

Improving the quality of sustainability reports through the influence of company size, leverage, company age, media visibility, and profitability

Ahmad Juliana^{1✉}, Ahmad Alfiannur²

Fakultas Ekonomi Universitas Borneo, Tarakan.

Abstract

Companies now convey their social, environmental, and economic performance to stakeholders using sustainability reporting as a key tool. The goal of this study is to examine how factors such as corporate size, leverage, age, media exposure, and profitability affect how much information about sustainability reports is disclosed. The case study for study focuses on businesses that are included in the LQ45 index. Secondary data analysis is used in the quantitative research process. Sustainability reports and financial information that is readily available for a particular period make up the data used. The dependent variable (degree of sustainability report disclosure) and the independent factors (business size, leverage, firm age, media visibility, and profitability) are compared using regression analysis. The results of this study should aid in understanding the variables affecting the degree of sustainability report disclosure among LQ45 index companies. The application of this study suggests that businesses can improve the caliber of their sustainability reports by taking into account the aforementioned factors.

Key words: Sustainability reporting; company size; leverage; company age; media visibility; profitability

INTRODUCTION

Sustainability reporting has become a crucial tool for companies to provide transparent and comprehensive information about the social, environmental, and economic impacts of their operations. Effective sustainability reporting can enhance a company's reputation, stakeholder trust, and appeal to investors. As a result, it's critical to comprehend the variables that affect how much information businesses disclose in their sustainability reports.

Every company aims to maximize profits in its operational activities. However, these activities also have social and environmental impacts. According to social contract theory, companies have a responsibility towards society and should meet its expectations (Disemadi & Prananingtyas, 2020). Corporate social responsibility policies, often disclosed in sustainability reports or Sustainability Reports, are implemented to minimize negative impacts and maximize positive impacts. Sustainability reports provide information about the economic, social, and environmental consequences of a company's activities. By disclosing a sustainability report, companies can enhance their image and establish positive relationships with the government, community, investors, creditors, and other business stakeholders.

Various factors can influence a company's Sustainability Report, including company size, leverage, company age, media visibility, and profitability. However, previous studies examining these factors have yielded inconsistent results. For example, research by Suryani (2013) suggests that company age positively affects Sustainability Report disclosure. In contrast, Hasanah and Rudyanto's study (2020) found no influence of company age on the Sustainability Report. The impact of leverage on Sustainability Report disclosure also varies. Yuliawati and Sukirman (2015) found a significant positive relationship, while Dewi et al. (2021) discovered that higher leverage corresponds to lower disclosure of the Sustainability Report.

Regarding company size, studies by Oktavianawati and Sri (2018) and Widiastuti et al. (2018) indicate that larger companies tend to have a higher level of sustainability report disclosure. However, Zulhaimi and Nuraprianti's research (2019) suggests that company size does not affect the Sustainability Report. Media visibility's influence on Sustainability Reports also presents mixed findings. Rahayu and Anisyukurlillah (2015) and Revaldo and Rusmanto (2020) found no significant influence, while Widiastuti et al. (2018) observed that greater media visibility leads to increased Sustainability Report disclosure.

The relationship between profitability and the Sustainability Report is also inconclusive. Purbawangsa et al. (2020) demonstrated that higher profitability is associated with a greater level of Sustainability Report disclosure. In contrast, Kirana and Prasetyo (2021) found that higher profitability corresponds to a lower level of disclosure. Meanwhile, Tran et al. (2021) found no effect of profitability on the Sustainability Report in their study.

The Sustainability Report encompasses economic, social, and environmental performance. It is prepared according to the standards set by the Global Reporting Initiatives (GRI). Companies utilize sustainability reports to communicate their commitment to economic, social, and environmental issues to the public, investors, creditors, and stakeholders. According to stakeholder theory, companies should not solely focus on profits but also aim to benefit their stakeholders. The release of the sustainability report is anticipated to satisfy the informational requirements of stakeholders who support the business's survival.

The first variable examined in this study is company size, which influences a company's tendency to disclose its sustainability reports as a means to demonstrate a positive image compared to other companies. Qoyum et al. (2017) conducted research indicating that larger companies exhibit a higher level of Sustainability Report disclosure. Similarly, Frista and Fernando (2020) obtained similar results, demonstrating that the disclosure of the sustainability report is positively and significantly impacted by the size of the organization.

