THE INFLUENCE OF SUSTAINABILITY REPORT DISCLOSURE AND OWNERSHIP CONCENTRATION TO THE COMPANY'S PERFORMANCE

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Abstract
This research attempts to examine the influence of sustainability report disclosure and ownership concentration towards the company's performance. Our sample consists of 86 listed companies in Indonesian Stock Exchange during 2009 – 2011. We use two models in this research. The first model examined the influence of sustainability report disclosure in aggregate level and ownership concentration towards company's performance. The second model examined the sustainability report disclosure in individual level, measured by disclosure of economic performance, disclosure of environmental performance, and disclosure of social performance, towards the company's performance. This study used the return on asset as a proxy of company's performance. Our result found evidence that sustainability report disclosure whether in aggregate or individual level and ownership concentration have influence towards the company's performance.

Keywords: sustainability report, economic performance, environmental performance

Introduction
In the recent years, interest in corporate governance has grown because there are some corporate issues and environmental concerns. Some corporate issues, such as Enron in United States, have increased awareness how company should be governed. Cadbury Report (Cadbury, 1992) defined corporate governance as system how companies are being directed and controlled. Based on Standard & Poor's Corporate Governance Scores (Standard & Poor's Governance Services, 2002), there are four individual components that contribute to the overall corporate governance ratings. They are ownership structure and influence, financial stakeholder rights and relations, financial transparency and information disclosure, and board structure and process. These key components are important when evaluating the corporate governance practices.

Financial transparency and information disclosure has a significant impact on the company performance. It has positive effect because more transparent companies are likely to be better investment choices, which make them more valuable on average. On the other hand,
transparency also has negative effect to the company’s performance when company disclosing the information, and it could reveal the bad issues. (Bagella et al, 2006). One way for a company to disclose the company’s information is through a sustainability report.

Interest in sustainability has encouraged companies around the world to focus their disclosure toward a sustainability objective (Solomon, 2010). Recently, company should fulfill the stakeholders’ concern in how company maintains its sustainability in the economic, environmental, and social aspect. People are more concerned to the environmental performance due to the climate change and global warming issue. It increases the attention of the company to pay more attention to the environment around them. So, besides providing financial information to the shareholders, company needs to disclose non-financial information as well. However in Indonesia, sustainability report is a new concept and still developing. According to Burhan and Rahmanti (2012), sustainability report does have an association with the company performance. However, further analysis shows that economic and environmental disclosures do not have association with the company performance. Only social performance disclosure has an association with company performance. The company’s performance was measured by using Return on Assets (ROA).

Another component that is also important to rate overall corporate governance practice is ownership structure and influence. The opening up of corporate ownership to the general public through share ownership has a great impact on the way in which companies are controlled. It will result to a separation of ownership and control that has led to the agency problem (Solomon, 2010). According to Ongore (2011), ownership structure was divided into two dimensions, which are ownership concentration and ownership identity. Ownership concentration refers to the percentage of shares held by owners compared to the total shareholding of the company.

Finally, researcher has interest to study the impact of corporate governance components, which are information disclosure through sustainability report and ownership concentration, to the company performance. This research will analyze whether those components have influence to the company performance or not.

As explained in the research background, the main problem of this research is to know the influence of disclosure through sustainability report and ownership concentration to the company’s performance. The problem formulations that will be studied in this research are listed below. 1). Does sustainability report influence the company’s performance? 2).Does ownership concentration influence the company’s performance? 3). Does disclosure of economic performance influence the company’s performance? 4). Does disclosure of
environmental performance influence the company’s performance? 5). Does disclosure of social performance influence the company’s performance? Purpose of this research is to study empirically the influence of disclosure through sustainability report and ownership concentration to the company’s performance.

