# The Relationships Between Performance in Financial Matters, GCG, and Continual Reporting: (Case Of Energy Production Companies Listed in IDX 2017 – 2021)

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**Abstract:- This research aims to examine how energy sector businesses listed on the Indonesia Stock Exchange disclose sustainability reports in relation to factors such as profitability, liquidity, leverage, foreign ownership, company size, and the Independent Board of Commissioners. Among the seventy-one companies in the energy industry that were listed on the IDX from 2017 to 2021, ten met the inclusion and exclusion criteria for this research. Researchers in this research used a purposeful sampling technique. Panel data regression analysis is used to do the analysis.**

**Firm size significantly influenced sustainability report disclosure, according to the research. Financial stability negatively affects transparency in environmental reporting. Profitability, leverage, foreign ownership, and the Independent Board of Commissioners do not significantly impact the publication of sustainability reports.**

*Keywords:- Profitability, Liquidity, Laverage, Foreign Ownership, Independent Board of Commissioners, Firm Size and Disclosure Sustainability Report.*

## I. INTRODUCTION

A company's principal objective is to increase profits while meeting the needs of its stakeholders. But now we're looking at it from a more macro viewpoint. In addition to looking out for management and shareholders, corporations are also required to prioritize the needs of their workers, customers, and society as a whole. One means of communicating corporate social responsibility (CSR) activities to stakeholders is through sustainability reporting (Alfaiz and Aryati, 2019).

Sustainability reports provide a framework for measuring, revealing, and holding organizations accountable for their progress toward sustainable development goals. The Triple Bottom Line strategy encapsulates the concept of company sustainability by considering economic, social, and environmental elements. Many interested parties, including shareholders, customers, and the general public, are able to assess the firm's

accountability and impact on sustainability thanks to this reporting (Liana, 2019).

Listed companies in Ind006Fnesia are now obligated to publish sustainability reports, according to the issuance of Financial Services Authority Regulation No. 51/POJK.03/2017 in May 2017. This regulation has contributed to the steady growth of sustainability reporting in Indonesia, which started as a voluntary effort in 2005. By September 2021, around 144 listed businesses in Indonesia have released sustainability reports, either as a result of legislative mandates or voluntary initiatives (www.investor.id).

Given Indonesia's enormous natural resources, sustainable management is critical to fulfilling the constitutional obligation in Article 28H, paragraph 1 of the 1945 Constitution, which ensures the right to a healthy and sustainable environment. Among all industries, the energy industry has a significant impact on national economic development, influencing financial, fiscal, welfare, and environmental factors. As a result, energy businesses must connect their practices with sustainable development principles such as social responsibility and environmental stewardship.

Despite growing awareness of sustainable practices, many energy companies in Indonesia have yet to fully incorporate sustainability reporting into their operations. Consider the energy industry in Indonesia: out of 71 companies registered on the stock exchange between 2017 and 2021, only 45 (or 63% of the total) filed sustainability reports. This highlights the need for further research into the causes and challenges to sustainability reporting in this vital sector.

According to earlier studies, the extent of sustainability reporting could be significantly affected by corporate governance features including foreign ownership and independent commissioners. Financial performance measures like as profitability, liquidity, and leverage have all been connected to differences in sustainability disclosures. However, the findings are inconsistent, indicating gaps in the existing knowledge.

Fig 1: Disclossure Sustainability Report Sector Industry

The Fig 1 above shows that the number of companies who issue sustainability disclosure reports increased significantly between 2017 and 2021. During that time, the Indonesia Stock Exchange had 71 companies from the energy sector listed. As shown in the chart, just ten companies produced sustainability disclosure reports in 2017 and 2018, accounting for roughly 14% of the 71 listed companies. In 2019, the number climbed to 17, with an additional 20 enterprises expected in 2020. In 2021, 45 companies published sustainability disclosure reports, including 25 new companies that issued sustainability reports for the first time.

However, this growth is not yet considerable because not all energy sector companies (100%) have implemented sustainability disclosure procedures. This circumstance demonstrates that energy sector enterprises in Indonesia have not yet completely understood the need of undertaking sustainable business operations.

The energy industry in Indonesia is the focus of this research, which aims to examine the interplay between corporate governance systems, financial performance, and sustainability report disclosure. By addressing these research gaps, this study hopes to shed light on how corporate characteristics and governance procedures influence sustainability reporting, contributing to the expanding discussion on sustainable business practices in emerging economies.

## II. LITERATURE REVIEW

### A. Stakeholder Theory

Edward Freeman established stakeholder theory in 1984, which is the foundation of sustainability reporting. Companies, according to this notion, have many different types of stakeholders whose expectations they must fulfill.

Freeman and McVea (2001) define stakeholder theory as a framework for understanding how management meets or manages stakeholders' interests. Companies must not only focus on maximizing profits but also on benefiting their stakeholders, including through voluntary disclosures of social and environmental responsibilities (Solomon, J., 2010). The transparency in sustainability reporting helps companies maintain trust and demonstrate their commitment to long-term sustainability (Liana, 2019).

### B. Legitimacy Theory

Legitimacy theory suggests that companies seek societal acceptance and validation by ensuring their activities align with the norms and values of the surrounding community. According to Aini and Subardjo (2018), this theory establishes that businesses should conduct in a manner that the public views as acceptable and legitimate as part of the social compact between society and businesses. To show they care about society and to make sure people regard their actions as legal, businesses might use sustainability reports (Krisyadi and Elleen, 2020).