During their operational activities, companies often utilize external sources of capital and assets instead of solely relying on their own resources. Debt financing plays a significant role for many companies in carrying out their operations. The leverage ratio is a statistic used to evaluate how much a firm relies on debt to fund its assets. Highly leveraged companies may encounter challenges in meeting credit agreements, yet they may allocate funds toward enhancing sustainability reports to influence

creditors and stakeholders. According to a study by Suhendi and Ifada (2022), there is a strong correlation between leverage and the disclosure of sustainability reports.

The age of a company reflects its existence and ability to thrive in an industry. Older companies are often perceived to have more experience. Research conducted by Waluyo (2017) found a positive and significant relationship between company age and the disclosure of the Sustainability Report. This suggests that companies with long histories in the industry have more experience in disclosing Sustainability Reports.

Media visibility, in this study, refers to the transparency of company information aimed at enhancing the corporate image. Meeting stakeholder information needs is possible when the company gains trust through the corporate social responsibility (CSR) activities disclosed in the Sustainability Report. Mashuri and Ermaya (2020) conducted research that demonstrated a significant positive effect of media visibility on the disclosure of Sustainability Reports.

The profitability of a company indicates its ability to generate profits within a specific period. Companies with high profitability are more likely to extensively disclose their Sustainability Reports, as this serves as a means to secure future profits. This aligns with the findings of research conducted by Ri et al. (2019), which states that profitability has a significant positive effect on the disclosure of the Sustainability Report.

METHOD

To assess and investigate the effects of corporate size, leverage, age, media exposure, and profitability on the disclosure of sustainability reports, this study utilizes an explanatory research methodology with a quantitative approach. Explanatory research aims to provide explanations for the causes and effects of each variable in the study. The study utilizes secondary data, specifically panel data consisting of sustainability reports and annual reports.

Purposive sampling is used to select the sample because the population for this study is made up of LQ45 firms that are listed on the Indonesia Stock Exchange. The sample criteria include LQ45 companies that have issued financial reports, annual reports, and sustainability reports within the period of 2012 to 2021. A total of 27 LQ45 companies meet these criteria and are included in the sample. Multiple linear regression is the data analysis method used in this study, and the software EViews is used to aid in the analysis process.

Table 1.

Description of the research variables

Variables	Deskription of Variables
Dependent Variable	
SR Disclosure	The number of corporate disclosure items is divided by the total GRI-G4 disclosure index.
Independent variable	
Company Size	Natural logarithm of the company's total assets for the year
Leverage	Total debt divided by the company's total equity for the year
Company age	The age of the company itself
Media visibility	Advertising costs are divided by the company's total sales for the year
Profitability	The company's net profit is divided by total assets, then multiplied by 100% for the year

RESULTS AND DISCUSSION

An overview of the sampled study object is provided using descriptive statistics. These statistics encompass measures such as minimum, maximum, average (mean), and standard deviation. The results of the descriptive statistical tests for all variables are presented in the following table:

Table 2.
Descriptive Statistics

	Firm Size	Leverage	Age Firm	Media Visibility	Profitability	SR Disclosure
Mean	31.961	2.370	19.665	0.023	10.212	0.190
Median	31.751	0.950	22.000	0.020	7.680	0.176
Maximum	35.084	16.080	39.000	0.108	71.510	0.923
Minimum	29.644	0.130	1.000	4.300	-8.990	0.000
Std. Dev	1.335	3.016	9.013	0.022	10.820	0.197
Observations	188	188	188	188	188	188
Jarque-Bera						
Probability	0.002	0.000	0.009	0.000	0.000	0.000

Based on Table 2. According to a descriptive statistical test, this study's variables have a total of 188 observations. The dependent variable (Y), or the Disclosure of the Sustainability Report, is shown in the table above to have a maximum value of 0.923 and a minimum value of 0.000. While the standard deviation is 0.197 and the average value (mean) is 0.190.

