is low and negative in front of the stakeholders (Widianto, 2011). There was also no effect of Sustainability Report disclosure towards CR, which can be seen from the data in the PT. Tunas Baru Lampung Tbk, which has a SR of 74.68% with a CR of 137.83% and the data on the company PT. Intraco Penta Tbk, which has a SR of 62.03% with a CR of 83.97%.

Based on the results of the tests performed on the hypothesis 3, it shows the t value of -0.922 with a significance level of 0.364, which was greater than $\alpha = 0.05$. So the results of this study do not support the third hypothesis. It suggests that changes in the Sustainability Report have no significant effects towards the changes in leverage. The results show that the Sustainability Report disclosure does not have any significant effects on DER, these result is in line with the study conducted by Waryanto (2010) who found that the leverage negatively affects the extent of the information of corporate social disclosure, because based on agency theory, corporate management with high level of leverage will reduce its social responsibility disclosure. It is done in order not to be the spotlight of the debtholders regarding the level of the company's dependence on debt to finance its operations. Similarly, a previous research conducted by Ratnasari and Prastiwi (2010) found that leverage does not significantly affect the broad of sustainability report disclosure, that the higher the leverage, the more likely the company will violate the credit agreement, so the company will try to report higher earnings, one which can only be done by reducing costs, including costs to disclose social information. The lack of effect of Sustainability Report disclosure towards the DER can also be seen from the data in the PT. Intraco Penta Tbk, which has a SR of 62.03% with the DER of 596.38% and data on PT. Selamat Sempurna Tbk, which has a SR of 49.37% with the DER of 6.95%.

Based on the results of the tests performed on the hypothesis 4, it shows the t value of 1.935 with a significance level of 0.062, which was greater than $\alpha = 0.05$. Therefore, the results of this study do not support the fourth hypothesis. It suggests that changes in the Sustainability Report do not significantly affect the changes in activity. It suggests that greater disclosure seems to have not been able to improve IT. Thus, this case is different from the results obtained by the research done by Luthfia (2012), which found evidence that sustainability reports disclosure positively and significantly affects the activity of the company. The lack of effect of Sustainability Reports disclosure towards IT seems to be caused by the nature of the company's activities which give more emphasis on funds management actions in managing the assets of the company, so the company more emphasizes on the financial aspects (economy) without regards to the activities for the social aspects (society) and the environment (environment). That's the reason the company will not receive a positive response from stakeholders that led to decrease image or corporate image in front of stakeholders, Widianto (2011). There was also no effect of Sustainability Report disclosure towards IT which can be seen from the data in the PT. Multi Bintang Indonesia Tbk, which has a SR of 72.15% with the IT of 1741.51% and the data in PT. Intraco Penta Tbk, which has a SR of 74.68% with the IT of 763.14%.

Based on the results of tests performed on hypothetical 5, it shows the t value of -0.746 with a significance level of 0.461, which was greater than $\alpha = 0.05$. Therefore, the results of this study do not support the fifth hypothesis. It suggests that changes in the Sustainability Report has no significant effects towards the changes in the dividend payout ratio.It suggests that greater disclosure seems to have not been able to increase the DPR. This is in contrast with the results obtained by Amalia and Wijayanto (2007), in Dahlia and Siregar (2008), it is stated that companies with good environmental performance will get a positive response from investors through stock price fluctuations which are increasingly rising from period to period. The lack of effect of Sustainability Report disclosure towards the DPR appears because of the nature of the DPR that reflects the amount of dividend paid to investors from profits. It is possible that investors put the profits obtained, so the rare corporate social activities directly related to the value that can be obtained by the investors (Soelistyoningrum and Prastiwi, 2011). The lack of effect of the Sustainability Report disclosure towards the DPR can be seen from the data in the PT. Goodyear Indonesia Tbk, which has a SR of 62.03% with the DPR of 928.57% and the data on PT. Mandom Indonesia Tbk, which has a SR of 56.96% with the DPR of 0.00%.

CONCLUSIONS

Conclusion

This study was conducted to examine and obtain empirical evidence about the effects of Sustainability Report disclosure towards the financial performance of companies that includes ROA, CR, DER, IT and DPR. By using a sample of industrial manufacturing company listed on the Indonesian Stock Exchange and following Sustainability Report Guidelines (GRI - G3) 2000-2006. From the analysis of the data, of hypotheses tests and discussion, it can be concluded that for hypothesis testing model I, the Sustainability Report disclosure has a significant influence towards the ROA in the positive direction. Company with extensive Sustainability Report disclosure tends to get big ROA in the following year. On the other hand, for testing the hypothesis model II, it was obtained that the Sustainability Report disclosure does not have any significant effects towards CR. Hypothesis testing model III found that Sustainability Report disclosure does not have any significant effects towards DER. Hypothesis testing model IV found that Sustainabiliy Report disclosure does not have any significant effects towards IT, and hypothesis testing model V suggested that Sustainability Report disclosure does not have any significant effects towards the DPR.

Implication

The existence of substantial costs to SR disclosure while the benefits of this magnitude can not be felt in the short-term performance of the company, so the company should consider more closely with the costs and benefits of SR disclosure gradually from year to year. If the company is able to implement SR in a consistent and sustainable manner, it can increase the profitability of the company and reduce the risks posed by the company, other than that good SR disclosure can also be useful in decision-making by investors, shareholders, employees, and the communities and the other stakeholders.

Limitations

Within the limitations of doing this research, then some of the things suggested for further research are as follows:

1. The number of samples used is too small, i.e. only 33 companies listed on the Indonesian Stock Exchange, due to very few companies that revealed their SR disclosures either stand-alone or integrated with the annual reports. Tests with more samples will take away from the data distribution which is not normal.
2. There is an element of subjectivity in determining the disclosure index. This is due to the lack of raw determination that can be used as a standard or reference, so hopefully in future studies, with the subjectivity, it can be consulted more experts for the determination of the index for the indicators in the same category will be different for each researcher.
3. This study examines the effect of sustainability report disclosure only in the short term and does not count the controlling variables.

Suggestion

For the sake of the perfection of further researches, it is needed to consider several factors that may increase the validity of the research, namely:

1. Doing repeated research in future by using larger and more representative samples as well as extending the period of observation into a few years, so that the samples of the research are also much more. It can improve a better data distribution.
2. Those researchers who will replicate the foreign studies are advised to pay attention to cultural differences and economic conditions in the various countries. In some developed countries with a more stable economic conditions, the company has the ability to grant funding allocated to activities related to environmental with more awareness compared to companies in developing countries with relatively unstable economic conditions and limited financing capabilities.
3. For further research, the expected improvement in research models and can use other measurements to measure the existing variables, or add new variables in future studies,

such as the firm size, because the size of the firm as measured by the number of owned assets has a positive relationship with the practices of sustainability report disclosures.

4. For further research, it is better if the element of subjectivity that arise when determining the disclosure index can be consulted by better experts because the determination of the index for the indicators in the same category will be different for each researcher.

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