THE EFFECT OF FINANCIAL PERFORMANCE TO THE DISCLOSURE OF SUSTAINABILITY REPORT
(Case Study on State-Owned Enterprises Listed on Indonesia Stock Exchange in 2018-2021)

Undergraduate Thesis

By:

Eti Setia Wati

FACULTY OF ECONOMIC AND BUSINESS
UNIVERSITY OF LAMPUNG
BANDAR LAMPUNG
2023

ABSTRACT

THE EFFECT OF FINANCIAL PERFORMANCE TO THE DISCLOSURE OF SUSTAINABILITY REPORT
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The Sustainability report is a form of corporate social responsibility report for the environment, social and economic which is used to ensure the company's sustainability in carrying out its business activities. Disclosure of sustainability report is more detailed and stands alone. This study aims to analyze the effect of financial performance, namely profitability, liquidity, and dividend payout ratio on the disclosure of sustainability reports in state-owned enterprises companies. The research population is a state-owned enterprise listed on the Indonesia Stock Exchange (IDX) which published a sustainability report in 2018-2021 according to the GRI Standard with 91 items. The research sample method was determined by purposive sampling to acquire a sample of 14 companies. The data comes from the company's annual report and sustainability report accessed from the company's website. The data were analyzed using multiple linear regression analysis with the assistance of the IBM SPSS Statistics 25 program. The results showed that the profitability and liquidity variables had a statistically significant positive effect on the disclosure of sustainability reports, while the dividend payout ratio variable statistically have no positive and insignificant effect on the disclosure of sustainability reports. The results of the tests in the study also proved that as much as 17.3% of the dependent variable could be explained by the independent variables and the remaining 83.7% were influenced by other variables outside the variables used.

Keywords: Return on Asset (ROA), Current Ratio (CR), Dividend Payout Ratio, Sustainability Report

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As One of The Requirements to Acquire a
BACHELOR OF ACCOUNTING

In

Accounting Department
Faculty of Economic and Business University of Lampung

FACULTY OF ECONOMIC AND BUSINESS
UNIVERSITY OF LAMPUNG
BANDAR LAMPUNG
2023

Thesis Title : **THE EFFECT OF FINANCIAL PERFORMANCE TO THE DISCLOSURE OF SUSTAINABILITY REPORT *(Case Study on Stated Owned Enterprises Companies* Listed on the Indonesia stock Exchange in 2018-2021)**

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PLAGIARISM FREE-STATEMENT

I whom undersigned bellow :

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I hereby declare that the undergraduate thesis entitled "The Effect of Financial Performance to the Disclosure of Sustainability Report: Case Study on Stated owned Enterprise Companies Listed on Indonesia Stock Exchange in 2018-2021" is truly my own work. This undergraduate thesis does not constitute a plagiarism of other peoples work or acknowledge the results of other people thoughts as if it were my own by not acknowledge the original author. If in the future it is proven that this statement is not true, I am willing to accept sanctions in accordance with the applicable regulations.

Bandar Lampung, June 6th 2023
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BIOGRAPHY

The author was born in Sarolangun, Jambi on December 20th 1998 to a loving family of Mr. Pahmi and Mrs. Neneng Suyati. The author is the second daughter of three siblings and has an elder sister named Evi Taria and a little sister named Nazwa Azzahra Febriana. The author started formal school kindergarten at TK and finished in 2004. The author completed Elementary School at SD 90 Sungai Merah in 2010, Junior High School at SMP Negeri 4 Sarolangun in 2013, and Senior High School at SMA Negeri 1 Sarolangun in 2016.

The author was accepted at the Accounting Department, Faculty of Economics and Business, University of Lampung through the Seleksi Nasional Masuk Perguruan Tinggi Negeri (SNMPTN) in 2016. The author was majoring in Accounting and concentrating on Financial Accounting and was a student of the International Class which gave the author a chance to go abroad for a Short Course Program as a Student Exchange at Aoyama Gakuin University, Japan in 2019. While studying at the University of Lampung, the author was an active member of BEM U (Student Council of the University), and HIMAKTA (Accounting Student Association).

In addition, in 2019 the autor was also selected as a Tax Volunteer in Direktorat Jendral Pajak Bengkulu Lampung (DJP) for 3 months and in June 2019, the author carried out a Kuliah Kerja Nyata (KKN) in Bukit Kemuning, Lampung Utara for 40 days. In 2020, the author was also selected as Internship Student at DAMRI Stated Owned Enterprises Companies (BUMN) held by Forum Human Capital Indonesia (FHCI) for 6 months. The author was also selected to participate in the training of Tax Brevet A and B held by FEB Unila Tax Center in cooperation with Indonesian Tax Consultant Association of Lampung Branch.

DEDICATION

Alhamdulillahirabbil'alamin

All my gratitude and praises to the almighty Allah SWT for His mercy and blessings so that I can complete this thesis. Shalawat and greetings are also always praised to our beloved Prophet Muhammad SAW.

First of all I would love to dedicate this work to "Eti Setia Wati" for all your dedication and responsibility on finishing not only your study but also all of your life's tragedy.

To my beloved and most favorite and supportive people on earth,
My parents Mr. Pahmi and Mrs. Neneng Suyati.

Thank you for all the prayers, support, love, and infinite attention that always gives such endless encouragement and strength in all conditions. May Allah SWT always provide protection in the world and in the hereafter for my beloved mother and father.

My beloved sister, Evi Taria and Nazwa Azzahra Febriana. Thank you for all the joy, laughter, love, affection and happiness. I am always grateful to have you as my sister.

All my big family, besties, and friends who always encourage and support me through everything. Thank you for being by my side.

My beloved alma mater, University of Lampung

MOTTO

"... though you dislike it. Perhaps you dislike something which is good for you and like something which is bad for you. Allah knows and you do not know."

(Q.S Al-Baqarah:216)

A rose can never be a sunflower, and a sunflower can never be a rose. All flowers are beautiful in their own way, and that's like women too.

(Miranda Kerr)

Done is better than perfect, because perfect never gets done

(Reggie Mills)

"Selesaikan apa yang kita mulai"

SANWACANA

Alhamdulillahirabbil'alamin, praise and gratitude to Allah SWT who has bestowed His mercy and grace so that this thesis can be completed. Sholawat may always be poured out on the Prophet Muhammad SAW, may we get his intercession on the last day.

The undergraduate thesis with the title "The Effect of Financial Performance to the Disclosure of Sustainability Report: Case Study on Stated Owned Enterprise Companies Listed on Indonesia Stock Exchange in 2018-2021." is one of the requirements to acquire a Bachelor's degree in Accounting Department at the Faculty of Economics and Business, University of Lampung.