From the previous research by Burhan and Rahmanti (2012), it was proved that sustainability report does have an association with the company performance. Another research by Abdo and Fisher (2007) also confirm that sustainability report, as the component of corporate governance disclosure, has significant impact for share returns and firm value. So, this research aims to reconfirm those research results, and the hypothesis is:

\[ H_1: \text{The sustainability report has influence to the company’s performance.} \]

Many researches about ownership structure have been done in many countries. Traditionally, concentrated ownership has been thought to provide better monitoring, and lead to superior performance (Leech and Leahy, 1991 in Ongore, 2011). When the company’s shares are owned by the five largest shareholders, the ability of shareholders to control professional management are bigger. Meanwhile, when the shares are owned by many shareholders and managed by company’s management, it is more likely to be representative of the ability of professional management to ignore shareholders (Demzets and Villalonga, 2001). Therefore, this research attempt to test whether ownership concentration affect the company’s performance or not, and the hypothesis is:

\[ H_2: \text{The ownership concentration has influence to the company’s performance.} \]

Next, this research attempts to test each component of sustainability reporting and its influence to the company’s performance. From Model 2 in Figure 1, it is shown that disclosure of economic, environmental, and social performance will be tested whether each of those has influence to the company’s performance.

The economic dimension of sustainability reporting concerns the organization impact on stakeholders’ economic condition and on economic systems at local, national, and global levels. The disclosure will include three economic aspects, which are economic performance, market presence, and indirect economic impacts (GRI, 2011). According to Burhan and Rahmanti (2012), disclosure of economic performance does not affect the company’s performance. This research is going to test whether the economic disclosure has influence to company’s performance or not. Therefore, the hypothesis is:

\[ H_3: \text{The disclosure of economic performance has influence to the company’s performance.} \]

The environmental dimension of sustainability reporting concerns the organization impact on living and non-living natural systems, including ecosystems, land, air, and water.
The environmental indicators might include some aspects, which consist of materials, energy, water, biodiversity, emissions, effluents and waste, products and services, compliance, transport, and overall (GRI, 2011). According to Burhan and Rahmanti (2012) and Ahmed et al (2012), disclosure of environmental performance does not affect the company’s performance, since there is no evidence that companies with environmental disclosure could outperform the companies that do not disclose it. But, according to Khaveh et al (2012), companies with higher environmental performance disclosure, have higher revenue. Therefore, this research will test the environmental dimension of sustainability report and its influence to the company’s performance, and the hypothesis is:

H4: The disclosure of environmental performance has influence to the company’s performance.

The social dimension of sustainability reporting concerns the impact that organization has on the social system where it operates. The social performance indicators are categorized into four key performance aspects, which are labor practices, human rights, society, and product responsibility (GRI, 2011). According to Burhan and Rahmanti (2012) and Khaveh et al (2012), disclosure of social performance influence the company’s performance, especially in term of higher revenue. But, according to Ahmed et al (2012), there is no significant evidence that companies with social performance disclosure could outperform the companies that do not disclosed it. Therefore, this research will test whether social performance disclosure affects the company’s performance or not, and the hypothesis is:

Hs: The disclosure of social performance has influence to the company’s performance.
Discussion and Analysis

Data that will be used in this research is secondary data. Secondary data is data that has been collected by others, and sources of secondary data can be classified as either internal or external the firms (Davis, 2005). In this research, secondary data will be collected from Indonesia Stock Exchange Website and companies’ website, including: 1). Financial statement, including balance sheet, income statement, statement of cash flow, and notes. 2). Annual report, including Corporate Social Responsibility (CSR) Report and Sustainability Report.

There are two models in this research. For Model 1, multiple regression model is used. The empirical model is presented below:

\[ ROA = \beta_0 + \beta_1 \text{SustainReport} + \beta_2 \text{OwnConcent} + \epsilon \]

- \( ROA \) = company’s performance measured by ROA
- \( \text{SustainReport} \) = sustainability report index
- \( \text{OwnConcent} \) = ownership concentration
- \( \epsilon \) = error

Next, the second model to measure the influence of each component of sustainability report, which are economic, environmental and social performance disclosure to the
company’s performance would also be using multiple regression method. The empirical model is presented below:

\[
\text{ROA} = \beta_0 + \beta_1 \text{EcoDisc} + \beta_2 \text{EnviroDisc} + \beta_3 \text{SocDisc} + e
\]

- \text{ROA} = \text{company’s performance measured by ROA}
- \text{EcoDisc} = \text{economic performance disclosure index}
- \text{EnviroDisc} = \text{environmental performance disclosure index}
- \text{SocDisc} = \text{social performance disclosure index}
- \text{e} = \text{error}

