The Importance of Sustainability Reports In Non-Financial Companies

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Abstract: The sustainability report (SR) has become a necessity for companies. Its role is crucial for the development of a company because it includes both social and environmental aspects. However, there are still companies that have not properly conducted sustainability report disclosures (SRDs). Therefore, this study aims to examine the effects of profitability, leverage and liquidity on SRDs. In particular, we explore the implications of regulations that require the disclosure of environmental and social information in non-financial companies listed on the Indonesia Stock Exchange (IDX) in 2013-2017. The sample in this study was 65 from 13 companies that met the criteria, and the study utilised the purposive sampling method. The study results found that first, profitability proxied by return on assets (ROA) did not significantly influence SRDs. Second, leverage proxied by debt to assets ratio (DAR) has a significant negative effect on SRDs, and third, the liquidity proxied by the current ratio (CR) has a significant negative effect on SRDs. The results of this study are expected to increase knowledge for readers, especially investors, so they can pay better attention to a company's social and environmental activities when investing.

Keywords: return on assets, debt assets to ratio, current ratio, sustainability report

BACKGROUND

Growth in the business and industrial sectors can be seen in the increasing number of companies (Means, 2017). That increase means that the business being conducted is generating profits (Gunawan and Wahyuni, 2013). A company's profit is optimised through the implementation of strategic financial management functions, namely by making policies that influence financial decisions positively affecting the company's social value (Saeidi, Sofian, Saeidi, Saeidi, and Saaeidi, 2015). Positive social economic value is obligatory for sustainability, which is then disclosed by the company in a report (Kitzmueller and Shimshack, 2010). Consequently, the company learns to not only keep an eye on its internal interests, but to also cultivate an awareness of other factors besides the interests of investors and creditors, namely the interests of stakeholders (such as employees, society and government). This can inject the positives of transparent value and

responsibility into business operations (Frias-Aceituno, Rodríguez-Ariza, and Garcia-Sánchez, 2014). Moreover, increasing business competition requires management to employ strategic thinking to obtain additional capital from sources other than investors (Grant, 2016).

Generally, investors are interested in the additional information included in annual reports, information on environmental, social and political responsibilities that is disclosed separately (Saeidi et al., 2015). Stakeholder theory states that a company is responsible for expanding organisational responsibilities beyond investors/owners to parties outside the company (Donaldson and Preston, 1995). Therefore, to ensure a commitment to building a sustainable economy and to improving the quality of life and the environment, Indonesia regulates such activities in Law Number 40 Article 1 of 2007. Additionally, the government requires that companies which utilise geothermal energy must fulfil their social responsibilities through the development of the surrounding community, per Law No. 21 of 2014, Article 65 paragraph 2.

However, in reality, not all companies in Indonesia abide by the established regulations. This is seen in the case of environmental damage in 2017 that allegedly damaged a mangrove forest covering an area of 1,232 ha and oil spills that harmed coral reefs in the province of Nusa Tenggara Timur (http://www.liputan6.com). For those reasons, Du, (2015); Liu, Pan, and Tian (2018) report that sustainable performance is mandatory for balancing the aspects of people, planet and profit (the triple bottom line–social, environmental and financial), as well as global issues in society. Accordingly, the summation of social activities in sustainability reports (SRs) possesses essential values for long-term success, survival and organisational growth (Lozano & Huisingh, 2011; Peloza, Loock, Cerruti, & Muyot, 2012).

The Global Reporting Initiative (GRI) conveys the importance of SR publications in European countries, but in Indonesia, they are still voluntary. Therefore, the government of Indonesia encourages the publication of SRs by giving awards to the companies implementing them, thus far resulting in 120 companies doing so (Simbolon, J. and Sueb, 2016). This shows that companies in Indonesia hold concerns related to their impact in the economic, environmental and social fields. The relationship of a company in meeting the interests of stakeholders characterises stakeholder theory. But as for the explanation of norms in its operational environment, the application of legitimacy theory results in better tendencies.