During the process of preparing this thesis, it is certainly inseparable from various parties who have provided contributions, guidance, advice, and constructive suggestions. Therefore, with all sincerity and humility, the author would like to express his gratitude to:

1. Mr. Dr. Nairobi, S.E., M.Si. as Dean of Faculty of Economic and Business University of Lampung;
2. Mrs. Dr. Reni Oktavia, S.E., M.Si. Akt. as Head of Accounting Department Faculty of Economic and Business University of Lampung, and as the Main

Examiner for the willingness to test, suggestions, criticism, advice, and valuable knowledge given to the author in completing the thesis;

3. Mrs. Liza Alvia, S.E., M.Sc., Ak., CA. as the Secretary of Accounting Department Faculty of Economics and Business University of Lampung;
4. Mrs. Prof. Dr. Rindu Rika Gamayuni, S.E., M.Si., Akt. as Advisor for her willingness to provide guidance, advice, knowledge and motivation as well as patience during the process of completing this thesis;
5. Mrs. Sari Indah Oktanti Sembiring, S.E., M.S., Ak as the Second Examiner for all the support, guidance, attention, and motivation during the writer's undergraduate thesis development;
6. Prof. Yuliansyah, S.E., M.S.A., Ph.D., Akt., CA. as an Academic Advisor who has been helping, giving support and advice as long as the author becomes a student in university;
7. All lecturers of the Faculty of Economics and Business, University of Lampung who have provided useful knowledge and motivation during the lecture process;
8. All academic, administrative, staff, and security staff of the Faculty of Economics and Business, University of Lampung, who have helped a lot during the lecture process and thesis preparation, thank you for all the patience and assistance that has been given.
9. My beloved parents, Mr. Pahmi and Mrs. Neneng Suyati. who have given the most sincere love, endless prayer, support and advice Thanks for all the hard work while raising me and accompanying my steps. Thank you for all the never-ending faith.

10. My dear sisters, Evi Taria and Nazwa Azzahra Febriana. Thank you for all your love, understanding, peals of laughter and prayer all this time since we were kids. I really cherish you, keep on staying by my side.
11. My precious besties, Salma and Ludwina. Thank you for always making me laugh when everything was not going so well, thank you for give me such great memories and always supporting each other. I could never thank you enough, thank you for being my supportive best friend.
12. My International classmates, Dini, Sirli, Lisa, Rani, Sisca, Dewi, Almas, Alvira, Arif, and Meli who have learned along with me for the past few years. Thank you for all your support, passion, motivation, and cheerfulness. See you on the next level.
13. My comrades in arms who are both struggling to achieve their goals as well as all Accounting class friends who always provide support and the spirit of togetherness in achieving an Accounting degree.
14. To my junior high schoolmates, Yurli, Eni, Risa and Dini. Thank you for supporting me no matter what since 7^{th} grade until now.
15. My dearest friends Najma, Mba Nadya and Nindy one of my support systems through thick and thin, and for always being there everytime I need. Let’s stick together and still be the “unique” us though the distance separates us.
16. My cuss lulus girls Vala, Lisa and Shendy. Thank you for all the times and moments that have been passed since we did our undergraduate thesis. Thanks for all the laughter and support each other for all this time. We did it!
17. The Japan explorer friends Lisa, Rani, Jovita, Dhiah, Nopal, Zara, Yenny Gusti, Dimas, Atika, and Felicia as partners in the exchange program, one of my best

experiences in college. Also my Japanese friends Mao, Rena, Tomoki, Shiho, Kumi, Tsui, Mayu, Anju, Kelvin, Shio, and the others who have warmly welcomed me and taught me new things.

18. My lovely cousin Yuliana and Uci. Thank you for being a warm family for me thank you for cheering me on my every steps.
19. At the very final, I would like to thank myself for fighting until the end with enthusiasm and not giving up so that I can complete this thesis well.

For all the help and support, the authors say thank you, and may you all get a reply from Allah SWT. The author realizes that there are still many shortcomings in this thesis and it is still far from perfect, but the author hopes that this thesis can be useful and provide benefits for the readers.

Bandar Lampung, June 06th 2023
Author,

Eti Setia Wati

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CHAPTER I

INTRODUCTION

1.1 Research Background

In general, getting profit is the general target of every business entity or organization. This is for the sake of maintaining the survival of the company itself. Various steps and policies are carried out by each company owner to obtain as much profit as possible. However, a company policy that is only profit or profit-oriented has an effect on the environment and the people who are in the company's work environment. Various cases of environmental pollution and excessive exploration have resulted in damage and imbalance to existing natural resources because of the company's interests which only focus on profit.

As for several cases of social and environmental impacts that have occurred in Indonesia, one of Indonesia's large PMA companies, namely PT. Medco Energi International Tbk became a domestic oil and gas (oil and gas) company that suffered the most oil spill cases the issue of the former limestone mine of PT. Semen Gresik which took its toll. Then there has also been forest damage in Lampung, reaching sixty-five percent, caused by PT. Delivra Sentosa (PMA on behalf of PT. Indomarine 2 Aquaculture Farm) was known not to have an AMDAL (WALHI, 2018).

There is any proof that several companies prioritize seeking as much profit as possible, and are still not aware of the importance of paying attention to the impact of company activities on the economy, environment and social. From the current paradigm, the government issued a decision which was then issued through a law on Limited Liability Companies (PT) which stated various provisions for the establishment of a PT. one of which was 2 articles 74, Law Number 40 of 2007 concerning social and environmental responsibility, Law no. 23 of 2007 regarding environmental management and based on PP no. 27 of 2007 which requires an AMDAL (environmental impact analysis).

Based on Statement of Financial Accounting Standards (PSAK) No. 1, companies can disclose additional reports such as reports on the environment and reports on added value, especially for companies that consider environmental factors and employees to play an important role in these reports. The foundation and guidelines for carrying out sustainable economic activities along with the signing of the guidelines for the preparation of SIH (Green Industry Standard) Number 51/M-IND/PER/6/2015 by the Indonesian Minister of Industry are expected to be a guideline for companies in carrying out their production processes that are effective and efficient as well as environmentally friendly. In the early stages, this SIH is voluntary, but over time it will selectively become mandatory and will be subject to sanctions on companies that do not meet the standards. As a technical guide for the sustainability reporting obligations, the government issued PP No. 47 of 2012 concerning the Social and Environmental Responsibility of Limited Liability Companies. Based on the government's sustainability reporting regulations, companies are not only required to carry out their social and environmental responsibilities, but also must report these accountability activities.

Sustainability reports are the practice of measuring, disclosing and accountability efforts of an organization's performance in achieving goals for sustainable development to stakeholders both internal and external to the company (Aziz, 2014). In addition, the sustainability report is a reflection of organizational performance in economic, social and environmental dimensions which can be a medium for companies to inform their organizational performance to all stakeholders, which can later help the organization to set goals, measure performance and manage changes in order to make the organization operations continue (Sari et al., 2017).

In Indonesia, sustainability reporting is still voluntary, unlike financial reporting and mandatory annual reporting, especially for go-public companies (Hasanah et al., 2015). The practice and disclosure of sustainability reports is a mechanism and a real consequence of the implementation of Good Corporate Governance which has the principle that stakeholders need attention, both in terms of existing regulations and establishing active cooperation for long-term survival between stakeholders and companies (Aliniar and Wahyuni, 2017) .