**Operational Variable Definition**

Dependent variable, which is used as a measure of company performance, is Return on Assets (ROA). ROA is an overall measure of profitability, by dividing net income by total assets (Weydgart et al, 2013). Below is the formula of ROA,

\[
\text{ROA} = \frac{\text{Net Income}}{\text{Total Asset}}
\]

Sustainability report discloses company’s sustainability performance viewed from three aspects that are economic, environmental, and social. This independent variable will be measured by using index based on indicators from Sustainability Reporting Guidelines by GRI (2011). The formula to calculate the index score is:

\[
\text{Index} = \frac{n}{k}
\]

- \(n\) = number of index fulfilled by the company
- \(k\) = maximum number of index should be fulfilled by the company

For measuring sustainability report, the maximum number of index that should be fulfilled by the company is 84. Nine indicators are for economic performance disclosure, 30 for environmental performance disclosure, and the rest are for social performance disclosure.

Ownership concentration would be measured by using the largest percentage of shares owned by shareholder.

Disclosure of economic performance will be measured by using index based on indicators from Sustainability Reporting Guidelines by GRI (2011). The formula to calculate the index score is:

\[
\text{Index} = \frac{n}{k}
\]

- \(n\) = number of index fulfilled by the company
- \(k\) = maximum number of index should be fulfilled by the company
For measuring economic performance disclosure, the maximum number of index that should be fulfilled by the company is 9.

Similar to disclosure of economic performance, disclosure of environmental performance will be measured by using index based on indicators from Sustainability Reporting Guidelines by GRI (2011). The formula to calculate the index score is:

$$\text{Index} = \frac{n}{k}$$

- $n$ = number of index fulfilled by the company
- $k$ = maximum number of index should be fulfilled by the company

For measuring economic performance disclosure, the maximum number of index that should be fulfilled by the company is 30.

Similarly, disclosure of social performance will also be measured by using index based on indicators from Sustainability Reporting Guidelines by GRI (2011). The formula to calculate the index score is:

$$\text{Index} = \frac{n}{k}$$

- $n$ = number of index fulfilled by the company
- $k$ = maximum number of index should be fulfilled by the company

For measuring social performance disclosure, the maximum number of index that should be fulfilled by the company is 45.

Description of Sample Observation

Population of this research is agriculture, mining, and manufacturing companies that are listed in Indonesia Stock Exchange for three years, during year 2009 – 2011. Sample that is used in this research is chosen by some criteria that are listed below.

<table>
<thead>
<tr>
<th>Table 1 Sample Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Criteria</td>
</tr>
<tr>
<td>Companies that are consistently listed in Indonesia Stock Exchange</td>
</tr>
<tr>
<td>Companies that do not publish financial statement that is expressed in Rupiah during the period of year 2009 – 2011</td>
</tr>
<tr>
<td>Companies that have not published annual report, including Corporate Social Responsibility (CSR) Report or Sustainability Report, during the period of year 2009 – 2011</td>
</tr>
<tr>
<td>Total Companies</td>
</tr>
<tr>
<td>Total Research Data (86 x 3)</td>
</tr>
</tbody>
</table>
There are 86 companies that meet all the criteria, and the majority of sample is companies from manufacturing companies (74.4%). Meanwhile, the agriculture companies are 12.8% of the sample. The other 12.8% of sample comes from mining industry. The description of sample based on industrial sector is shown in Table 2.

Data Analysis and Discussion of Model 1
Descriptive Statistic
Descriptive statistic shows some characteristics of variables in Model 1, and they are mean, standard deviation, maximum and minimum value of each variable. The data are presented in the table below.

<table>
<thead>
<tr>
<th>Industrial Sector</th>
<th>N</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>11</td>
<td>12.8</td>
</tr>
<tr>
<td>Mining</td>
<td>11</td>
<td>12.8</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>64</td>
<td>74.4</td>
</tr>
<tr>
<td>Total Companies</td>
<td>86</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 3 Descriptive Statistic of Model 1

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>254</td>
<td>-0.2226</td>
<td>0.4160</td>
<td>0.085497</td>
<td>0.1038381</td>
</tr>
<tr>
<td>SustainReport</td>
<td>254</td>
<td>0.0238</td>
<td>1.0000</td>
<td>0.264020</td>
<td>0.1886730</td>
</tr>
<tr>
<td>OwnConcent</td>
<td>254</td>
<td>0.1556</td>
<td>0.9974</td>
<td>0.554792</td>
<td>0.1969245</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>254</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Output SPSS