The better tendency is generally that high profitability can become public information communicating the advantages of one company in comparison to other companies. Moreover, a company's liquidity level illustrates its ability to pay short-term obligations on time (Antonio Dias, 2017). Therefore, with an increasing number of companies disclosing sustainability reports, a company's marketing strategy for improving financial performance (profitability, liquidity, solvency and earnings per share) is expected to fare better.

Research on SR disclosure (SRD) is still a study trend in various countries, including Indonesia, because such studies show that SRs influence a company’s liquidity, profitability, and social and environmental dimensions (Adhipradana & Daljono, 2014; António Dias, Rodrigues, & Craig, 2017; Lesmana, 2014; Muallifin & Priyadi, 2016; Sejati & Prastiwi, 2015). After taking into account what previous research on the topic discovered, the researcher is interested in conducting a study on SRs by entering the debt to asset (DAR) variable with the current ratio (CR) variable to answer the following

questions. First, does the level of profitability of a company affect SRD in public companies listed on the Indonesia Stock Exchange (IDX)? Second, does the level of corporate leverage affect SRD for public companies listed on the IDX? Third, does the level of corporate liquidity affect SRD?

THEORETICAL REVIEW

Stakeholder Theory. Stakeholder theory aims to help management understand the stakeholder environment for managing a more effective company (Ulum, 2015). This theory asserts that companies must direct the fulfilment of stakeholder expectations. The possibility of not implementing stakeholder management will reap protests that can eliminate stakeholder legitimacy (Hadi, 2011). Therefore, this theory is widely used in the underlying research on SRs (Epstein, 2018; Hill, Jones, & Schilling, 2014). The basis of this theory also refers to signalling theory, about which Brealey, Leland, and Pyle, (1977); Ross, (1977) stated: Information on corporate value conveyed by managers to potential investors or external parties could increase the value of the company through annual report signals.

Legitimacy Theory. Legitimacy theory states that organisations continually seek ways to guarantee operations and to analyse the behaviour of their organisations within the limits of the norms prevailing in society (Dowling and Pfeffer, 1975). Society can provide companies with benefits that are potential resources necessary for them to maintain a going concern (Deegan, 2014; Hummel & Schlick, 2016; O'Donovan, 2002). Therefore, this social disclosure practice is seen as a form of influential public accountability in explaining social and environmental impacts. This supports Brown and Deegan, (1998); Deegan and Rankin, (1996), which state that a company must strive to ensure the existence of the community and the local environment.

Regulatory Theory. This theory is used because regulation occurs as a reaction to a crisis that cannot be identified (Robles Jr, 2016). It requires rules or provisions in accounting that are considered necessary. The aim is that such regulations create a brotherhood between the political forces of executive-led interest groups and the legislature (Stigler, 1971). Thus, the role of the government as a regulator must maintain and deliver an informational balance. The government can pressure companies to run their businesses without damaging the environment by setting regulations that force them to live up to their social responsibilities. All the theories above are used since they encompass every study and linkages in decision making aimed at the interests of this study.

Effect of Profitability on Sustainability Report Disclosures. Companies generating profits must set aside funds for social and environmental activities (Adhipradana and Daljono, 2014). This is because the amount of information disclosed in an SR can affect their level of profitability On the other hand, in general, the tendency of high corporate earnings reports provides stakeholders with the confidence to issue loans to companies. Generally, companies want to obtain debt for increasing capital, even though they understand that the greater debt, the greater the risk faced by investors (Ioannou and Serafeim, 2017).

In addition, with a high level of leverage (a large proportion of debt compared to assets), companies will, in general, reduce costs, including the cost of social activities disclosed in SRs (Admati, Demarzo, Hellwig, and Pfleiderer, 2018; Haningsih, Zulkifli, and Doktoralina, 2014). Furthermore, high leverage and costs can cause a company to delay publishing SRs and voluntarily reporting disclosures (Martínez-Ferrero, Garcia-Sanchez, and Cuadrado-Ballesteros, 2013).