The independent variable (X) for company size has a maximum value of 35.084 and a minimum value of 29.544. While the standard deviation is 1.335 and the average value (mean) is 31.961. The greatest (maximum) value of leverage as the independent variable (X) is 16.080, and the minimum (minimum) value is 0.130. The standard deviation is 3.016 while the mean value is 2.370. The independent variable (X) for company age has a maximum value of 39,000 and a minimum value of 1,000. The standard deviation is 9.013, while the average value is 19.665. The maximum (maximum) value for media visibility as an independent variable (X) is 0.108, and the minimum (minimum) value is 4,300. While the standard deviation is 0.022 and the mean value is 0.023. The greatest (maximum) value of profitability as the independent variable (X) is 71,510, and the minimum (minimum) value is -8,990. While the standard deviation is 10.820 and the average value (mean) is 10.212.

Multiple linear regression

The equation uses multiple linear regression to examine the impact of corporate size, leverage, company age, media exposure, and profitability on the sustainability report:

$$Y = \alpha + \beta_1.X_1 + \beta_2.X_2 + \beta_3.X_3 + \beta_4.X_4 + \beta_5.X_5 + e$$

Notes:

- Y = Disclosure Sustainability Report
- a = Constanta
- β = Regression Coefficient
- X1 = Company Size
- X2 = leverage
- X3 = Company Age
- X4 = Media Visibility
- X5 = Profitability
- e = Errors

Table 3.
Multiple Linear Regression

Variabel	Koefisien	Prob.
C	0.256	0.607
Company Size	-0.006	0.695
Leverage	0.028	0.000
Company Age	0.006	0.001
Media Visibility	-1.419	0.044
Profitability	-0.002	0.235
R-kuadrat	0.199	
F-statistik	9.045	
Prob (F-statistik)	0.000	

Based on the calculation results in Table 3, the multiple linear regression equation is obtained as follows:

$$Y = 0.256 - 0.006X_1 + 0.028X_2 + 0.006X_3 - 1.419X_4 - 0.002X_5 + e$$

Where: According to the X1 regression coefficient of -0.006, the sustainability report will increase by 0.695 for every unit that the company size increases. The regression coefficient X2 is 0.028, meaning that every 1 unit rise in leverage will result in a 0.000 reduction in the disclosure of the sustainability report. The regression coefficient X3 is 0.006, meaning that for every 1 unit rise in the company's age, the sustainability report will be reduced by 0.001. The X4 regression coefficient is -1.419, meaning that for each unit with higher media awareness, the disclosure of the sustainability report will rise by 0.044 points. The regression coefficient X5 is -0.002, meaning that for every unit of profitability, the sustainability report will rise by 0.235.

Simultan Test (F test)

In this study, the F test was used to determine if the independent variables in the regression model-firm size, leverage, age, media visibility, and profitability-could simultaneously affect the dependent variable, the Sustainability Report. and got the following outcomes:

The likelihood value of the F statistic is 0.000, and the F statistic is 9.045 based on the test results in Table 2. This explains the significance value of F 0.05, indicating that the variables of firm size, leverage, company age, media presence, and profitability had an impact on the sustainability report simultaneously.

Partial Test (T-Test)

The following results were acquired from tests to gauge the independent variables that each have an impact on the dependent variable:

Table 4.
Partial Test

Variable	Koefisien	Prob.
C	0.256	0.607
Company Size	-0.006	0.695
Leverage	0.028	0.000
Company Age	0.006	0.001
Media Visibility	-1.419	0.044
Profitability	-0.002	0.235

According to the test results, the p-value for company size is $0.695 > 0.05$, which shows that H01 is accepted and that either company size measures or actual firm size have no impact on sustainability reports.

Leverage has a significant positive effect on sustainability reports, as evidenced by its p-value of 0.000 (below the significance level of 0.05). This rejection of H02 confirms that an increase in corporate leverage leads to a corresponding increase in the level of sustainability reporting. In other words, higher levels of corporate leverage are associated with higher levels of sustainability reports.

Similarly, the p-value of 0.001 for company age (below the significance level of 0.05) rejects H03 and indicates that firm age has a substantial positive effect on sustainability reports. This finding suggests that as a company's age increases, there is a corresponding increase in the level of sustainability reporting. Older firms tend to have higher levels of sustainability reports.