Based on Table 3, there are 254 data for each variable that are tested in the first model. The mean of Return on Asset (ROA), is 0.085497, with the highest value of 0.416 and lowest value of -0.2226. For sustainability report, the mean is 0.264020, with maximum of 1 and minimum of 0.0238. It implies that the sustainability report in Indonesia’s companies only cover about 26% of the items that should be disclosed according to Global Reporting Initiative (GRI). The last variable in Model 1 is ownership concentration, with mean value of 0.554792, and the values are within 0.1556 to 0.9974.
Coefficient of Correlation Test

The coefficient of correlation (R) is 0.376. It means that the value of coefficient correlation between dependent and independent variables is 0.376. The relationship is not strong enough because coefficient of correlation (R) is below 0.5. So, from the value of R, it implies that the relationship between sustainability report, ownership concentration and company’s performance (ROA) is only 37.6%.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.376*</td>
<td>0.141</td>
<td>0.134</td>
<td>0.0966044</td>
</tr>
</tbody>
</table>

Source: Output SPSS

Coefficient of Determination Test

Based on Table 4, the coefficient of determination (Adjusted R Square) is 0.134. This implies that only 13.4% of the variation of company’s performance (ROA) is explained by the variation of sustainability report and ownership concentration. The rest, which is 86.4%, is explained by another factor that are not included in this research.

F-test

F-test is used to determine the validity of the regression models to be used. For the first model, the value of F presented on the ANOVA table as in Table 9 is 20.654. The probability (sig.) is 0.000, which is smaller than 0.05. Therefore, the first regression model is fit and can be applied for the next analysis.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>0.385</td>
<td>2</td>
<td>0.193</td>
<td>20.654</td>
<td>.000*</td>
</tr>
<tr>
<td>1 Residual</td>
<td>2,342</td>
<td>251</td>
<td>0.009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,728</td>
<td>253</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Hypothesis Testing
The first regression formula that is used in this research is
\[ \text{ROA} = -0.027 + 0.084 \, \text{SustainReport} + 0.163 \, \text{OwnConcent} \]

\[ t\text{-test} \]
Because of heteroscedasticity, data in Model 1 is being transformed by using Eviews. After the heteroscedasticity is solved, the results of \( t \)-test for the first and second hypothesis are presented in the Table 6.

The data in Table 6 shows the coefficient for sustainability report is 0.084 and the probability is 0.0168. Because the coefficient is positive and probability is smaller than 0.05 so it can be inferred that sustainability report has positive influence to the company’s performance. It means when the sustainability report disclosure of a company increases, the company’s performance also increases. So, the first hypothesis (H1) that sustainability report has influence to the company’s performance is accepted. This result could happen because nowadays generating profit is not only merely the aims of business. Companies should also consider the importance of sustainability report. Being concern to the economic, environmental, and social performance has become important aspect of running business in order to increase company’s reputation and profitability.

Table 6. Coefficients of Model 1
White Heteroscedasticity-Consistent Standard Errors & Covariance

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficien t</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-0.027218</td>
<td>0.017036</td>
<td>-1.597644</td>
<td>0.1114</td>
</tr>
<tr>
<td>SUSTAINREPORT</td>
<td>0.084092</td>
<td>0.034926</td>
<td>2.407737</td>
<td>0.0168</td>
</tr>
<tr>
<td>OWNCONCENT</td>
<td>0.163147</td>
<td>0.033293</td>
<td>4.900342</td>
<td>0.0000</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.141314</td>
<td>Mean dependent var</td>
<td>0.085497</td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.134472</td>
<td>S.D. dependent var</td>
<td>0.103838</td>
<td></td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>0.096604</td>
<td>Akaike info criterion</td>
<td>-1.824644</td>
<td></td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>2.342436</td>
<td>Schwarz criterion</td>
<td>-1.782864</td>
<td></td>
</tr>
<tr>
<td>Log likelihood</td>
<td>234.7297</td>
<td>F-statistic</td>
<td>20.65360</td>
<td></td>
</tr>
<tr>
<td>Durbin-Watson stat</td>
<td>1.851475</td>
<td>Prob(F-statistic)</td>
<td>0.000000</td>
<td></td>
</tr>
</tbody>
</table>