We next consider an understanding of the liquidity ratio as a measure of the company's ability to pay and meet short-term obligations (Fazzini, 2018). Fundamentally, a company understands that a high level of liquidity means that management has succeeded in building a positive impression in the company. Therefore, it enables them to gain the trust of stakeholders, who will then have a tendency to always support management decisions (Adhipradana & Daljono, 2014). The positive impression that was built means that, in general, management would disclose information on activities that fulfil social responsibilities in the SR (Adhipradana & Daljono, 2014; Brigham & Houston, 2012; Candri & Puspita, 2015; Marwati & Yulianti, 2015; Muallifin & Priyadi, 2016). Based on the above, the hypotheses in this study are as follows:

H_1: Profitability affects SRD.

H_2: Leverage affects SRD.

H_3: Liquidity affects SRD.

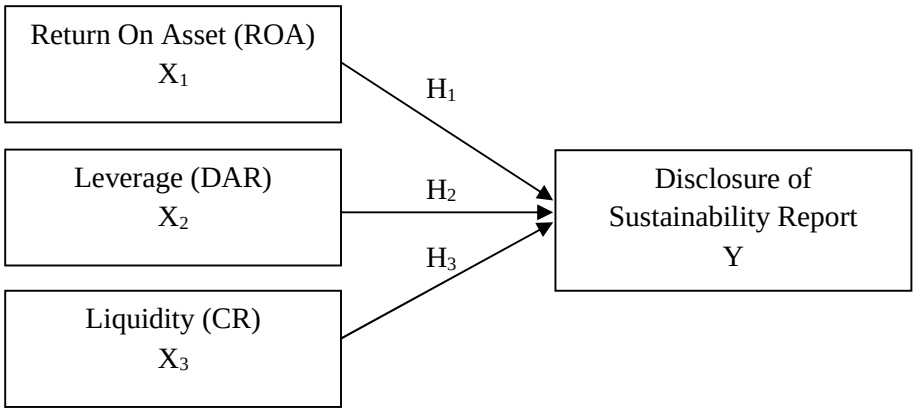

Figure 1. The Theoretical Model

METHOD

Research design. This research was conducted in 2018. The type of data used is secondary data obtained from the annual reports of non-financial companies listed on the IDX from 2013 to 2017 and company data sources that reveal the SR from each company's website. The study employs causal methods. The aim is to test the hypotheses for the effects of one or more independent variables on the dependent variable (Creswell & Creswell, 2017). The independent variables referred to are return on assets (ROA), leverage as measured by debt to assets ratio (DAR), and liquidity as measured by current ratio (CR) of SRD.

Data and research samples. The sample of this study is derived from companies that consistently published annual and sustainability reports from 2013 to 2017, as shown in Table 1.

Table 1. Research Sample

Criteria	Amount
Non-financial companies listed on the stock exchange from 2013 to 2017	269
Companies that inconsistently published sustainability report from 2013 to 2017	(100)
Companies that inconsistently participated in the Indonesia Sustainability Report Awards at least three times during the period 2013 to 2017	(150)
Companies that recognized losses during 2013 to 2017	(6)
Number of sample companies	13
Research Year	5
Number of Samples	65

Sample selection is based on a purposive sampling method with the aim of obtaining a representative sample under the specified criteria, namely, (1) non-financial companies listed on the IDX from 2013 until 2017, (2) companies that publish separate SRs which can be accessed on the company's official website and that received Indonesia Sustainability Report Awards three times during the 2013-2017 period and (3) the company had no losses during the study period, as shown in Table 2.