SOEs companies are the main focus of this research. State-Owned Enterprises (SOEs) is a business entity whose capital is wholly or substantially owned by the state through direct participation originating from separated state assets. This definition is regulated in the Law of the Republic of Indonesia Number 19 of 2003. SOEs is established so that can provide maximum benefits for the welfare of stakeholders, especially the people of Indonesia. Social, economic and environmental responsibility is the government's special concern for this state-owned company. This has been formalized both in the form of Government/Ministerial Regulations, as well as Laws.

In this data, information is presented from collecting SOEs data published the sustainability Report. In the process of gathering this information, the reference for the list of SOEs was obtained from the website of the Ministry of SOEs. Then the presentation of the data collection is carried out based on the groups defined in the list. The following figure shows category information to show a comparison between the number of each category and the number of SOEs that publish in the related category.

Table 1.1 Publication of Sustainability Report in SOEs Companies

No	**Category**	**Total**	**Publication**			
			2018	**2019**	**2020**	**2021**
1.	Energy, Oil dan Gas	3	3	3	2	2
2	Manufacture	3	2	2	2	2
3.	Mineral and Coals	1	-	1	1	1
4.	Pharmaceutical	4	1	2	2	3
5.	Infrastructure	10	8	8	9	10
6.	Logistic	9	6	6	7	8
7.	Basic Material	6	5		5	6
Total		36	**25**	**27**	**28**	**32**

The data above shows that there are state-owned enterprise companies that have been submitted Sustainability Reports in 2018-2021. It is possible that from the list there are still SOEs that have not been included. Based on the data obtained, the companies have published Sustainability Report is fluctuate in each year.

According to various studies about disclosure of the Sustainability Report which shows various results. Profitability, liquidity and dividend payout ratio are used to determine the level of company profits and are taken into consideration in designing social and environmental programs that will be disclosed in a sustainability report. Company profitability describes the correlation between assets or capital and profits used to generate profits during a certain period. The higher the level of profitability, the greater the disclosure of social information (Hidayat, belkao

relevant within the company will build strength between companies. Companies that create high profits will open new lines or branches, then, at that time, they will generally expand their business or open new speculations identified with the parent company (Wirna, 2014).

A high level of company liquidity indicates the company's ability to pay its short-term obligations. Liquidity management is very important because it affects the profitability of the company. Companies that can pay their obligations indicate that the company has good financial performance. This is supported by research by Nazir, Ilham and Utara (2014) which states that a company that has a high level of liquidity is an illustration of the company's success in paying its short-term obligations on time. Besides liquidity, one of the factors that must be considered by the company is profitability.

There are some variables that are considered to influence the disclosure of sustainability reports and these variables have been statistically tested in previous studies to see their effect. The results of the research show positive and negative impacts. This study attempts to reexamine several factors that have been tested in previous studies. This study will examine the variable profitability, liquidity and dividend payout ratio on the disclosure of the sustainability report of SOEs companies.

Of the several variables that are thought to influence the disclosure of sustainability reports, this research is entitled **"The Effect of Financial Performance on The Disclosure of Sustainability Report: Case Study on State-Owned Enterprise Companies Listed on Indonesia Stock Exchange in 2018-2021."**

1.2 Research Question

Based on the background explained above, the following research questions were formulated as follows:

1. Does profitability has a significant positive effect on the disclosure of sustainability report at SOEs companies listing on the Indonesia Stock Exchange in 2018-2021?
2. Does liquidity has a significant positive effect on the disclosure of sustainability report at SOEs companies listing on the Indonesia Stock Exchange?
3. Does dividen payout ratio has a significant positive effect on the disclosure of sustainability report at SOEs companies listing on the Indonesia Stock

Exchange?

1.3 Research Objective

Based on the background and formulation of the problems that have been explained, the objectives of this study are as follows:

1. To find out and analyze the effect of Profitability on the disclosure of sustainability reports at SOEs companies in 2018-2021.
2. To find out and analyze the effect of Liquidity on the disclosure of sustainability reports at SOEs companies in 2018-2021.
3. To find out and analyze the effect of Dividen Payout Ratio on the disclosure of sustainability reports at SOEs companies in 2018-2021.

1.4 Research Benefits

This research is expected to provide benefits to various parties, both the parties associated with the company that has a Sustainability Report, the company that disclosure of Sustainability report, as well as those who become users Sustainability Report and Financial Statements, these parties include:

1. For academics, as a reference in making investment decisions using a sustainability report that can be used as an analytical tool company performance other than the annual report.
2. For companies, as information on the importance of disclosure of the sustainability report that promotes accountability and transparency of CSR

activities carried out by the company with an emphasis on accountability economic, social and environmental to stakeholders. Besides that, you can use it in making decisions regarding the sustainability report for corporate strategy so that the sustainability of the company can be guaranteed.

3. For investors, as a reference in making investment decision using a sustainability report that can be used as an analytical tool for company performance other than annual report.

CHAPTER II

LITERATURE REVIEW

2.1 Theoretical Base

2.1.1 Stakeholders Theory

This study uses stakeholder theory as a grand theory. Ramizes (1984) in his book Cultivating Peace, identifies various opinions about stakeholders. Friedman defines stakeholders as:

> *"any group or individual who can affect or is affected by the achievement of the organization's objectives."*

The meaning is as groups or individuals who can affect and/or be affected by achievement of a certain goal. Biset briefly defines stakeholders as people with an interest in or concern for a particular issue. Whereas Grimble and Wellard see stakeholders in terms of important positions and the influence they have (Busyra, 2012). From this definition, the stakeholder is an attachment based on certain interests. With thus, when talking about stakeholder theory, it means discussing matters related to the interests of various parties.

The first thing about stakeholder theory is that stakeholders is a system that is explicitly based on views of an organization and its environment, regarding the nature of mutual influence between the two are complex and dynamic. Stakeholders and organizations influence each other, this can be seen from their social relations in the form of responsibility and accountability. Hence the organization has accountability to its stakeholders (Marzully and Denis, 2012).

Stakeholder theory says that a company is not an entity that only operates for its own sake but must provide benefits to its stakeholders. Thus, the existence of a company is strongly influenced by the support provided by stakeholders to the company. Gray, Kouhy and Adams said that the survival of the company depends on stakeholder support so the company's activity is to seek such support. The more powerful the stakeholders, the more the company has to adapt. Social disclosure is considered as part of the dialogue between the company and its stakeholders, the company's efforts to adapt are large. Social disclosure is considered as a part of dialogue between the company and its stakeholders (Yunus, 2014).

Hope to build a framework that is responsive to the problem faced by managers at that time, namely environmental change is called with a stakeholder approach. Corporate strategy to satisfy the wants of stakeholders is by disclosing a Sustainability report. Stakeholders will increase satisfaction and will provide full support to the company for everything activities aimed at increasing performance and achieving profits companies disclose Sustainability reports well (Agustya, 2015).