### C. Agency Theory

Jensen and Meckling (1976) presented agency theory, which centers on the power dynamic between owners (principals) and managers (agents), where the latter are given discretionary power. A potential conflict arises if agents act in their own interest rather than the principal's. Sustainability reporting, through transparent disclosure, helps mitigate agency conflicts by allowing principals to monitor not only financial performance but also social and environmental performance (Aini and Subardjo, 2018). Such reports provide a basis for positive evaluation by principals, ensuring accountability and alignment with broader organizational goals.

## D. Sustainability Report Disclosure

Sustainability reports, as defined by the Global Reporting Initiative (GRI), are practices of measuring, disclosing, and holding organizations accountable for their contributions to sustainable development. These reports include both qualitative and quantitative information, detailing a company's economic, environmental, and social performance over a reporting period (Fahriza, 2014; Nichola and Septiana, 2019). Sustainability reports, in contrast to required financial reports, are disclosures that companies voluntarily provide in order to show how seriously they take the three dimensions of the triple bottom line: people, planet, and profit (GRI, 2016).

## E. Performance Indicators in GRI G4 Guidelines

A company's social, environmental, and financial impacts may be better understood with the use of performance indicators (PIs). A total of 91 indicators 17 economic, 34 environmental, and 40 social make up the GRI G4 standards.

- The economic dimension of sustainability considers a company's influence on stakeholders and the economy at all levels (GRI, 2016).
- Environmental Performance: GRI (2016) defines sustainability as an organization's influence on natural systems such as land, air, water, and ecosystems.
- The social dimension of sustainability addresses labor practices and workplace conditions, including employment, labor/management interactions, health and safety, training and education, diversity, equal opportunities, and remuneration for men and women (GRI, 2016).

According to Sinaga and Fachrurrozie (2017), this is the method that may be used to calculate the disclosure of sustainability reports:

$$SRD = \frac{Total\ items\ disclosed}{91}$$

## F. Profitability

Profitability is defined by Kasmir (2017:196) as the capacity of a business to generate profits. As the profitability ratio rises, management expands in more details.

One common metric for gauging financial success is ROA, or return on assets. In order to gauge how well a business runs as a whole, this ratio is calculated (Brigham and Ehrhardt, 2020:107). A corporation with strong performance gives stakeholders a sense of security and trust since it is perceived to be capable of defending their interests through performance reporting (Tyas and Khafid, 2019).

Brigham and Ehrhardt (2020:107) define ROA as follows:

$$ROA = \frac{Net\ Income\ After\ Tax}{Total\ Assets}$$

## G. Liquidity

A company's ability to meet its short-term commitments is indicated by liquidity ratios. A company's liquidity is its ability to pay all of its short-term obligations, according to Kasmir (2017:128). An indication of a company's strength in meeting its short-term commitments at a time is a high liquidity level.

A corporation with substantial liquidity will present a powerful and positive image to its stakeholders. Stakeholders are more willing to support companies with a positive and strong image. Creating supplementary reports is one technique for organizations to establish and strengthen their image (Islamiati and Suryandari, 2020).

The Current Ratio is one way to find liquidity ratios; it measures a company's ability to pay its short-term debts when they come due (Brigham and Houston, 2009:95). Next, we have the formula:

$$Current\ Ratio = \frac{Current\ Asset}{Current\ Liability} \times 100\%$$

## H. Leverage

According to Kasmir (2017:151), One way to find out how much debt a firm has is to look at its leverage ratio. Put another way, it shows how much debt the firm has in comparison to its assets. According to stakeholder theory, the larger a corporation's leverage, the greater its duty to creditors, which may push the company to use available cash to settle debts rather than disclose your sustainable activities. This is because such disclosures incur additional costs that may burden the company (Antara et al., 2020). Kasmir (2017:158) provides the following calculation for DER (Debt to Equity Ratio):

$$DER = \frac{Total\ Liability}{Total\ Equity}$$

## I. Foreign Ownership

Individuals, legal entities, and/or governments from other countries are considered to have foreign ownership if their fraction of the total outstanding shares is higher than the domestic proportion. Foreign organizations have efficient information for satisfying internal needs, as well as higher training and accounting understanding. Foreign ownership might be an option when a firm wants to control management. Foreign corporations tend to focus on

excellent corporate governance concerns, making them an appropriate choice for a company looking to increase transparency in this area (Sandri et al., 2021). This research makes use of the following metrics to assess the foreign ownership variable:

$$Foreign\ Ownership = \frac{Total\ Shares\ held\ by\ foreign\ parties}{Total\ of\ outstanding\ shares}$$

*J. Independent Board of Commissionera*

A person is considered independent if they do not have any financial or personal ties to the company, its owners, directors, or commissioners (Liana, 2019). The existence of independent commissioners is governed by Listing Rule No. I-A of the Indonesia Stock Exchange (IDX) regarding General Provisions for the Listing of Equity Securities, which became effective on July 1, 2000. Independent commissioners shall make up at least 30% of the board of directors of IDX companies (Wahyudi, 2021). The impartiality of the independent commissioners is essential to the implementation of all board policies. Because they are not beholden to management, independent commissioners often push for more transparency. According to Prabaningrum (2019), the impartiality of the board of commissioners enables it to safeguard the interests of all parties involved. This study's independent board of commissioner's variable was measured in the following ways, according to Mujiani and Ahmar (2021):

$$Independent\ Commisioners = \frac{Number\ of\ Independen\ Commisioners}{Total\ Number\ of\ Commisioners}$$

*K. Company Size*

Brigham and Houston (2011:40) define company size as the scale of a corporation, whether large or small. Rapidly developing businesses tend to rely more on outside investment. Raising equity capital is typically more expensive than issuing debt instruments, hence larger companies choose to use debt financing. Riyanto (2011:299) adds that larger organizations with widely spread shares are more ready to issue fresh equity. When compared to smaller businesses, fund revenues go up. A company's reliance on outside funding increases in proportion to its growth. Company size is an important consideration in financial reporting processes. In this study, firm size is calculated by adding up all of a company's assets that serve as a resource for its operational activities. These assets encompass the company's rights, responsibilities, and equity (Nursandari, 2015).