Table 2. The Companies Sampled and Tabulation

Nr.	Years	Company Code	SR (Y)	ROA (X1)	DAR (X2)	CR (X3)
1	2013	ADHI	0.4065934	0.0422191	0.8498085	1.3275114
2	2014	ADHI	0.1978022	0.0317109	0.8431208	1.3018592
3	2015	ADHI	0.2417582	0.0524283	0.6920164	1.5604877
4	2016	ADHI	0.1978022	0.0201948	0.7283729	1.2930442
5	2017	ADHI	0.2747253	0.0185148	0.7928236	1.4074329
6	2013	ASII	0.2857143	0.1107882	0.5037805	1.2419629
7	2014	ASII	0.2527473	0.0938749	0.4907913	1.3098019
8	2015	ASII	0.2527473	0.0670402	0.4844541	1.3793054
9	2016	ASII	0.2857143	0.0756296	0.4657119	1.239383
10	2017	ASII	0.3186813	0.0765645	0.4712291	1.2286319
11	2013	ASRI	0.3296703	0.0616559	0.6304578	0.7529929
12	2014	ASRI	0.2747253	0.069542	0.6223673	1.1373406
13	2015	ASRI	0.2527473	0.0366911	0.6471162	0.7192381
14	2016	ASRI	0.2307692	0.0257924	0.6439216	0.8975276
15	2017	ASRI	0.3076923	0.0664763	0.5864283	0.7373862
16	2013	GGRM	0.2967033	0.0852613	0.4206002	1.7220793

17	2014	GGRM	0.3076923	0.0928274	0.4310155	1.6201649
18	2015	GGRM	0.3406593	0.1013402	0.4015013	1.7703589
19	2016	GGRM	0.3186813	0.1060669	0.3715139	1.9378907
20	2017	GGRM	0.2967033	0.1161422	0.3680691	1.9355362
21	2013	HMSP	0.3076923	0.3947455	0.4834884	1.7525569
22	2014	HMSP	0.2967033	0.3587259	0.5244001	1.5277941
23	2015	HMSP	0.2857143	0.2726316	0.1577175	6.5668649
24	2016	HMSP	0.2747253	0.3002258	0.1960337	5.2344431
25	2017	HMSP	0.3296703	0.2937113	0.2092673	5.2722505
26	2013	ICBP	0.3296703	0.1030065	0.4026707	2.4106162
27	2014	ICBP	0.3846154	0.1016161	0.4173156	2.194214
28	2015	ICBP	0.3626374	0.1138943	0.3830373	2.326025
29	2016	ICBP	0.2527473	0.1257772	0.3598795	2.4067823
30	2017	ICBP	0.3956044	0.1116779	0.3572226	2.4282764
31	2013	JSMR	0.3406593	0.0330743	0.623708	0.7614702
32	2014	JSMR	0.2967033	0.037037	0.6540804	0.8244074
33	2015	JSMR	0.2747253	0.0354527	0.6631995	0.4815533
34	2016	JSMR	0.2307692	0.0314766	0.6945981	0.6960322
35	2017	JSMR	0.3296703	0.0237521	0.7681613	0.7595452
36	2013	SIMP	0.3186813	0.0366806	0.4406526	0.8285885
37	2014	SIMP	0.3076923	0.0363351	0.4705091	0.8712354
38	2015	SIMP	0.2967033	0.0166958	0.4563737	0.9357801
39	2016	SIMP	0.2857143	0.0174632	0.4585251	1.246773
40	2017	SIMP	0.2307692	0.016689	0.4556289	1.0164562
41	2013	SMGR	0.3956044	0.1897968	0.2945413	1.8823854
42	2014	SMGR	0.5274725	0.1643473	0.2716659	2.2095409
43	2015	SMGR	0.5274725	0.1221961	0.2807718	1.5969693
44	2016	SMGR	0.3076923	0.0987712	0.3086923	1.272519
45	2017	SMGR	0.2857143	0.0348748	0.3783318	1.5677513
46	2013	TLKM	0.3846154	0.1578313	0.4032049	1.1630974
47	2014	TLKM	0.3736264	0.1500049	0.3936625	1.0611424
48	2015	TLKM	0.2967033	0.1403176	0.4377667	1.3529495
49	2016	TLKM	0.4175824	0.1624177	0.4123745	1.199663
50	2017	TLKM	0.4395604	0.1647538	0.4350678	1.0481532
51	2013	UNTR	0.3516484	0.0836574	0.3785303	1.7018323
52	2014	UNTR	0.4065934	0.0801245	0.3611059	1.6516789
53	2015	UNTR	0.3736264	0.045247	0.3640108	1.5481137
54	2016	UNTR	0.3516484	0.0797684	0.3339409	1.5987116
55	2017	UNTR	0.3846154	0.093279	0.4221163	1.3552636