2.1.2 Legitimacy Theory

Legitimacy theory explains that organizations will continue to operate in accordance by the boundaries and values accepted by the community around the company in an effort to gain legitimacy. Based on this theory, companies can operate with community permission, where the permit is not permanent so the company must be able to adapt to the wants and demands of the community. Legitimacy theory is very useful in analyzing the behavior of organizations. Dowling and Pfeffer (1975) said:

> *"Legitimacy is important for organizations, boundaries that are emphasized by social norms and values, reactions to these constraints encourage the importance of analyzing organizational behavior with regard to the environment".*

In Ghozali and Chariri (2007) explain that the thing that underlies legitimacy theory is the social contract that occurs between companies and communities where companies operate and use economic resources. Also explained about the concept of social contracts as follows:

> *"All social institutions are no exception for companies operating in society through social contracts - both explicit and implicit - where their survival and growth are based on:*
>
> *a. End result (output) which can be socially given to the wider community.*
>
> *b. Distribution of economic, social or political benefits to the group in accordance with the power they have."*

The focus of legitimacy theory is on the interaction between companies and society. Dowling has been review the logical reasons for the legitimacy of the organization as follows:

> *"Organizations strive to create harmony between the social values inherent in their activities and the norms of behavior that exist in the social system of society where the organization is part of the system. As long as the two value*

systems are aligned, we can see this as the legitimacy of the company. When actual and potential inconsistencies occur between the two systems, there is a threat to the legitimacy company"

Legitimacy is a useful thing or a potential source for a company to survive so that the legitimacy of the company is very desirable or sought after by the community. When there is a difference between company values and the values adopted by the company with community values, the legitimacy of the company will be in a threatened position (Lindbiom (in Ghozali and Chariri, 2007)).

2.1.3 Sustainability Report

The development of sustainability report is part of the concept of sustainable development. The notion of sustainable development obtained from the United Nations (in the Agenda for Development) is developed with a multidimensional insight into achieving a higher quality of life. Sustainable development includes three aspects, namely economic, social and environmental aspects. To support the existence of sustainable development, the sustainability report is used as one of the media for corporate information to stakeholders (Kuhlmann, 2010).

A sustainability report is a kind of voluntary report. This report is disclosed as a complement to financial statements, so this report is separate from the company's financial statements. The sustainability report reveals three performances related to economic, social and environmental performance. According to GRI (2016), defining sustainability report as a practice of measuring and disclosing company activities, as a responsibility to internal and external stakeholders regarding organizational performance in realizing sustainable development goals.

The sustainability report is different from the financial statements. Aside from being a supporter of sustainable development, this report was disclosed as a form of the company's commitment to the community and the environment around the company. A sustainability report is an information medium for internal and external stakeholders to assess whether the management of a company has carried out what it has been responsible for. So, the sustainability report as a complement to the company's financial statements is very important for stakeholders and companies themselves.

Some benefits have been felt by companies that have disclosed sustainability reports. According to the World Business Council for Sustainable Development (WBCSD) , the sustainability report provides the following benefits:

1. Sustainability reports provide information to stakeholders (shareholders, members of the local community, government) and improve company prospects, and help realize transparency.
2. Sustainability reports can help build a reputation as a tool that contributes to increasing brand value, market share and long-term consumer loyalty.
3. Sustainability report can be a reflection of how the company manages the risks.
4. Sustainability report can be used as a stimulation of leadership thinking and performance that is supported by the spirit of competition.

5. Sustainability report can develop and facilitate the implementation of a management system that is better at managing environmental, economic and social impacts.
6. Sustainability report tends to reflect directly the ability and readiness of the company to fulfill the wishes of shareholders in the long term.
7. Sustainability report helps build interest in shareholders with a long-term vision and helps demonstrate how to increase corporate value related to social and environmental issues.

Most forms of disclosure of the company's sustainability report are disclosed through the company's website, with this media anyone can access it so that they know what form of responsibility the company has made. Based on observations of sustainability report contains narrative text, photos, tables and graphs that contain an explanation of the implementation of the sustainability of the company. Sustainability reporting can be designed by management as a rhetorical story to form the image (image) of the wearer through the use of narrative text (Nugroho, 2009).

The concept of sustainability report rests on the triple bottom line concept developed by Elkington. Elkington (2000) explains the triple bottom line as follows:

> *"The three lines of the triple bottom line represent society, the economy and the environment. Society depends on the global ecosystem, whose health represents the ultimate bottom line. The three lines are not stable; they are in constant flux, due to social political, economic and environmental pressures, cycle and conflicts".*

The company contribution to society, is not concentrated on creating economic value, but also must pay attention to "3P" namely profit, people and planet. So companies must pay attention to other dimensions, namely planets and people. When a company carries out its activities in addition to aiming for profit, the company must pay attention to human welfare and environmental or planetary sustainability.

A sustainability report can be measured by how many indicators can be disclosed in the report. The more indicators that disclose in sustainability report, the better the quality of the sustainability report. GRI standards have established indicators of sustainability report.

2.1.4 Profitability

The profitability ratio is the ratio for assessing a company's ability to make a profit. This ratio also provides a measure of the effectiveness of a company's management (Kashmir, 2018). Profitability is a measure used to determine the company's ability to generate profits. The higher the level of profitability, the more detailed information conveyed by managers in providing information to stakeholders, this is useful to convince corporate stakeholders. Some studies reveal a relationship between profitability and disclosure of corporate social responsibility.

Profitability consists of several ratios, one of which is return on assets (ROA). ROA is used because it can provide an adequate measurement of the overall effectiveness of a company and ROA can also take into account profitability. ROA is a measure of net profit derived from how much a company uses assets. The higher the ROA value, the higher the company's profit so that better the management of a company's assets. The higher the ROA value, the greater the profit the company gets (Ida Putu, 2016). Basically, the use of this ratio is to show the level of efficiency of a company. A high level of profitability in the company will increase the competitiveness between companies. Companies that generate high profits will open new lines or branches, then tend to increase investment or open new investments related to their parent company (Wirna, 2014).

A high level of profitability in the company will increase competitiveness between companies. Companies that have high profits tend to open new branches or lines so they can increase their investment profits or open new investments related to their parent company. Companies that have a high level of profitability tend to disclose more information because they want to show the public and stakeholders that companies have a high level of profitability compared to other companies (Almilia, 2009).

2.1.5 Liquidity

Liquidity is a condition of a company that shows the company's ability to meet liabillities in the short term and in a not-too-long time or is always ready if one day it will be billed (Amrin, 2009).

Ratio that shows the ability of an industry to meet its debts and short-term obligations is called the liquidity ratio (Kashmir, 2019). Because if an industry cannot fulfill its debts and short-term obligations, it will go bankrupt. As a result, investors trust industries that are more influential and lead to greater stock returns (Rosmiati et al., 2018). Industrial liquidity is determined based on industry liquidity originating from easy assets. Industries with large liquidity can fulfill their short-term obligatio (Sutriani, 2014).

Liquidity is a ratio that measures a company's ability to fulfil short-term liabilities at due date. Short-term creditors are more interested in the company's cash flow management fund performance compared to the amount of profit the company gets. So, short-term creditors will pay more attention to the development of the company's liquidity. Liabilities or short-term debt can be fulfilled or closed from current assets that also rotate in the short term. The liquidity ratio is a ratio that measures a company's ability in the short term by looking at the company's current assets against its current debt (debt, in this case, is the company's liabilities) (Mamduh and Halim, 2016). A high level of liquidity will show the strong financial condition of the company. Companies like this tend to disclose information more widely to outsiders because they want to show that the company is credible (Nasir et al., 2007).