To summarize, the results of the statistical analysis indicate that leverage has a significantly positive effect on sustainability reports, meaning that higher levels of corporate leverage are associated with higher levels of sustainability reporting. Additionally, firm age has a substantial positive effect on sustainability reports, indicating that older firms tend to have higher levels of sustainability reporting. Media visibility has a p-value of 0.044, which falls below the significance level of 0.05. This rejection of H04 suggests that media visibility has a significant negative impact on sustainability reports. In other words, as the level of media exposure increases, the level of sustainability reporting decreases.

On the other hand, profitability has a p-value of 0.235, which is greater than the significance level of 0.05. This acceptance of H05 indicates that financial performance does not have a significant impact

on the sustainability report. In other words, the level of profitability does not have a noticeable effect on the sustainability reporting practices of companies.

To summarize, the results of the analysis show that media visibility has a significant negative impact on sustainability reports, implying that higher levels of media exposure are associated with lower levels of sustainability reporting. However, financial performance, as measured by profitability, does not have a significant impact on the sustainability report.

Robustness Check

The following results were obtained after an analysis utilizing Robust Least Square using the M-estimation method by splitting large and small enterprises was conducted to confirm the validity of the regression results:

Table 5.
Robustness Check

Variable	Koefisien	Std. Error	z-Statistik	Prob.
C	0.418	0.385	1.085	0.278
Company Size	-0.013	0.012	-1.072	0.283
Leverage	0.034	0.005	6.855	0.000
Company Age	0.007	0.001	5.105	0.000
Media Visibility	-0.839	0.544	-1.543	0.123
Profitability	-0.004	0.001	-3.137	0.002
Robust Statistik				
R-squared	0.276	Adjusted R-squared		0.256
Rw-squared	0.446	Adjust Rw-squared		0.446
Akaike info criterion	247.065	Schwarz criterion		268.253
Deviance	3.442	Scale		0.121
Rn-squared statistic	104.385	Prob (Rn-squared stat.)		0.000
Non-robust Statistik				
Mean dependent var	0.190	S.D. dependent var		0.197
S.E. of regression	0.184	Sum squared resid		6.143

The findings of the tests undertaken demonstrate that the coefficient values and conclusions produced differ from those of the FGLS (fixed model).

Results from the tests that were run show that: Company size: The tests indicate that company size has little to no impact on the sustainability report. This is consistent with the study's findings (Badulescu et al., 2018), which came to the same conclusion that firm size had no bearing on sustainability reports. Leverage: The experiments show that leverage has a favorable and considerable impact on the Sustainability Report. The research by (Alfiyah, 2019) also discovered a favorable association between leverage and the disclosure of Sustainability Reports, which is consistent with this finding.

Company age: The tests demonstrate that company age has a positive and significant effect on the Sustainability Report. This aligns with the research conducted by (Susilawati et al., 2014), which also concluded that company age has a positive impact on the disclosure of Sustainability Reports. Media visibility: The tests indicate that media visibility has a significant negative impact on the Sustainability Report. This finding is in line with the research conducted by (Ajengtiyas et al., 2020), which also found a negative relationship between media visibility and the disclosure of Sustainability Reports. Profitability: The tests show no significant effect of profitability on the Sustainability Report. This result is consistent with the research conducted by (Asmeri et al., 2017), which concluded that profitability does not have an impact on Sustainability Reports.

In summary, company size and profitability do not appear to significantly influence the Sustainability Report. On the other hand, leverage and company age are important factors that positively affect the disclosure of the Sustainability Report. Furthermore, media visibility hurts the Sustainability Report, indicating that companies with higher media visibility tend to have lower levels of Sustainability Report disclosure.

CONCLUSION

The results of the research, as indicated by the partial t-tests, can be summarized as follows: Company size and profitability: The tests show that company size and profitability do not have a significant effect on the Sustainability Report. This means that an increase in company size or profitability does not lead to a corresponding increase in the level of Sustainability Report disclosure. Media visibility: The tests reveal a negative and significant effect of media visibility on the Sustainability Report. This indicates that as the level of media visibility increases, the level of Sustainability Report disclosure decreases. In other words, companies with higher media visibility tend to have lower levels of Sustainability Report disclosure.