## III. THE RESEARCH FRAMEWORK

The following model describes the interrelationships of the study's variables, based on prior research, issue identification, and theoretical review:
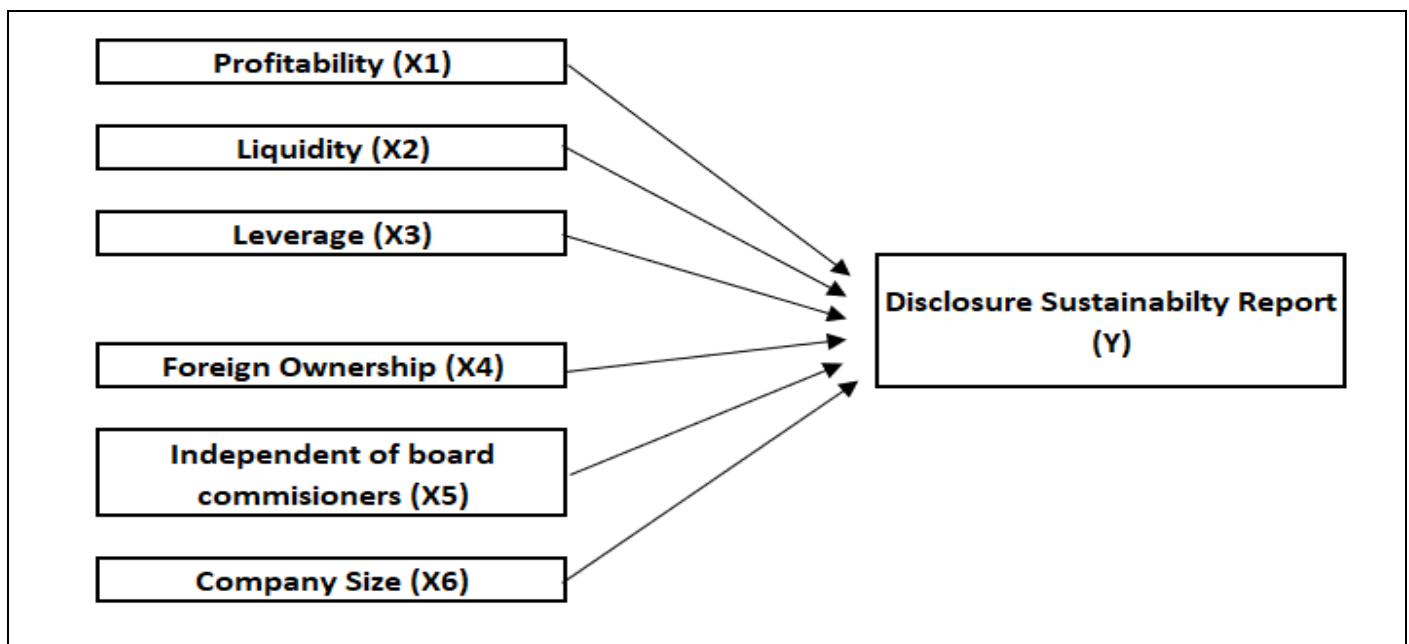


Fig 2: Research Framework

Companies are fundamentally rational in their decision-making processes. As a result, decisions about how to provide sustainability reports are often based on both basic and technological facts. However, this study focuses solely on the usage of internal company data. A number of factors, including liquidity (X2), profitability (X1), leverage (X3), foreign ownership (X4), independent board of commissioners (X5), and firm size (X6), will be examined in this research to determine their effects on the dependent variable, sustainability report disclosure (Y).

Based on the theoretical review and past study findings, the researcher will logically explain the framework of thinking that stems from the research challenge, the theories applied, and the relationships between variables that reflect facts or occurrences.

➤ *Profitability and disclosure of sustainability reports.*

A business's profitability is a reflection of its profit-making capacity. Companies with higher profitability are more likely to submit sustainability reports because they can devote resources to transparency. Previous research has yielded inconsistent results, however current study hypothesizes.

- **H1: Profitability has a positive effect on the disclosure of sustainability reports.**

➤ *Liquidity and Disclosure of Sustainability Reports*

The ability of a business to satisfy its immediate financial commitments is called liquidity. Companies that have more money on hand are more likely to be open and honest in their disclosures so they can keep their good name. Studies have produced various outcomes, but this study hypothesizes:

- **H2: Liquidity has a positive effect on the disclosure of sustainability reports**.

➤ *Leverage and disclose sustainability reports.*

The amount of debt financing is indicated by leverage. Companies with more leverage may limit information in order to avoid negative perceptions from stakeholders. The study hypothesizes:

- **H3: Leverage has a negative effect on the disclosure of sustainability reports.**

➤ *Foreign Ownership and Disclosure of Sustainability Reports*

Foreign investors frequently want increased openness. Companies having a higher share of foreign ownership may be more likely to disclose sustainability data. This study hypothesizes.:

- **H4: Foreign ownership has a positive effect on the disclosure of sustainability reports.**

➤ *Independent Board of Commissioners and Disclosure of Sustainability Reports*

An independent board promotes good company governance, which frequently involves more openness. The study hypothesizes:

- **H5: Independent board of commissioners has a positive effect on the disclosure of sustainability reports.**

➤ *Company Size and Disclosure of Sustainability Reports*

Larger organizations face higher scrutiny and have more resources to devote to sustainability reporting. The study hypothesizes:

- **H6: Company size has a positive effect on the disclosure of sustainability reports**.