2.1.6 Dividen Payout Ratio

The dividend payout ratio is the indicates percentage of each dollar earned that is distributed to the owners in the form of cash, it is calculated by dividing the firm’s cash per share by its earning pershare (Gitman dan Zutter, 2012).

The dividend payout ratio is the ratio of dividends to net income earned **(**Darmadji and Fakhruddin, 2012). The dividend payout ratio is the amount of dividend that a company gives out to its shareholders out of its current earnings. The earnings that the company retains with it after paying off the dividends are “Retained Earnings.” And the company invests in these for its growth and future. The purpose of investors investing in a company is to get dividends. Investors expect to always get dividends in larger or more stable amounts each year.

Disclosure of sustainability report is a manifestation of the company's responsibility for economic, social and environmental issues. The company hopes that by conducting sustainability report disclosures conducted by the company it can attract investors to invest in the company. Investments in companies are expected to increase the company's dividend payout ratio

2.2 Previous Research

Table 2.2 Previous Research

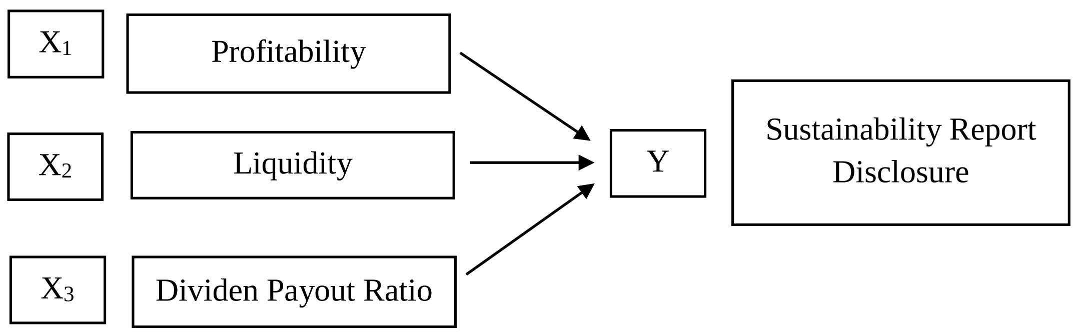
No	Researcher	Research Title	Research Results
1.	Lucia, Rosinta Ria Panggabean (2018)	The Effect of Firm's Characteristics and Corporate Governance on Sustainability Report Disclosure	The result showed that there was a positive effect of Firm's Characteristic and Corporate Governance to the Sustainability Report Disclosure
2.	Fadhila Adhipradana Daljono (2016)	The Effect of Financial Performance, Company Size, and Corporate Governance Regarding Disclosure of Sustainability Reports on Manufacturing Companies Available on the Indonesia Stock Exchange.	The results showed that financial performance measures influence the disclosure of Sustainability Reports, Company Size influences the disclosures of Sustainability Reports, Corporate Governance affects the Sustainability Reports.
3.	Luthfia Khaula (2012)	The Effect of Financial Performance, Company Size, Capital Structure and Corporate Governance which publish Sustainability Report	The result showed that total there was a positive effect of total assets, total of labor, and meetings of directors council and governance committee on the sustainability report. While the return on asset, current ratio, inventory turnover, capital structure, and audit committee showed haven't influence to the sustainability report.
4.	Hari Suryono. Andri Prastiwi (2011)	The effect of Company Characteristics and Corporate Governance (GC) on Sustainability Report (SR) Disclosure Practices	The result showed that there was a positive affect of variable profitability, firm size, directors council, and audit committee. While the variable of liquidity, leverage, activity and governance committee don't affect to the disclosure of sustainability report.

5.	Petra F.A Dilling (2009)	Sustainability Reporting: What Are The Charateristics of Corporations that Provide High-Quality Sustainability Reports	The results showed that the company has characteristics which is high profitability , growth in the mining category and have long-term development and have effect to the sustainability report
6.	Sitepu (2009)	The Effect of Sustainability Report on the Disclosure of Financial Performance	The result showed that there was a positive correlation of commissioner council, leverage, firm size, and profitability to the sustainability report.
7.	Luciana Spica Almalia (2009)	Analysis of the Quality of Financial and Sustainability Reporting Content on Go Public Company Websites in Indonesia	PT. Semen Gresik Tbk must already make sustainability report based on the standards of GRI (Global Reporting Initiative)
8.	Mega Putri Yustia Sari, Marsono (2013)	The Effect of Financial Performance, Company Size and Corporate Governance to The Disclosure of Sustainability Report	The results showed that Profitability, Liquidity, Company Size and Corporate Governance has a positive effect on the disclosure of Sustainability Report. Meanwhile, Leverage has a negative effect on disclosure of Sustanability Report.

2.3 Research Framework

Based on the theory described above, this study tries to understand the influence of financial performance that can encourage companies to disclose sustainability reports in annual reports by examining several variables that are indicated to have an influence. This variable has been tested in several empirical studies and shows mixed results. The variables to be tested in this study are profitability, liquidity and Dividend Payout Ratio. For this reason, the following research model has been prepared:

Figure 1. 1 Research Model



2.4 Hypothesis Development

The hypothesis is a temporary answer to the definition of a research problem definition. It is said temporarily because the answers given are based on relevant theories, not based on empirical facts obtained through data collection (Sugiyono, 2016). Based on previous research and various studies, the researcher made the following hypothesis:

2.1.7 The Effect of Profitability on the Disclosure of Sustainability Report

This profitability ratio measures a company's ability to generate profits in an effort to increase shareholder value. A company will tend to increase profitability to show that the company generates profits with an increasing ratio. With increased profitability company, the company has more funds to carry out social activities. This has an impact on the increasing amount of information that can be disclosed in sustainability reports.

Thus, the higher the level of company profitability, the more the disclosure of social information is also large (Munif, 2010; Agustina, 2013; Fachrurozie, 2013).

A sustainability report is one type of disclosure of information that is voluntary. A company that owns a high level of profitability tends to disclose more information because wants to show the public that the company has a high level of profitability compared to other companies in the same industry. In addition, the company also wants show investors that operations are running efficiently. Through disclosure of sustainability report, the company can convey information about the activities carried out by companies that affect social, economic and environmental conditions.

The research by Utami (2015), Nasir et al (2014), Dilling (2010) which showed that profitability proxied through ROA has a positive effect on the sustainability report disclosure. Therefore, this study assumes the following:

H_1: Company profitability has a significant positive effect on the sustainability report disclosure

2.1.8 The Effect of Liquidity to the Disclosures of Sustainability Report

The level of liquidity is the company's ability to fulfill short-term liabilities, this ratio describes the financial health of a company. Companies with high levels of liquidity are considered capable of managing their business, resulting in a low level of risk. A company that owns a high level of liquidity is an illustration of the success of the company in paying short-term liabillities in a timely manner. This is certainly showed the credibility of the company's ability to create an image positive and strong attached to the company. The positive image is getting more allowing stakeholders to always be with the company or support the company (Suryono and Prastiwi, 2011). The strength of the company is indicated by a high liquidity ratio that will be related to the level of high disclosure. The company will try to provide extensive information about financial performance, to improve the image company (Belkaoui, A.R. et. al., 1989).