Source: Output Eviews
It also shows the t-test result for second variable. The coefficient of ownership concentration is 0.163, and it illustrates that the variable has positive influence to dependent variable. With the positive coefficient and the probability value of 0.00, which is smaller than 0.05, so it can be concluded that ownership concentration has positive influence to the company’s performance. It means when the ownership concentration of a company increases, the company’s performance also increases. Thus, the second hypothesis (H2) that ownership concentration has influence to the company’s performance is accepted. This result is explained that ownership concentration gives the shareholders the motivation and ability to monitor and control management decision. So, it will reduce the agency problem and ensure that managers make decisions that support the wealth of the shareholders.

Data Analysis and Discussion of Model 2

Model 2 of this research is going to test each component of sustainability report, and their influence to the company’s performance, measured by Return on Asset (ROA).

Descriptive Statistic

Descriptive statistic shows some characteristics of variables in Model 2, and they are mean, standard deviation, maximum and minimum value of each variable. The data are presented in the table below.

<table>
<thead>
<tr>
<th>Table 7. Descriptive Statistic of Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>EcoDisc</td>
</tr>
<tr>
<td>EnviroDisc</td>
</tr>
<tr>
<td>SocDisc</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
</tr>
</tbody>
</table>

Source: Output SPSS

There are 244 data for each variable that are tested in this model. The mean of Return on Asset (ROA), is 0.075715, with the highest value of 0.338 and lowest value of -0.2226.

For disclosure of economic performance, the mean is 0.513653, with maximum of 1 and minimum of 0.2222. The mean value of economic disclosure is the highest (51%), compared to another components in sustainability report. The mean value of environmental disclosure is 0.202868, and the highest value is 1 and the lowest value is 0. The last variable in Model 2 is disclosure of social performance, with mean value of 0.251822, and the values
are within 0 to 1. So, it shows that most of companies in Indonesia disclose economic performance more than environmental and social performance.

**Coefficient of Correlation Test**

The coefficient of correlation (R) is 0.364. It means that the value of coefficient correlation between dependent and independent variables is 0.364. The relationship is not strong enough because coefficient of correlation (R) is below 0.5. So, from the value of R, it implies that the relationship between disclosure of economic, environmental, social performance and company’s performance (ROA) is only 36.4%.

**Table 8. Summary of Model 2**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>0.364a</td>
<td>0.133</td>
<td>0.122</td>
<td>0.0819008</td>
</tr>
</tbody>
</table>

Source: Output SPSS

**Coefficient of Determination Test**

The coefficient of determination (Adjusted R Square) is 0.122. This implies that only 12.2% of the variation of ROA is explained by the variation of disclosure of economic, environmental and social performance. The other 87.8% is explained by other factors that are not included in this research.

**F-test**

The value of F for Model 2, as presented on the ANOVA table in Table 9 is 12.223. The significant value (sig.) is 0.000, which is smaller than 0.05. Therefore, the second regression model is fit and can be applied for the next analysis.

**Table 9. Model 2’s ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>0.246</td>
<td>3</td>
<td>0.082</td>
<td>12,223</td>
<td>0.000b</td>
</tr>
<tr>
<td>2 Residual</td>
<td>1,610</td>
<td>240</td>
<td>0.007</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,856</td>
<td>243</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Output SPSS
Hypothesis Testing

Based on Table 18, the second regression formula that is used in this research is

\[ \text{ROA} = 0.023 + 0.136 \text{EcoDisc} + 0.167 \text{EnviroDisc} - 0.201 \text{SocDisc} \]

t-test

The result of t-test for the other three hypotheses is presented in the Table 10. From the data in Table 10, it can be inferred that the coefficient disclosure of economic performance is 0.136 and the significance is 0.008. Because the significance is smaller than 0.05 so it can be inferred that economic disclosure has positive influence to the company’s performance. So, the third hypothesis (H₃) that disclosure of economic performance has influence to the company’s performance is accepted. It means when the economic disclosure of a company increases, the company’s performance also increases. This result happens because being concern to the economic growth has become the important aspect to the company’s performance. It is due to a general acknowledgement that for a company to be sustainable it has to contribute to economic growth.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.023</td>
<td>0.022</td>
<td>1.042</td>
<td>0.299</td>
</tr>
<tr>
<td>2</td>
<td>EcoDisc</td>
<td>0.136</td>
<td>0.051</td>
<td>0.238</td>
</tr>
<tr>
<td></td>
<td>EnviroDisc</td>
<td>0.167</td>
<td>0.043</td>
<td>0.481</td>
</tr>
<tr>
<td></td>
<td>SocDisc</td>
<td>-0.201</td>
<td>0.065</td>
<td>-0.404</td>
</tr>
</tbody>
</table>