This study employs a quantitative analysis strategy, with numerical data examined using statistical techniques. Its goal is to test hypotheses and assess the importance of relationships between variables.

The research design is causal, with the goal of establishing cause-and effect linkages. It looks at how financial performance and company governance affect sustainability report disclosures.

Company size, foreign ownership, liquidity, leverage, return on assets (ROA), and independence of the board of commissioners are the independent factors. Reports on sustainability, as evaluated by the Global Reporting Initiative (GRI), serve as the dependent variable.

## IV. POPULATION AND SAMPLE

A researcher's population consists of all the individuals, events, or objects that are going to be studied (Sekaran and Bougie, 2020:222). The region of A researcher's population consists of all the individuals, events, or objects that are going to be studied (Sekaran and Bougie, 2020:222). The region of A generalization is a set of items or subjects that the researcher has decided to analyze and draw conclusions from because they share certain traits and qualities. The 71 energy-related companies that were listed on the IDX in 2021 make up the study's population. According to Sekaran and Bougie (2020:223), a sample is a fraction of a population that has certain characteristics. Purposive sampling was used in this investigation. Sekaran and Bougie (2020:233) state that researchers use purposeful sampling when they choose samples not at random but according to predetermined criteria or considerations. Here are the criteria for sampling in this study: Indonesian energy companies that will be listed on the IDX in the year 2021.

- Energy sector firms that launched an IPO before 2017.
- Energy sector companies that were still listed between 2017 and 2021.
- Energy sector companies that published a sustainability report between 2017 and 2021.

Table 1: The Criteria of Energy Sector Listed

| No. | Characteristic | Number |
|---|---|---|
| 1. | Energy sector companies listed on the Indonesia Stock Exchange in 2021 | 71 |
| 2. | Energy sector companies delisted Energy sector companies that conducted an IPO after 2017 | (13) |
| 3. | Energy sector companies delisted | (4) |
| 4. | Energy sector companies without a complete sustainability report for the 2017-2021 period | (44) |
| | **Total Research Sample (Companies)** | **10** |

Based on these criteria, 10 energy sector companies were selected as the sample for this research:

Table 2: Selected Samples for Research

| No. | Company Name | Stock Code |
|---|---|---|
| 1 | AKR Corporindo Tbk | AKRA |
| 2 | Bumi Resources Tbk | BUMI |
| 3 | Elnusa Tbk | ELSA |
| 4 | Indika Energy Tbk | INDY |
| 5 | Indo Tambangraya Megah Tbk | ITMG |
| 6 | Mitrabahtera Segara Sejati Tbk | MBSS |
| 7 | Medco Energi Internasional Tbk | MEDC |
| 8 | Perusahaan Gas Negara Tbk | PGAS |
| 9 | Bukit Asam Tbk | PTBA |
| 10 | Petrosea Tbk | PTRO |

A researcher's population consists of all the individuals, events, or objects that are going to be studied (Sekaran and Bougie, 2020:222). The region of Eviews 12 and descriptive statistics and panel data regression provide the backbone of this study's analytical approach. The research in this study makes use of panel data, which combines cross-sectional and time series information. Companies listed on the Indonesia Stock Exchange (IDX) that are involved in the energy industry are included in the cross-sectional data, while the time series data covers the period from 2017 to 2021. After going through a number of tests, one may choose the best common effect, fixed effect, or random effect panel data regression model.

## V. ANALYSIS AND DISCUSSION OF RESEARCH FINDINGS

The regression equation model that will be estimated in this study is as follows:

$$SRD_{it} = \alpha + \beta_1 ROA_{it} + \beta_2 CR_{it} + \beta_3 DER_{it} + \beta_4 KA_{it} + \beta_5 KOMDEN_{it} + \beta_6 SIZE_{it} + \varepsilon_{it} ;$$

$$i = 1,2,\ldots,N ; \quad t = 1,2,\ldots,T$$

SRD = Sustainability Report Disclosure
ROA = Profitability
CR = Liquidity
DER = Leverage
KA = Foreign Ownership
KOMDEN = Independent Board of Commissioners
SIZE = Company Size
$\alpha$ = Constant
$\beta_1...\beta_5$ = Slope
$\varepsilon$ = Error Component

> *Descriptive Statistical Analysis*

A researcher's population consists of all the individuals, events, or objects that are going to be studied (Sekaran and Bougie, 2020:222). The region of To characterize the data, this study will use descriptive statistics, which include determining the minimum, maximum, mean, and standard deviation values for each research variable.

Table 3: Descriptive Statistical Analysis

| Variable | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|
| SR (Y) | 0.0549 | 0.9231 | 0.3411 | 0.2155 |
| ROA (X1) | -0.0984 | 0.2853 | 0.0544 | 0.0759 |
| CR (X2) | 0.2696 | 7.4195 | 1.9982 | 1.2259 |
| DER (X3) | 0.0505 | 24.8489 | 2.2678 | 3.8821 |
| KA (X4) | 0.0267 | 0.8708 | 0.2328 | 0.2325 |
| KOMDEN (X5) | 0.1667 | 0.5 | 0.3913 | 0.0744 |
| SIZE (X6) | 28.5608 | 32.3757 | 30.7367 | 1.1263 |

➢ *Independent Variables*

• *Profitability (X1)*

A researcher's population consists of all the individuals, events, or objects that are going to be studied (Sekaran and Bougie, 2020:222). The region of the standard deviation of the Return on Assets (ROA) is 0.0759, while the average is 0.0544. In 2020, the lowest value was -0.0984, and in 2021, the highest was 0.2853, for PT Indo Tambangraya Megah Tbk.