One of the ways to do this adding to the trust and positive image that already exists is by disclosing information additions that describe company activities that care about social responsibility and environment. Disclosure of sustainability reports is one way for companies to increasingly shows the company activities in carrying out social responsibility and environment. One of the disclosures is the sustainability report is a form of report on social and environmental responsibility as well as disclosure about the company's financial performance.

The research carried out by Daljono (2016), Jannah and Kurnia (2016) showed a positive effect between liquidity and sustainability report disclosure. Therefore, this study assumes the following:

H_2: Company liquidity has a significant positive effect on the sustainability report disclosure.

2.1.9 The Effect of Dividend Payout Ratio to Disclosures of Sustainability Report

The purpose of investors investing in a company is to get dividends. The investor expects to always get dividends inside a larger or stable amount for each year. Sustainability report disclosure is a manifestation of the company's responsibility for issues economic, social and environmental. The company hopes that by doing the sustainability report disclosure conducted by the company can attract people investors to invest in the company. The investment that goes into companies is expected to increase the company's dividend payout ratio (Hanafi, 1995).

The profits that will be obtained by the shareholders will determine the welfare of thw shareholders which is the companyès main goal. The greater the dividend distributed to shareholders, the better the performance of the issue or company ultimately the company that has good managerial performance is considered profitable and of courses the assessment of the company will be better as well, which is usually reflected through the company's stock price level (Utomo, 2016).

With the high dividend payout ratio (DPR), it can be seen that the company has ability to pay dividends with high returns. It can be interesting to investors, because the company shows good management performance with a high level of parliament. Companies with high DPR indicate that the company has more funds to do more social activities so more and more also the information disclosed in the sustainability report (Daljono, 2016).

The research carried out by Sembiring (2005), Daljono (2016) showed a positive effect between the dividen payout ratio and the level of social information disclosure. Therefore, this study assumes the following:

H_3 = Company Dividend Payout Ratio has a significant positive effect on the sustainability report disclosure.

CHAPTER III

RESEARCH METHODOLOGY

3.1. Type and Data of Source

The type of data used in this research is quantitative data. This research uses secondary data obtained from annual reports, financial report, and sustainability report of state-owned companies in the Manufacturing, Pharmaceutical, Mineral and coal, Energy, Oil and Gas, Infrastructure and Basic Material categories in 2018-2021 obtained from each company site and was by downloading data directly through the official IDX website www.idx.co.id. The data obtained is panel data namely various information from several companies during the period in 2018-2021. Each organization's website is as follows:

Table 3.1 Sample Selection

Information	Jumlah
1. State-owned companies in the category of Manufacture, Pharmaceutical, Mineral and coal, Energy, Oil and Gas, Infrastructure and Basic Material category listed on IDX in 2018-2021	24
2. State-owned companies in the category of Manufacture, Pharmaceutical, Mineral and coal, Energy, Oil and Gas, Infrastructure and Basic Material category do not published sustainability report on IDX in 2018-2021	(10)
3. State-owned companies in the category of Manufacture, Pharmaceutical, Mineral and coal, Energy, Oil and Gas, Infrastructure and Basic Material	14

category published sustainability report and do not losses profit and distributed dividen in 2018-2021	
Selected sample	14
Total of research year	4
Total of Sample (14x4)	**56**

Table 3.2 Pharmaceutical Category of SOEs Companies

No.	Code	Company	Website
1.	KAEF	PT. Kimia Farma Tbk	*www.kimiafarma.co.id*

Table 3.3 Energy, Oil and Gas Category of SOEs Companies

No.	Code	Company	Website
1.	ELSA	PT. Elnusa Tbk	*www.elnusa.co.id*
2.	PGAS	PT. Perusahaan Gas Negara (Persero) Tbk	*www.pgn.co.id*
3	PTBA	PT. Tambang Batubara Bukit Asam (Persero) Tbk	*www.ptba.co.id*

Table 3.4 Infrastructure Category of SOEs Companies

No	Code	Company	Website
1.	ADHI	PT. Adhi Karya (Persero) Tbk	*www.adhi.co.id*
2.	WTON	PT. Wijaya Karya Beton Tbk	*www.wika-beton.co.id*
3.	JSMR	PT. Jasa Marga (Persero) Tbk	*www.jasamarga.com*
4.	PTPP	PT. Pembangunan Perumahan (Persero) Tbk	*www.pt-pp.com*
5.	PTPPRO	PT. PP Properti Tbk	*www.pp-properti.com*
6.	WASKITA	PT. Waskita Karya (Persero) Tbk	*www.waskita.co.id*
7.	WIKA	PT. Wijaya Karya (Persero) Tbk	*www.wika.co.id*

Table 3.5 Basic Material Category of SOEs Companies

No	Code	Company	Website
1.	WSBP	PT. Waskita Beton Precast Tbk	*www.waskitaprecast.co.id*
2.	ANTM	PT. Aneka Tambang Tbk	*www.antam.com*
3.	TINS	PT. Timah Tbk	*www.timah.com*

3.2 Population and Sample

Companies included in the Pharmaceutical, Energy, Oil and Gas, Infrastructure and Basic Material categories of SOEs companies in 2018-2021 are population in this study, in order to obtain a population of 14 Company. Researchers use companies that are included in the Pharmaceutical, Energy, Oil and Gas, Infrastructure and Basic Material category compared to other SOEs industrial companies in this study because is there are high profile categories (Sembiring, 2005). So that in management or in operational activities directly related to environment, society and economic.

Purposive sampling is the method used in sample selection which aims to get a representative sample according to the criteria which is determined. The sample criteria to be used are:

1. State-owned enterprise that are included in the Pharmaceutical, Energy, Oil and Gas, Infrastructure and Basic Material category listed on Indonesia Stock Exchange in 2018-2021.
2. State-owned enterprise that are included in the Pharmaceutical, Energy, Oil and Gas, Infrastructure and Basic Material category category present

complete data and publish an annual report listed on Indonesia Stock Exchange in 2018-2021.

3. State-owned enterprise that are published sustainability reports in 2018-2021.

3.3. Data Collecting Method

Secondary data is the data used in this study which taken from financial reports, and sustainability reports of SOEs Companies which are included in the Pharmaceutical, Energy, Oil and Gas, Infrastructure and Basic Material category in 2018-2021. Data collection methods are used in this study is the method of documentation. Documentation method is a method of collecting qualitative data by looking at or analyze documents made by the subject himself or others by subject (Haris, 2010). The information obtained is sourced from the official site each company included in the category of Pharmaceutical, Energy, Oil and Gas, Infrastructure and Basic Material category.