Source: Output SPSS

Next, the coefficient of disclosure of environmental performance is 0.167. It demonstrates that the variable has positive influence to the dependent variable and the significance is 0.000 which is smaller than 0.05. So, it indicates that environmental performance disclosure does influence company’s performance significantly and the fourth hypothesis (H₄) is accepted. It means when the environmental disclosure of a company increases, the company’s performance also increases. This result happens because being responsible to the environmental has become important aspect of running business. Nowadays, people are more concern with the issue of climate change and global warming. So, company uses environmental disclosure to increase company’s reputation and profitability.
Based on Table 10, the coefficient of disclosure of social performance is -0.201, and it illustrates that the variable has negative influence to dependent variable. With the significant value of 0.02, which is smaller than 0.05, the fifth hypothesis (H5) that disclosure of social performance has influence to the company’s performance is accepted. Because the coefficient is negative, it means when the social disclosure of a company increases, the company’s performance decreases. This result could happen because company is not only disclosing the good news, but also disclosing the bad news in social reporting. Health and safety is one of the main areas of disclosure of social performance. By disclosing total accidents in the company’s report means company has disclosed its bad issues in social performance. Disclosing the bad issues will influence company’s reputation and profitability. So, social disclosure could have negative influence to the company’s performance when company discloses the bad issues.

Conclusion And Recommendation

Based on data analysis and discussion of Model 1 and Model 2, the conclusions are:
1). Sustainability report has positive influence to the company’s performance. This result is consistent with previous researches by Burhan and Rahmanti (2012) and Abdo and Fisher (2007).
2). Ownership concentration has positive influence to the company’s performance. This research is consistent with research by Khan et al (2011). However, this research is a contradiction with research by Ongore (2011) and Demsetz and Villalonga (2001).
3). Disclosure of economic performance has positive influence to the company’s performance. This result is a not consistent with previous research by Burhan and Rahmanti (2012) that concluded economic performance does not significantly influence company’s performance.
4). Disclosure of environmental performance has positive influence to the company’s performance. This result is consistent with previous research by Khaveh et al (2012), but it is a contradiction with previous research by Burhan and Rahmanti (2012) and Ahmed et al (2012) that concluded there is no significant evidence that environmental performance has influence to company’s performance.
5). Disclosure of social performance has negative influence to the company’s performance. This result is a contradiction with previous researches by Burhan and Rahmanti (2012) and Khaveh et al (2012) that concluded that disclosure of social performance has positive influence to the company’s performance.

This research helps the readers to broaden their knowledge about sustainability report, including economic, environmental, social disclosure, ownership concentration and their
influence to the company’s performance. It is expected to provide as a guideline for the next research.

In Indonesia, corporate governance practice about disclosure of non-financial information is relatively new since the average of disclosure index fulfilled by companies is 0.264 out of 1. In the future, company’s management should consider sustainability report and ownership concentration as important factor that give positive influence to the company’s performance. However further analysis shows that only disclosure of economic and environmental performances have positive influence to the company’s performance. Meanwhile, disclosure of social performance has negative influence to company’s performance. So, manager should be careful when disclose the issues of company, especially when disclose the bad news in the social aspect.

Recommendation

Because there are some limitations that are found during data analysis and discussion in this research, the recommendations for next researcher are: 1). Next researcher should add company samples that will be used in the research. It should not only include agriculture, mining, and manufacturing, but also another sectors, including trade, services, and investment. Including all sectors in Indonesia Stock Exchange as company samples would be even better. 2). Since the adjusted R square for both models in this research are quite small, next researcher should consider another important factors in corporate governance practices, like board structure, that could influence company’s performance.

References