• *Liquidity (X2)*

Averaged out at 1.9982 and with a standard deviation of 1.2259. This is as measured by the Current Ratio (CR). For PT Bumi Resources Tbk in 2021, the value is at its lowest, while for PT Mitrabahtera Segara Sejati Tbk in 2021, it reaches its highest, at 7.4195.

• *Leverage(X3)*

The average is 2.2678 and the standard deviation is 3.8821 as measured by the Debt to Equity Ratio (DER). From 2020 to 2021, the values range from 0.0505 for PT Mitrabahtera Segara Sejati Tbk to 24.8489 for PT Bumi Resources Tbk.

• *Foreign Ownership (X4)*

With a standard deviation of 0.2325, the average foreign ownership is 0.2328. From a low of 0.0267 in 2020 (PT Petrosea Tbk) to a high of 0.8708 in 2017 (PT Indo Tambangraya Megah Tbk), the values range widely.

• *Independent Commissioners (X5)*

With a standard deviation of 0.0744, the average proportion of independent commissioners is 0.3913. From 2020 (PT Bukit Asam Tbk) at the lowest, to 2021 (PT Elnusa Tbk) at the highest, the range is 0.1667 to 0.5.

• *Firm Size (X6)*

With a standard deviation of 1.1263, the average business size is 30.7367. Values range from 28.5608 in 2021 (PT Mitrabahtera Segara Sejati Tbk) to 32.3757 in 2018 (PT Perusahaan Gas Negara Tbk).

➢ *Dependant Variables*

• *Disclosure Sustainability Report*

The Global Reporting Initiative (GRI) calculated this with a mean of 0.3411 and a standard deviation of 0.2155. Values range from 0.0549 in 2018 (PT Elnusa Tbk) to 0.9231 in 2021 (PT Indika Energy Tbk).

• If you want to know how closely related two variables are or what the pattern and direction of that association are, you should do a correlation study. Across the board, the study's correlation coefficient computations yielded the following results:

Table 4: Correlation Coefficient Computation

|  | SR | ROA | CR | DER | KA | KOMDEN | SIZE |
|---|---|---|---|---|---|---|---|
| SR | 1 | | | | | | |
| ROA | 0,120132 | 1 | | | | | |
| CR | -0,2622 | 0,057504 | 1 | | | | |
| DER | 0,085716 | -0,344775 | -0,41761 | 1 | | | |
| KA | -0,11948 | 0,289278 | -0,05468 | 0,080589 | 1 | | |
| KOMDEN | -0,05151 | -0,245797 | 0,088968 | 0,133878 | -0,07737 | 1 | |
| SIZE | 0,486538 | 0,038435 | -0,4493 | 0,335175 | 0,012985 | -0,06225 | 1 |

- Correlation between SR and ROA = 0.120132 → The correlation between SR and ROA has a very weak relationship. The positive direction indicates a direct relationship between SR and ROA, meaning that if SR increases, ROA will also increase, and vice versa.

- Correlation between SR and CR = -0.2622 → The correlation between SR and CR has a very weak relationship. The negative direction indicates an inverse relationship between SR and CR, meaning that if SR increases, CR will decrease, and vice versa.

- Correlation between SR and DER = 0.085716 → The correlation between SR and DER has a very weak relationship. The positive direction indicates a direct relationship between SR and DER, meaning that if SR increases, DER will also increase, and vice versa.

- Correlation between SR and KA = -0.11948 → The correlation between SR and KA has a very weak relationship. The negative direction indicates an inverse relationship between SR and KA, meaning that if SR increases, KA will decrease, and vice versa.

- Correlation between SR and KOMDEN = -0.05151 → The correlation between SR and KOMDEN has a very weak relationship. The negative direction indicates an inverse relationship between SR and KOMDEN, meaning that if SR increases, KOMDEN will decrease, and vice versa.

- Correlation between SR and SIZE = 0.486538 → The correlation between SR and SIZE has a moderate relationship. The positive direction indicates a direct relationship between SR and SIZE, meaning that if SR increases, SIZE will also increase, and vice versa.

- Correlation between ROA and CR = 0.057504 → The correlation between ROA and CR has a very weak relationship. The positive direction indicates a direct relationship between ROA and CR, meaning that if ROA increases, CR will also increase, and vice versa.

- Correlation between ROA and DER = -0.344775 → The correlation between ROA and DER has a very weak relationship. The negative direction indicates an inverse relationship between ROA and DER, meaning that if ROA increases, DER will decrease, and vice versa.

- Correlation between ROA and KA = 0.289278 → The correlation between ROA and KA has a weak relationship. The positive direction indicates a direct relationship between ROA and KA, meaning that if ROA increases, KA will also increase, and vice versa.

- Correlation between ROA and KOMDEN = -0.245797 → The correlation between ROA and KOMDEN has a very weak relationship. The negative direction indicates an inverse relationship between ROA and KOMDEN, meaning that if ROA increases, KOMDEN will decrease, and vice versa.

- Correlation between ROA and SIZE = 0.038435 → The correlation between ROA and SIZE has a very weak relationship. The positive direction indicates a direct relationship between ROA and SIZE, meaning that if ROA increases, SIZE will also increase, and vice versa.

- Correlation between CR and DER = -0.41761 → The correlation between CR and DER has a very weak relationship. The negative direction indicates an inverse relationship between CR and DER, meaning that if CR increases, DER will decrease, and vice versa.

- Correlation between CR and KA = -0.05468 → The correlation between CR and KA has a very weak relationship. The negative direction indicates an inverse relationship between CR and KA, meaning that if CR increases, KA will decrease, and vice versa.