3.4. Variable Operational Definition

3.4.1. Dependent Variable

The dependent variable can be interpreted as a variable that is influenced positively or negatively by other variables (Sekaran, 2006). The dependent variable of this study is the practice of disclosure of sustainability report. Sustainability report is a practice of measurement, disclosure, and accountability efforts that reflect the company's activities in its efforts on sustainable development to stakeholders. A Company sustainability report that contains practices in measuring and disclosing the companies social and environmental activities, as a responsibility to internal and external stakeholders regarding organizational performance in realizing sustainable development goals (GRI, 2016). This dependent variable is measured through the Sustainability Report Disclosure Index (SRDI). SRDI assesses social and environmental responsibility according to the criteria according to GRI, namely there are 91 items which are then readjusted to each company. SRDI calculation is done by giving a score of 1 if one item is disclosed and 0 if it is not disclosed. Furthermore, each item is totaled, then divided by the total number of disclosures based on GRI (91 items).

$$\boldsymbol{SRDI = \frac{V}{M}}$$

Information:

SRDi **:** Sustainability Report Disclosure Index

V : The total item of Company Disclosure

M : Global Reporting Index

3.4.2. Independent Variable

The independent variable is the variable that is suspected as the cause affect other variables, namely the dependent variable. Return on asset proxy for profitability, current ratio proxy for liquidity and dividend payout ratio proxy for dividend payout ratio is the independent variable in this study.

3.4.2.1 Profitability

In estimating the company's profitability, estimation instruments are used Return on Assets (ROA). Financial indicators that describe capacity company to generate profits from the company's total assets is called with return on assets. The greater this ratio the better with reason that the company's management can generate maximum profit from owned assets (Pearce and Robinson 2008, p. 241). To measure the profitability variable in this study the parameter used is ROA which is a financial indicator that explains the ability of the company to benefit from the total assets of the company. The most important ratio and is the analytical technique used for measuring the level of effectiveness of the overall operation of the company is analysis ROA. The company's ability to earn profits using total assets owned by the company after deducting the costs to finance assets is measured by ROA analysis. The formula for calculating ROA is as follows following:

$$\boldsymbol{Return\ On\ Asset = \frac{Net\ Profit}{Total\ of\ Asset}}$$

3.4.2.2 Liquidity

Liquidity is the ratio of current assets divided by current liabilities. The current ratio (CR) is a measure of how well current assets cover current liabilities. The company's ability to cover its current liabilities increases with the ratio of current assets to current liabilities. The liquidity ratio can be seen using the current ratio, quick ratio, and cash ratio. In this study using the current ratio. Current ratio is a comparison between current assets and current liabilities and is the most commonly used measure to determine the ability of a company to meet its short-term obligations. The current ratio shows the extent to which current assets cover current liabilities. The greater the comparison of current assets and current liabilities the higher the company's ability to cover its short-term liabilities.

$$\boldsymbol{Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities}}$$

3.4.2.3 Dividen Payout Ratio

Dividend payout ratio is a ratio that shows the level of dividend compared to the profit obtained by a company. The dividend payout ratio sees the earnings portion that is paid as dividends to investors. Other parts that are not shared will be reinvested into the company (Hanafi, 2016). It is the percentage of earnings paid to shareholders via dividends. The amount that is not paid to shareholders is retained by the company to pay off debt or to reinvest in core operations. It is sometimes simply referred to as simply the payout ratio. The dividend payout ratio can be calculated as the yearly dividend per share divided by the earnings per share (EPS), or equivalently, the dividends divided by net income (as shown below).

$$\boldsymbol{Dividen\ Payout\ Ratio = \frac{Total\ Dividend}{Net\ Profit}}$$

3.5. Analysis Data Method

3.5.1. Desriptive Statistics Analysis

Desriptive statistics are used to describe in general about the characteristics of each of the variables in the study seen from average (mean), maximum, and minimum values (Ghozali, 2016). Variables examined in this study is the comparison of disclosure index sustainability report and its effect on the profitability (ROA), liquidity (CR) and dividend payout ratio (DPR) of classified companies into the Pharmaceutical, Energy, Oil and Gas, Infrastructure and Basic Material. Variable explanations are presented to determine the mean, minimum, maximum, and the standard deviation of the variables studied.

3.6. Classic Assumption Test

3.6.1. Normality Test

The normality test aims to test whether the regression method is variable dependent and independent variables are normally distributed or not (Ghozali, 2016). There are two methods used in carrying out the normality test, by analysis chart and statistical analysis. This is to detect data distributed with normal or not. Data that is normally distributed or close to normal is good regression models.

3.6.2. Heteroscedasticity

Tests that intend to test whether in a regression model there is an inequality of variance from the residual observation to the observation the purpose of the heteroscedasticity test. Heteroscedasticity occurs if the variance is residual from one observation to another constant. One of the tests used to detect the presence of symptoms of heteroscedasticity is the white test. white test regress squared residuals with independent variables, independent variables square, and multiplication between independent variables (Ghozali, 2016).

The results obtained in the white test are changing R squared for to be c^2, which c^2= n x adjusted R square. To make up my mind see the results of the white test if c^2 count < c^2 table, it can be concluded that it did not occur heteroscedasticity in research. Chi square table with df (degrees of freedom) is used to see the c^2 table, namely the number of independent variables in auxiliary regression and a significance level of 0,05 (Ghozali, 2016).

3.6.3. Multicollinearity

Multicollinearity test is used to determine whether there are symptoms multicollinearity on the relationship between independent variables. Multicorrelation is a very high or very low correlation that occurs in relation between independent variables. If the number of independent variables is more than one then the multicollinearity test needs to be carried out (Sarjono and Julianita, 2011).

Several methods can be used to detect the presence or absence of multicollinearity way, namely:

1. R^2 value generated by the estimation of the empirical regression model very high but individually many of the independent variables are not significantly influence the dependent variable.

2. Analyze the relationship between independent variables. If among the independent variables there is a fairly high correlation (greater than 0,90), this is an indication of multicollinearity.
3. Multicollinearity can also be seen from the VIF (Variance Inflating factor). If VIF < 10, the level of collinearity can be tolerated.
4. To see the tolerance and VIF values, the deep multicollinearity test is used this research. There is no multicollinearity if the Tolerance value is > 0,10 or the same with VIF < 10, Multicollinearity disturbance occurs if the Tolerance value < 0,10 and VIF > 10.

3.6.4. Autocorrelation

Autocorrelation test is an assumption test in the regression in which the dependent variable not correlated with itself (Idris, 2010). Durbin-Watson test used to find out if there are symptoms of autocorrelation. Symptoms of autocorrelation positive if the Durbin-Watson number < -2, there are no symptoms of autocorrelation if the number between -2 to 2 and symptoms of autocorrelation negative if the Durbin -Watson number > 2. Decision making there is an autocorrelation or not can be seen in the following table:

Table 3.6 Classification Value d (Durbin-Watson)

0 Hypothesis	Decision	If
There is no positive autocorrelation	Reject	$0<d<dl$
There is no positive autocorrelation	No Decision	$dl \leq d \leq du$

There is no negative autocorrelation	Reject	4-dl<d<4
There is no negative autocorrelation	No Decision	4-du≤d≤4-dl
There is no autocorrelation, positive or negative	Not Reject	du<d<4-du

3.7. Hypothesis Test

3.7.1. Multiple Regression Analysis

According to Sugiyono (2016) multiple linear regression analysis is regression which has one dependent variable and more than two independent variables.