Leverage and company age: The tests demonstrate a positive and significant effect of leverage and company age on the Sustainability Report. This means that higher levels of leverage and older company age contribute to increased levels of Sustainability Report disclosure. Companies that rely more on debt and have been established for a longer time tend to have higher levels of Sustainability Report disclosure.

In conclusion, the research findings suggest that companies are more likely to improve and disclose Sustainability Reports when they have higher leverage and are older in age, indicating a greater reliance on debt and accumulated experience. On the other hand, media visibility hurts the level of Sustainability Report disclosure, implying that companies with greater media visibility tend to disclose less information in their Sustainability Reports. Company size and profitability, however, do not significantly affect the implementation of the Sustainability Report.

REFERENCES

- Ajengtiyas, A., Mashuri, S., Nur, H., & Ermaya, L. (2020). The Effect of Tax Aggressiveness and Media Exposure on Corporate Social Responsibility Disclosure with Profitability as Moderated Variables Social and Environmental Responsibility must be owned by the company in generating profits . 124(47), 16–28.
- Alfiyah, S. N. (2019). Effect of Profitability and Leverage on Disclosure of Corporate Social Responsibility in Islamic Commercial Banks. *Journal of Finance and Islamic Banking*, 1(2), 133. <https://doi.org/10.22515/jfib.v1i2.1494>
- Asmeri, R., Alvionita, T., & Gunardi, A. (2017). CSR Disclosures in the Mining Industry: Empirical Evidence from Listed Mining Firms in Indonesia. *Indonesian Journal of Sustainability Accounting and Management*, 1(1), 16. <https://doi.org/10.28992/ijssam.v1i1.23>
- Badulescu, A., Badulescu, D., Saveanu, T., & Hatos, R. (2018). The relationship between firm size and age, and its social responsibility actions-Focus on a developing country (Romania). *Sustainability (Switzerland)*, 10(3). <https://doi.org/10.3390/su10030805>
- Dewi, S. S., Prabowo, G., & Wicaksono, M. (2021). The Influence of Company Characteristics on Corporate Social Responsibility Disclosure In Manufacturing Companies Listed on The Idx. *Syntax Idea*, 3(3), 671. <https://doi.org/10.36418/syntax-idea.v3i3.1097>
- Disemadi, H. S., & Prananingtyas, P. (2020). Kebijakan Corporate Social Responsibility (CSR) sebagai Strategi Hukum dalam Pemberdayaan Masyarakat di Indonesia. *Jurnal Wawasan Yuridika*, 4(1), 1. <https://doi.org/10.25072/jwy.v4i1.328>
- Frista, F., & Fernando, K. (2020). The effect of internationalization, industrial type, and company size on corporate social responsibility disclosure. *Jurnal Siasat Bisnis*, 24(2), 138–147. <https://doi.org/10.20885/jsb.vol24.iss2.art4>
- Hasanah, H., & Rudyanto, A. (2020). Determinan Pengungkapan Corporate Social Responsibility Perusahaan di Bursa Efek Indonesia. *Equity*, 22(2), 215–238. <https://doi.org/10.34209/equ.v22i2.932>
- Kirana, A. D., & Prasetyo, A. B. (2021). Analyzing Board Characteristics, Ownership Structure and Company Characteristic to CSR Disclosure. *Accounting Analysis Journal*, 10(1), 62–70. <https://doi.org/10.15294/aaj.v10i1.41944>