- Correlation between CR and KOMDEN = 0.088968 → The correlation between CR and KOMDEN has a very weak relationship. The positive direction indicates a direct relationship between CR and KOMDEN, meaning that if CR increases, KOMDEN will also increase, and vice versa.

- Correlation between CR and SIZE = -0.4493 → The correlation between CR and SIZE has a very weak relationship. The negative direction indicates an inverse relationship between CR and SIZE, meaning that if CR increases, SIZE will decrease, and vice versa.

- Correlation between DER and KA = 0.080589 → The correlation between DER and KA has a very weak relationship. The positive direction indicates a direct relationship between DER and KA, meaning that if DER increases, KA will also increase, and vice versa.

- Correlation between DER and KOMDEN = 0.133878 → The correlation between DER and KOMDEN has a very weak relationship. The positive direction indicates a direct relationship between DER and KOMDEN, meaning that if DER increases, KOMDEN will also increase, and vice versa.

- Correlation between DER and SIZE = 0.335175 → The correlation between DER and SIZE has a weak relationship. The positive direction indicates a direct relationship between DER and SIZE, meaning that if DER increases, SIZE will also increase, and vice versa.

- Correlation between KA and KOMDEN = -0.07737 → The correlation between KA and KOMDEN has a very weak relationship. The negative direction indicates an inverse relationship between KA and KOMDEN, meaning that if KA increases, KOMDEN will decrease, and vice versa.

- Correlation between KA and SIZE = 0.012985 → The correlation between KA and SIZE has a very weak relationship. The positive direction indicates a direct relationship between KA and SIZE, meaning that if KA increases, SIZE will also increase, and vice versa.

- Correlation between KOMDEN and SIZE = -0.06225 → The correlation between KOMDEN and SIZE has a very weak relationship. The negative direction indicates an inverse relationship between KOMDEN and SIZE, meaning that if KOMDEN increases, SIZE will decrease, and vice versa.

According to the correlation analysis of 21 variable pairs, the majority of the associations between the variables are extremely weak, with many following a positive direction (direct relationships). Only one variable pair has a moderate correlation coefficient of 48.65%, implying a favorable association between SR and SIZE. The variable with the lowest correlation coefficient is SR/KOMDEN, with a coefficient of -0.05151, showing a very weak inverse link.Model Selection Test

Three models common effect, fixed effect, and random effect form the basis of the panel data regression model that was used to estimate and evaluate the factors influencing the publication of sustainability reports by energy sector businesses listed on the Indonesia Stock Exchange (BEI) from 2017 to 2021. For further analysis, this study makes use of a panel data regression model that uses pairwise testing for each model.

In order to examine the elements impacting the disclosure of sustainability reports by energy sector businesses listed on the Indonesia Stock Exchange (BEI) from 2017 to 2021, paired panel data regression testing revealed that the fixed effect model was the most appropriate choice.

➤ *Panel Data Regression Results (Partially):*

Table 5: Panel Data Regression Results (Partially)

Dependent Variable: SR
Method: Pooled EGLS (Cross-section random effects)
Date: 12/23/22   Time: 11:21
Sample: 2017 2021

Included observations: 5
Cross-sections included: 10
Total pool (balanced) observations: 50
Swamy and Arora estimator of component variances

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| ROA | 1.272788 | 1.281243 | 0.993401 | 0.3261 |
| CR | -0.138241 | 0.080750 | -1.711962 | 0.0441 |
| DER | 0.007430 | 0.025538 | 0.290950 | 0.7725 |
| KA | -0.215926 | 0.378783 | -0.570051 | 0.5716 |
| KOMDEN | -0.859021 | 1.178897 | -0.728665 | 0.4702 |
| SIZE | 0.214540 | 0.080665 | 2.659653 | 0.0109 |
| C | -0.321206 | 2.585023 | -2.832163 | 0.0070 |

| Effects Specification | | S.D. | Rho |
|---|---|---|---|
| Cross-section random | | 0.264517 | 0.1921 |
| Idiosyncratic random | | 0.542531 | 0.8079 |

| Weighted Statistics | | | |
|---|---|---|---|
| R-squared | 0.329661 | Mean dependent var | -0.881131 |
| Adjusted R-squared | 0.236126 | S.D. dependent var | 0.664719 |
| S.E. of regression | 0.580964 | Sum squared resid | 14.51331 |
| F-statistic | 3.524449 | Durbin-Watson stat | 1.587823 |
| Prob(F-statistic) | 0.006332 | | |

| Unweighted Statistics | | | |
|---|---|---|---|
| R-squared | 0.254576 | Mean dependent var | -1.303532 |
| Sum squared resid | 19.35828 | Durbin-Watson stat | 1.190424 |

- *The Effect of Profitability (ROA) on Sustainability Report Disclosure (SR)*

The impact of ROA on sustainability report disclosure is favorable but not statistically significant, with a coefficient of 1.272788. Thus, disclosure drops by 1.27% for every 10% rise in ROA, which contradicts the premise..

- *The Effect of Liquidity (CR) on Sustainability Report Disclosure (SR)*

With a value of -0.138241, CR significantly and negatively affects the disclosure of sustainability reports.

Hypothesized reduction of 1.38% in disclosure occurs with a 10% rise in CR.

- *The Effect of Leverage (DER) on Sustainability Report Disclosure (SR)*

The coefficient for DER's influence on sustainability report disclosure is 0.007430, which is positive but not statistically significant. The theory is wrong; a 10% increase to DER results in a negligible drop in transparency.