According to Santoso (2004) the objective of the multiple regression model is to use data on the magnitude of the independent variable that is known to estimate the size of the dependent variable. Profitability, liquidity and dividend payout ratio are independent variables. For the independent variable, namely the disclosure of the sustainability report. To test the hypotheses that have been prepared, a multiple regression model is made as follows:

$$\boldsymbol{SRDI = \alpha + \beta 1\, ROA + \beta 2\, CR + \beta 3\, DPR + e}$$

Information :

SRDi : Sustainability Report Disclose Index
ROA : Profitability, proxy ROA
CR : Liquidity, proxy Current Ratio
DER : Dividen Payout Ratio, proxy DER
α : Konstanta.
β : Slope or Estimate Coefficient.
e : Error term

3.7.2. Coefficient of Determination (R^2)

As far as the relationship between at least three or more variables, we want to know what is the percentage contribution of each variable X to variation (increase fall) Y together. The coefficient of multiple determination is a measure percentage of donations with the symbol R^2 (Firdaus, 2021). Coefficient R^2 determination is a measure that says how good the regression line is the sample is suitable/according to the data. R^2 illustrates the percentage of the amount the variation that can really be described by its linear regression line (Firdaus, 2021).

3.7.3. Model Validity Test (Statistical F Test)

Model validity test (statistic F test) or goodness of fit test describes whether each independent variable included in the model has a influence jointly on the dependent variable. F test stages as following (Gujarati, 2003):

1. Determine the significance level ( ) with the degree of freedom (df).
2. Comparing the results of significant F with the criteria:
   a. If the significant value of F > 0,05 implies that the model is regression in this study is not possible to use in study.
   b. If the significant value of F < 0,05 implies that the model is regression in this study allows for use in research

3.7.4. Significant Test of Individual Parameter (Statistical t Test)

The t-test was conducted to determine the effect of each independent variableto the dependent variable. What should be done in this test is as follows (Gujarati, 2003):

1. H_a is not supported, that is, if the significant value of $t > 0,05$ means variable individually independent has no effect on the variable dependent.
2. H_a is supported, that is, if the significant value is $t < 0,05$, it means variable independent individually influential.

CHAPTER V

CONCLUSION AND SUGGESTION

5.1. Conclusion

This study aims to see the effect of the variables Profitability, Liquidity and Dividend Payout Ratio on Disclosure of Sustainability Reports in State-owned Enterprises Companies listing on the Indonesia Stock Exchange in 2018-2021. Multiple regression analysis as a tool for analyzing hypotheses using the IBM SPSS Statistics 25 program was used in this study. Referring to the results of testing the hypothesis of the variables Profitability, Liquidity and Dividend Payout Ratio, it can be concluded as follows:

1. Return on Asset proxy for Profitability has a significant positive effect on Sustainability Report disclosure in state-owned enterprises companies belonging to the Pharmaceutical, Energy, Oil and Gas, Infrastructure and Basic Material category.
2. The profitability of the company would contribute more to the information of sustainability report company. It means that companies with high level of Return on Asset having sufficient funds to be distributed to economic, social and environmental activities, so the company more have capability to disclosed sustainability report.
3. Current Ratio proxy for Liquidity has a significant effect on Sustainability Report disclosure in state-owned enterprises companies belonging to the

Pharmaceutical, Energy, Oil and Gas, Infrastructure and Basic Material category.

4. A high Current Ratio reflects that the company is in a liquid condition or the company is able to maintain the stability of its financial condition, so that is able to pay short term liabilities. In addition, the company is able to create a good image to the investors and stakeholder, so that the company is considered credible and trustworthy.
5. Dividend Payout Ratio proxy Dividend Payout Ratio does not have a significant effect to the disclosure of Sustainability Reports in state-owned enterprises companies belonging to the Pharmaceutical, Energy, Oil and Gas, Infrastructure and Basic Material category.
6. There is no influence of Dividend Payout Ratio to the disclosure of sustainability report seems from the trait of Dividen Payout Ratio which reflects the amount of dividend distributed to investors from the profit earned. It is possible for investors to prioritize profits obtained, so that corporate social activities are rarely related to the value that can be obtained by investors.

5.2. Research Limitation

In this study, it provides empirical evidence regarding the Effects of Profitability, Liquidity and dividend payout ratios on state-owned companies belonging to the Pharmaceutical, Energy, Oil and Gas, Infrastructure and Basic Material s category Listed on the IDX in 2018-2021, but this research still has research limitations , including:

1. From the results Adjusted R Square value of the tested model is low, obtained a value in this study is 0.173 shows that the variable of the research which are profitability, liquidity and dividend payout ratio that used can only explain by 17.3%, while 83.7% was explained by other variables that were not examined in this research. So that the research variables used are less able to explain the effect on the level of disclosure of sustainability report in company.
2. The number of samples used in this research is still low, namely only 14 state-owned companies listed on the Indonesia Stock Exchange in 2018-2021, because there are still very few companies that published Sustainability Report either stand alone or integrated with annual report. Testing with more samples will be away from abnormal distribution of data. Thus allowing for differences in results and conclusions if added more variables, type of industry and year of research.
3. This study only uses selected samples from several sectors in state-owned enterprises companies that are listed on Indonesia Stock Exchange, namely Manufacture, Pharmaceutical, Mineral and coal, Energy, Oil and Gas, Infrastructure and Basic Material. So that the data obtained is still small and does not varied.

5.3. Suggestion

Based on the results of research that has been done, suggestions are given researchers are as follows:

1. For further research, it is expected to be able to add other variables outside the variables contained in this study in accordance with has been described. The variables such as leverage by using debt to equity ratio, company size by using the total of employee or the total of assets and corporate governance variables can use institutional ownership, managerial ownership, and internal control system which probably will proves that company have influence to sustainability report dislosure that make stable results or even better. So that it can be taken into consideration and comparison.
2. Companies are expected to be able to maintain it is consistency in accounting for disclosing social information through sustainability report disclosure and social life of the community. As well as improve the performance and competitiveness of the company so as to enhance the reputation and image of the company in the perspective of public. For the government, sustainability reports disclosure in Indonesia have not been carried out by many companies, even though sustainability report disclosure has been regulated in POJK No. 51/POJK.3/2017 concerning the application of finance sustainable, but in practice there are still many companies in Indonesia that have not implement. Therefore, the government is expected to form legislation tha more assertive regarding the implementation of sustainability reports.

3. For further research, it is expected can be carried out research on all sector companies, both financial and non-financial sector companies.There are not only state-owned enterprises companies but also companies that listing on Indonesia Stock Exchange such as logistics companies and mining companies, so that the research sample obtained will be wider.

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