- Mashuri, A. A. S., & Ermaya, H. N. L. (2020). The Effect of Tax Aggressiveness and Media Exposure on Corporate Social Responsibility Disclosure with Profitability as Moderated Variables. 01, 279–285. <https://doi.org/10.2991/aebmr.k.200305.047>
- Oktavianawati, L., & Sri W., I. F. (2018). Accounting Analysis Journal The Factors that Influence the Disclosure of Corporate Social Responsibility (CSR). *Accounting Analysis Journal*, 7(2), 119–126. <https://doi.org/10.15294/aaj.v7i2.23738>
- Purbawangsa, I. B. A., Solimun, S., Fernandes, A. A. R., & Mangesti Rahayu, S. (2020). Corporate governance, corporate profitability toward corporate social responsibility disclosure and corporate value (comparative study in Indonesia, China and India stock exchange in 2013-2016). *Social Responsibility Journal*, 16(7), 983–999. <https://doi.org/10.1108/SRJ-08-2017-0160>
- Qoyum, A., Mutmainah, L., Setyono, J., & Qizam, I. (2017). The Impact of Good Corporate Governance , Company Size and Corporate Social Responsibility Disclosure : Case Study of Islamic Banking in Indonesia. *IQTISHADIA, Jurnal Kajian Ekonomi Dan Bisnis Islam*, 10(1), 130–159. <https://doi.org/DOI: http://dx.doi.org/10.21043/iptishadia.v10i1.2365>
- Rahayu, P., & Anisyukurlillah, I. (2015). Pengaruh Kepemilikan Saham Publik, Profitabilitas dan Media Terhadap Pengungkapan Tanggung Jawab Sosial. *Accounting Analysis Journal*, 4(3), 1–9. <http://journal.unnes.ac.id/sju/index.php/aaj>
- Revaldo, A. A., & Rusmanto, T. (2020). the Effect of Profitability, Liquidity, Firm Size and Media Exposure on Corporate Social Responsibility Disclosure in Indonesian Non-Banking State-Owned Enterprises. *Russian Journal of Agricultural and Socio-Economic Sciences*, 103(7), 140–148. <https://doi.org/10.18551/rjoas.2020-07.17>
- Suhendi, C., & Ifada, L. M. (2022). Reinforce Corporate Social Responsibility through Earnings Management. *Akuntansi Riset*, 14(1), 73–84. <https://doi.org/10.17509/jurnal>
- Suryani, C. G. (2013). Disclosure of Corporate Social Responsibility (CSR) and The Impact on Mining Companies. *The Indonesian Accounting Review*, 3(2), 141–148. <https://doi.org/10.14414/tiar.13.030204>
- Susilawati, C. D. K., Tin, S., & Agustina, L. (2014). Faktor-Faktor Fundamental Dan Jenis Industri Terhadap Corporate Social Responsibility Serta Dampaknya Terhadap Harga Saham. *Jurnal Keuangan Dan Perbankan*, 18(3), 384–395.
- Tran, Q. T., Vo, T. D., & Le, X. T. (2021). Relationship Between Profitability and Corporate Social Responsibility Disclosure: Evidence from Vietnamese Listed Banks. *Journal of Asian Finance, Economics and Business*, 8(3), 875–883. <https://doi.org/10.13106/jafeb.2021.vol8.no3.0875>
- Waluyo, W. (2017). Firm size, firm age, and firm growth on corporate social responsibility in Indonesia: The case of real estate companies. *European Research Studies Journal*, 20(4), 360–369. <https://doi.org/10.35808/ersj/840>
- Widiastuti, H., Utami, E. R., & Handoko, R. (2018). Pengaruh Ukuran Perusahaan, Tipe Industri, Growth, Dan Media Exposure Terhadap Pengungkapan Tanggung Jawab Sosial Perusahaan (Studi Empiris pada Perusahaan yang Terdaftar di Bursa Efek Indonesia Tahun 2014-2015). *Riset Akuntansi Dan Keuangan Indonesia*, 3(2), 107–117. <https://doi.org/10.23917/reaksi.v3i2.6745>
- Yuliawati, R., & Sukirman. (2015). Accounting Analysis Journal Faktor-Faktor yang Mempengaruhi Pengungkapan Corporate Social Responsibility. *Accounting Analysis Journal*, 4(4), 1–9. <http://journal.unnes.ac.id/sju/index.php/aaj>
- Zulhaimi, H., & Nuraprianti, N. R. (2019). Pengaruh Profitabilitas, Ukuran Dewan Komisaris, dan Ukuran Perusahaan Terhadap Corporate Social Responsibility Disclosure. *Jurnal Riset Akuntansi Dan Keuangan*, 7(3), 555–566. www.idx.co.id