- *The Effect of Foreign Ownership (KA) on Sustainability Report Disclosure (SR)*

The coefficient for KA's influence on sustainability report disclosure is -0.215926, which is negative but not statistically significant. The notion is contradicted by a modest drop in disclosure that occurs with a 10% rise in KA.

- *The Effect of Independent Commissioners (KOMDEN) on Sustainability Report Disclosure (SR)*

Disclosure in sustainability reports is negatively impacted by KOMDEN; however, this effect is not statistically significant (r=-0.859021). The idea is confounded by the fact that a minor drop in disclosure occurs with a 10% rise in KOMDEN.

- *The Effect of Company Size (SIZE) on Sustainability Report Disclosure (SR)*

With a coefficient of -0.214540, SIZE significantly and positively affects sustainability report disclosure. In agreement with the concept, a 2.14% reduction in disclosure occurs for a 10% rise in SIZE.

Only CR and SIZE were shown to significantly affect sustainability report disclosure in the panel data regression using the random effect model. The most important factor is the size of the company (SIZE), which has a positive coefficient, while the least important one is liquidity (CR), which has a negative coefficient.

➢ *Estimation of the Panel Data Regression Model Simultaneously*

Between 2017 and 2021, energy sector businesses listed on the Indonesia Stock Exchange (IDX) were examined for sustainability report disclosure. The t-test of the random effect panel data regression model revealed that three out of seven independent variables had a significant influence. With a probability of 0.006332 and an F-statistic value of 3.524449, the F-test rejects H0. It is evident that all independent variables, including ROA, liquidity, DER, KA, KOMDEN, and SIZE, have a cumulative and significant impact on sustainability report disclosure.

The goodness-of-fit test ($R^2$) shows that these variables can explain 32.97% of performance variation, while the remaining 67.03% is due to unknown causes. With an adjusted $R^2$ of 0.236126, these factors account for 23.61% of the variation in sustainability report disclosure.

➢ *The Result of the Panel Data Regression Model Estimation for Each Company.*

This study's 10 energy companies that were listed on the Indonesia Stock Exchange (BEI) between 2017 and 2021 showed variations in the constants, according to the estimated results from the random effect model using the panel data regression technique. The random effect model utilized in this study assumes a constant value for each company over time, specifically for each energy company listed on BEI between 2017 and 2021. This is true even though the regressor coefficients for each determinant variable of sustainability report disclosure are the same. Regression coefficients also do not change over time; they are time invariant. From 2017 through 2021, all energy companies listed on the Indonesian Stock Exchange (BEI) have their estimated equations for the panel data regression technique provided.

Table 6: Panel Data Regression Model Estimation for Each Company

**Estimation Command:**

===============================

LS(?, CX=F, WGT=CXDIAG, COV=CXWHITE) SR C ROA CR DER KA KOMDEN SIZE

**Estimation Equation:**

===============================

$$SR = C(1) + C(2)*ROA + C(3)*CR + C(4)*DER + C(5)*KA + C(6)*KOMDEN + C(7)*SIZE + [CX=F]$$

**Substituted Coefficients:**

===============================

$$RS = -0,321206 + 1,272788*ROA - 0,138241*CR + 0,007430*DER - 0,215926*KA - 0,859021*KOMDEN + 0,214540\ SIZE + [CX=F] \dots\dots\dots (4.1)$$

$C_i$ = Konstanta *Random Effect* Perusahaan Ke-i, i = 1, .....10

All 10 energy companies listed on the Indonesia Stock Exchange (BEI) from 2017 to 2021 were subject to a panel data regression model that used the random effect model. The model is given below:

- The energy company listed on BEI during the 2017-2021 period with the highest sensitivity to changes in the sustainability report disclosure variable due to influencing factors during this period is PT. Bukit Asam Tbk. (PTBA), with a total constant value of [$C_i$ – 0.321206] = 0.367837 - 0.321206 = 0.046631.

- The energy company listed on BEI during the 2017-2021 period with the lowest sensitivity to changes in the sustainability report disclosure variable due to influencing factors during this period is PT. Darma Henwa Tbk. (DEWA), with a total constant value of [$C_i$ – 0.321206] = -0.404157 - 0.321206 = -0.082951.

Table 7: Cross Section Random Effect

| Cross Section Random Effect | | |
|---|---|---|
| | EMITEN | Effect |
| 1 | AKRA | -0.302621 |
| 2 | BUMI | -0.071436 |
| 3 | ELSA | -0.404157 |
| 4 | INDY | 0.042069 |
| 5 | ITMG | -0.137711 |
| 6 | MBSS | 0.054283 |
| 7 | MEDC | -0.010803 |
| 8 | PGAS | 0.222722 |
| 9 | PTBA | 0.367837 |
| 10 | PTRO | 0.239818 |

## VI. DISCUSSION OF RESEARCH FINDINGS

### A. Effect of Profitability (ROA) on Disclosure Sustainability Report (SR)

From 2017 to 2021, energy sector businesses listed on the Indonesia Stock Exchange (IDX) had a positive but small impact from the profitability variable (ROA) on the Disclosure Sustainability Report, according to empirical research. A positive coefficient indicates that companies are able to provide sustainability reports as their profitability increases. This result runs counter to stakeholder theory, which postulates that publicly traded companies with substantial wealth would be more inclined to provide sustainability reports. Finding that profitability had no influence on disclosure is similar to what Naeem and Brata (2020) found. The results that Marsuking (2020) reported were quite similar. While Liana (2019) found a favorable impact of profitability on SR, Wahyudi (2021) found the opposite.