56	2013	UNVR	0.3076923	0.4213634	0.6797859	0.6709528
57	2014	UNVR	0.3736264	0.415027	0.6676003	0.7149143
58	2015	UNVR	0.1868132	0.3719644	0.6931341	0.6539297
59	2016	UNVR	0.1868132	0.3816434	0.7190971	0.605626
60	2017	UNVR	0.2307692	0.3705173	0.7263832	0.6337376
61	2013	WIKA	0.2417582	0.0495731	0.7507258	1.1396731
62	2014	WIKA	0.2747253	0.0489746	0.6920539	1.1966364
63	2015	WIKA	0.3516484	0.0363782	0.7209281	1.2313265
64	2016	WIKA	0.1098901	0.0386229	0.593752	1.5864115
65	2017	WIKA	0.1648352	0.0296848	0.6797151	1.3439568

Source: Data was processed by SPSS 23.

Operational Variable. Operational variables and the measurement scale of this study use two types of variables, as shown in Table 3.

Table 3. Operational Variables and Measurement Scale

Variable Definitions	Measurement
Dependent variable	
The dependent variable in this study is SRD based on the Global Reporting Initiative (GRI-G4), shown in Table 4.1-4.3	$SRDI \frac{\text{Number of items disclosed}}{91}$ There were 91 total items of disclosure: 9 items disclosing economic aspects, 34 items disclosing environmental aspects, 12 items disclosing aspects of human rights, 16 items disclosing aspects of employment practices and work comfort, 9 items disclosing aspects of product responsibility, and 11 items disclosing the aspect of society.
Independent Variables The independent variables used are profitability, leverage and liquidity.	
Return On Assets (X_1) The justification for using profitability is that this ratio can provide a measure of a company management's effectiveness, as well as in measuring the level of a company's profitability. Moreover, ROA is the ratio that assesses a company's ability	$Return\ on\ Assets = \frac{\text{Net Profit}}{\text{Total Assets}}$

to seek profits (Roy and Das, 2017).	
Debt to Asset Ratio (X_2)	
Leverage justification is employed because leverage is equivalent to DAR, one of the ratios used by companies in assessing how much of a company's assets are financed with debt or by outsiders (Roy and Das, 2017).	$Debt\ to\ Asset\ Ratio = \frac{\text{Total Amount of Debt}}{\text{Total Assets}}$
Current Ratio (X_3)	
The use of liquidity justification equals CR because CR is used by companies in measuring the level of company liquidity, as well as for measuring a company's ability to pay and meet its short-term obligations (Roy and Das, 2017).	$Current\ Ratio = \frac{\text{Current Assets}}{\text{Current Liabilities}}$

An explanation for GRI-G4 is given in Table 4-6:

Table 4. Categories and Aspects of GRI-G4 For Economic & Environmental

Category	Economic	Environmental
Aspects	Economic Performance Market Presence Indirect Economic Impacts Procurement Practices	Materials Energy Water Biodiversity Emissions Effluents and Waste Products and Services Compliance Transport Overall Supplier Environmental Assessment Environmental Grievance Mechanisms

Source: G4 Sustainability Reporting Guidelines, (2013)