### B. Effect of Liquidity (CR) on Disclosure Sustainability Report (SR)

From 2017 to 2021, the energy companies listed on the IDX had a negative and statistically significant effect of liquidity on their Disclosure Sustainability Report. A negative coefficient suggests that corporations with stronger liquidity prioritize short-term responsibilities over voluntary sustainability disclosures. This finding confirms the theory and is consistent with Krisyadi and Elleen (2020), who discovered a negative effect. However, Naeem and Brata (2020) discovered a favorable effect, whilst Putri (2019) found none.

### C. Effect of Leverage (DER) on Disclosure Sustainability Report (SR)

Between 2017 and 2021, energy sector enterprises listed on the IDX had a positive but minor influence of the leverage variable (DER) on their Disclosure Sustainability Reports, according to empirical study. Businesses that use greater leverage may inspire more trust from investors as a result of their larger asset bases, according to the positive coefficient. This finding does not support stakeholder theory and is consistent with Naeem and Brata (2020), who discovered no effect. Prabaningrum (2019) found no effect, while Liana (2019) identified a negative effect and Putri (2019) discovered a favorable effect.

### D. Effect of Foreign Ownership (KA) on Disclosure Sustainability Report (SR)

For energy sector companies listed on the IDX between 2017 and 2021, empirical study shows that foreign ownership (KA) has a negative but minor influence on the Disclosure Sustainability Report. Since sustainability reporting in Indonesia is still voluntary, it is not a deciding factor for investors, but the negative coefficient suggests that global shareholders from places like the US and Europe see it as a major issue. Previous studies by Sandri et al. (2021) and Rahmat (2021) also found no impact, therefore this result lends credibility to the notion. On the other hand, a positive impact was found by Susadi and Kholmi (2019).

*E. Effect of Independent Board of Commissioners (KOMDEN) on Disclosure Sustainability Report (SR)*

From 2017 to 2021, IDX-listed energy sector enterprises' Disclosure Sustainability Reports were negatively impacted, somewhat however, by the independent board of commissioners variable (KOMDEN), according to empirical data. The negative coefficient indicates that not all independent commissioners are truly independent, undermining supervision and reducing the incentive to provide social responsibility information. This finding does not support stakeholder theory and is consistent with Wahyudi (2021), who discovered no effect. Liana (2019) observed comparable results, however Setyawan et al. (2018) discovered a favorable effect.

*F. Effect of Company Size (SIZE) on Disclosure Sustainability Report (SR)*

From 2017 to 2021, energy sector businesses listed on the IDX showed a positive and statistically significant effect of firm size (SIZE) on the Disclosure Sustainability Report. Companies with greater resources and more opportunities to have a good impact are more likely to publish sustainability reports, which increases the likelihood that investors will put their money into such companies (positive coefficient). This finding confirms the theory and is consistent with Naeem and Brata (2020), who discovered a favorable effect. Liana (2019) discovered no effect, but Dewi (2019) observed a negative effect.

## VII. CONCLUSIONS AND RECCOMENDATIONS

*A. Conclusion*

The goal of this research was to find out how IDX-listed energy businesses disclosed sustainability reports from 2017 to 2021 based on factors such as profitability, liquidity, leverage, foreign ownership, size of the company, and the presence of an independent board of commissioners. The following conclusions may be drawn from the study and the debate:

- Profitability (ROA) has no impact on the disclosure of sustainability reports. This is because firms often emphasize profit over providing sustainability reports.
- From 2017 to 2021, the disclosure of sustainability reports in IDX-listed energy enterprises is significantly and negatively impacted by liquidity (CR). This happens because, even when responsibilities are due, the company may still satisfy its liabilities, showing that these businesses are relatively liquid.
- The disclosure of sustainability reports is unaffected by leverage (DER). The reason for this is that sustainability reporting takes a back seat to paying off debt.
- Sustainability report disclosure is unaffected by foreign ownership (KA). This is because they are forced to share responsibility with minority shareholders as a result of the concentration of ownership in both foreign and local shares.
- When it comes to sustainability report disclosure, the Independent Board of Commissioners (KOMDEN) is completely powerless. This is because decisions made by the independent board of commissioners must be discussed at the general shareholders' meeting (RUPS).
- From 2017 to 2021, the disclosure of sustainability reports in energy sector businesses listed on the IDX is positively and significantly affected by Company Size (SIZE). This occurs because larger corporations are more inclined to pursue collective interests for the greater good.

*B. Recommendations*

In order to address the problems highlighted by this research and the data analyzed in the previous chapter, the following suggestions may be put into action:

Investors should examine sustainability reports because they give useful data and information for assessing the sustainability level and social impact of their investments, which is a significant aspect in investment decision-making. This is evident from corporate size, as larger organizations tend to employ all of their assets for goals that benefit both internally and externally, such as the disclosure of sustainability reports. Suggestions for future research include:

- Looking at other factors, such as business worth, board of directors, managerial ownership, and institutional ownership.
- Expanding study to include other industries listed on the Indonesia Stock Exchange, such as investing, manufacturing, transportation, and banking, in addition to the energy sector.
- The coefficient of determination ($R^2$) of 23.61% indicates that 76.39% of variables not included in the model influence the publication of sustainability reports in the energy sector.

Sustainability reports are more common among bigger companies. Consequently, sustainability reports allow investors to assess a company's commitment to sustainability.

*C. Research Gap*

➢ *This Study has Several Gaps, Including:*

- The study's sample size is insufficient, with only 71 companies listed on the Indonesia Stock Exchange. This restricts the generalizability of the findings, as research in other areas may provide different outcomes.
- This study only spans five years (2017-2021), hence further validity testing is needed for future years or a longer study period.
- Some of the criteria that are considered independent in this research include business size, foreign ownership, profitability, liquidity, and leverage. If we wanted to know what factors affect sustainability report disclosure, we could look at a lot more independent variables.

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