Table 5. Categories and Aspects on GRI-G4 for Social
(Sub-categories: Labour Practices and fecent Work and Human Right)

Category	**Social**	
Sub-categories	**Labour Practices and Work Conditions**	**Human Rights**
Aspects	Employment Labour/Management Relations Occupational Health and Safety Marketing Training and Education Diversity and Equal Opportunity Equal Remuneration for Women and Men Supplier Assessment for Labour Practices Labour Practices Grievance Mechanisms	Investment Non-discrimination Freedom of Association and Collective Bargaining Child Labour Forced or Compulsory Labour Security Practices Indigenous Rights Assessment Supplier Human Rights Assessment Human Rights Grievance Mechanisms

Source: G4 Sustainability Reporting Guidelines, (2013)

Table 6. Categories and Aspects of GRI-G4 For Social
(Sub-categories: Society and Product Responsibility)

Category	**Social**	
Sub-categories	**Society**	**Product Responsibility**
Aspects	Local Communities Anti-corruption Public Policy Anti-competitive Behaviour Compliance Supplier Assessment for Impacts on Society Grievance Mechanisms for Impacts on Society	Customer Health and Safety Product and Service Labelling Marketing Communication Customer Privacy Compliance

Source: G4 Sustainability Reporting Guidelines, (2013)

Data Analysis Methods. The methods of analysis data used include descriptive analysis, a classical assumption test and hypothesis testing using multiple linear regression equations (Brooks, 2014; Gujarati, 2011). Regression analysis is mostly about dependent variables with one or more independent variables, with the purpose of estimating and/or predicting the average population or the mean value of the dependent variable based on the known independent value. Multiple linear regression equations in this research utilise the following model:

$$SDRs = \alpha + \beta_1 \text{ ROA}\beta X_1 + \beta_2 \text{ DAR } \beta X_2 + \beta 3 \text{ CR } \beta X_3 + e.$$

The Results of Statistical Tests

Descriptive Test. Based on the results, the descriptive statistics shown in Table 5 were obtained.

Table 7. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
SR	65	.1191	.53	.3085	.07614
ROA	65	.0166	.42	.1191	.11272
DAR	65	.1577	.85	.5080	.16784
CR	65	.4815	6.57	1.5238	1.05123

Source: Data was processed by SPSS 23.

1. The SRDs summarised in 91 indicators set by the Global Reporting Initiative have an average value of 0.3085, a minimum value of 0.1098 reported by PT. Wijaya Karya in 2016 and a maximum value of 0.5274 obtained by PT. Semen Indonesia in 2015, as well as a standard deviation of 0.0761.
2. Profitability has an average value of 0.1191, a minimum value of 0.0166 reported by PT. Salim Ivomas Pratama in 2017, a maximum value of 0.4213 obtained by PT. Unilever in 2013, and a standard deviation of 0.1127.
3. Leverage (DAR) has an average value of 0.5080, a minimum value of 0.1577 reported by PT. HM Sampoerna in 2015, a maximum value of 0.8498 disclosed by PT. Adhi Karya in 2013, and a standard deviation of 0.1678.
4. Liquidity (CR) has an average value of 1.5238, a minimum value of 0.4815 reported by PT. Jasa Marga in 2015 and a maximum value of 6,566 disclosed by PT. HM. Sampoerna in 2015, and a standard deviation of 1.0512.

Classic assumption test. The classic assumption test (Kolmogorov-Smirnov test shown in Table 6) results showed asymptotic values, a significance of 0.200 or >0.05. This proves that the research data is normally distributed and can be used to conduct regression analysis.

Table 8. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		65
Normal Parameters[a,b]		
Mean		.0000000
Std. Deviation		.06445649
Most Extreme Differences	Absolute	.093
	Positive	093
	Negative	-.068
Test Statistic		.093
Asymp. Sig. (2-tailed)		*.200[c,d]*

Source: Data summary was processed by SPSS 23.

The second-step test is a multicollinearity test (Table 7) that demonstrates that all variables have a tolerance value above 0.10 with VIF <10, which means there is

no multicollinearity between the variables in this regression model.

Table 9. Results of the Multicollinearity Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	*VIF*
(Constant)	.492	.044		11.142	.000		
ROA	.030	.076	.045	.402	.689	.934	*1.071*
DAR	-.301	.063	-.664	-4.791	.000	.611	*1.636*
CR	-.023	.010	-.312	-2.198	.032	.583	*1.716*

Source: Data summary was processed by SPSS 23.

The third-step test is an autocorrelation test (Table 10). Its results show that the value of Durbin-Watson (d) is 1.524, where the value (du) is 1.50349 and the value (dl) is 1.69602. The results of the DW value are located between 1.50349 <1.524 <1.69602, meaning there is no positive or negative autocorrelation.

Table 10. Results of the Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	*Durbin-Watson*
1	.532[a]	.283	.248	.0660225	*1.524*

Source: Data summary was processed by SPSS 23.

The fourth step is the heteroscedasticity test (Table 9), the results of which show that the significance value of the three independent variables is more than 0.05. It can thus be concluded that there is no heteroscedasticity in the regression model.

Table 11. Heteroscedasticity Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	*Sig.*
	B	Std. Error	Beta		
(Constant)	.039	.029		1.374	*.174*
ROA	.003	.049	.008	.059	*.953*
DAR	.020	.041	.081	.500	*.619*
CR	-.001	.007	-.026	-.153	*.879*

Source: Data summary was processed by SPSS 23.

Hypotheses testing. The hypotheses testing was done in three stages. The first test takes into account the results of the value of the coefficient of determination (R^2) in Table 10, adjusted R square (R^2) that is equal to 0.248 (24.8%). The test results mean that the 24.8% variation in SRD is influenced by the variables of profitability, leverage and liquidity, while the remaining 75.2% is influenced by factors outside the model.

Table 12. Summary of Hypotheses Tests

Model	R	R Square	*Adjusted R Square*	Std. Error of the Estimate
1	.532[a]	.283	*.248*	.0660225

Source: Data summary was processed by SPSS 23.

The second test conducted was a simultaneous significance test (the F-test shown in Table 11). The F-test determined that the F-value was 8.041 with a significance value of 0.000, which is smaller than 0.05. It can thus be concluded that the variables of profitability, leverage and liquidity simultaneously or jointly influence SRD.

Table 13. Simultaneous Significance Test (F- Test)

Model	Sum of Squares	df	Mean Square	*F*	*Sig.*
Regression	.105	3	.035	*8.041*	*.000[b]*
Residual	.266	61	.004		
Total	.371	64			

Source: Data summary was processed by SPSS 23.

The third test was a partial significance test (the t-test shown in Table 12). The results of the t-test indicate that profitability (ROA) has a count value of 0.402 with a significance level of 0.689, which is greater than 0.05. This shows that profitability does not have an insignificant effect on SRD, so Hypothesis 1 (H_1) is rejected. Furthermore, leverage (DAR) has a t-value of -4.779 with a significance level of 0.000, which is less than 0.05. This shows that leverage has a negative and significant effect on SRD, so Hypothesis 2 (H_2) is accepted. The liquidity (CR) has a t-count value of -2.198 with a significance level of 0.032, which means smaller than 0.05. This shows that liquidity has a negative and significant influence on SRD, so Hypothesis 3 (H_3) is accepted.

Table 14. Result of T-test

Model	Unstandardized Coefficients		Standardized Coefficients	t	*Sig.*
	B	Std. Error	Beta		
(Constant)	*.492*	.044		11.142	*.000*
ROA	*.030*	.076	.045	.402	*.689*
DAR	*-.301*	.063	-.664	-4.791	*.000*
CR	*-.023*	.010	-.312	-2.198	*.032*

Source: Data summary was processed by SPSS 23.

Multiple Linear Regression Analysis. The results of the regression test determined that a value of 0.492 is considered constant and will increase SRD by 0.492. Furthermore, profitability (ROA) of 0.03 means that if other independent variables are fixed and ROA

has a 1% increase, then SRDs will increase by 0.03. In connection with leverage (DAR), which is equal to -0.301, if other independent variables have a fixed value and DAR has a 1% increase, then SRDs will decrease by 0.301. As for the liquidity regression coefficient (CR) of -0.023, it shows that if another independent variable is fixed in value and CR has a 1% increase, SRDs will decrease by 0.023. For this reason, the regression equation for testing the statistical research is as follows: SRDs = 0.492α + 0.03ROAβX_1 -0.301DAR βX_2 -0.023CR βX_3.

Information: SRDs : S*ustainability Report Disclosure***;** ROA (X_1) : Profitability (*Return on Assets*); DAR (X_2): Leverage (*Debt to Assets Ratio)*; CR (X_3) : Liquidity (*Current Ratio*); α : Constants; β : Coefficient; ε : Error

DISCUSSION

Profitability proxied by ROA does not affect SRD. This shows that the level of company profitability does not directly affect the SRD at that time. This is also possible whether the ROA is large or small; it is affected by the profit after tax that comes from sales. SRD does not always have an impact on increasing sales. This may occur because SRD does not affect stakeholder decisions (for example, consumers' sales activities).

When profitability is high, companies tend not to report SDR because of increasing company costs. In reaction to a decrease in profits, companies will reduce social activity and focus on increasing profits, thus causing less social and environmental information to be disclosed. This does not support stakeholder theory, which states that all stakeholders have the right to be given information about how organizational activities affect them because the company's survival is strongly influenced by the support provided by stakeholders.

SRD is carried out in the context of accountability to stakeholders to maintain their support and to fulfil their information needs. In addition, companies with high ROA values do not necessarily conduct SRDs because in Indonesia they are still voluntary and there is no good control mechanism from the government.

Leverage proxied by DAR has a negative and significant influence on SRD. This shows that the DAR value directly affects the SRD at that time. Thus, the greater leverage the company has, the less likely the company will disclose and vice versa; if the leverage level of a company is small, the greater the probability the company will report SRDs. The same thing is obtained from the results of the Liquidity Effect (CR) on Sustainability Report Disclosures. Liquidity proxied by CR has a negative and significant influence on SRD. This shows that the CR value directly affects the SDR at that time. Thus, the greater the liquidity has, the less likely the company will disclose and vice versa; if the liquidity of a company is small, the greater the probability the company will report SRDs. The other reason is that companies with high leverage tend to want to report higher profits that will reflect the company's stable financial condition assist in raising capital. To achieve high profits, companies will reduce costs, including the costs of SRDs.

Emphasis on future research is needed so that management is consistent in reporting full SRDs that can have a pos impact on company marketing that can attract investors. Limitations of this research are its scope and number of research samples. Further research

could examine other variables, e.g. SRD potential, different sized companies, and company value, and increase the number of samples to obtain more comprehensive results.

The government is firm in enforcing the law regarding companies that do not implement SRDs. One thing that can be done is to establish a sustainable performance assessment system that is standardised in a company's licensing rules and annually evaluate the performance of a company's social environment activities. Thus, the implications of this study's results cannot be a single reference for interested parties due to the limitations of the research sample. Variations in company policy must also be considered in behavioural research linked to a company's SRD compliance.

CONCLUSION

Based on the results of hypotheses testing on the three independent variables, only ROA does not affect SDR. The other two variables, DAR and CR, have an effect on SDR, but in the opposite direction, which means that companies with high leverage and liquidity often fail to report SRDs. The author recommends that further research test other profitability factors, namely ROI and ROE. In addition, a greater number of samples and years could be examined. This reveals that company management appears not to be focused on social and environmental activities and requires further studies regarding variables that support the government's intent.

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