THE EFFECT OF DISCLOSURE OF SUSTAINABILITY REPORT ON FINANCIAL DISTRESS WITH COMPANY PERFORMANCE AS INTERVENING VARIABLES

by Dian Oktarina

Submission date: 17-Feb-2020 08:33AM (UTC+0700)
Submission ID: 1258503346
File name: L_DISTRESS_WITH_COMPANY_PERFORMANCE_AS_INTERVENING_VARIABLES.pdf (1.28M)
Word count: 6830
Character count: 38026

JASF | Journal of Accounting and Strategic Finance
Vol.1 No.02 November 2018, pp. 109-121

ISSN 2614-6649 (online)
http://jasf.upnjatim.ac.id

THE EFFECT OF DISCLOSURE OF SUSTAINABILITY REPORT ON FINANCIAL DISTRESS WITH COMPANY PERFORMANCE AS INTERVENING VARIABLES

Dian Oktarina[1]

[1]Accounting Program, Sekolah Tinggi Ilmu Ekonomi Perbanas Surabaya, Jl. Nginden Semolo No.34-36, Ngenden Jangkungan, Sukolilo, Surabaya, Jawa Timur 60118

DOI: https://doi.org/10.33005/jasf.v1i02.29

Received: *November 09, 2018.* ***Revised:*** *November 29, 2018.* ***Accepted:*** *November 30, 2018*

Abstract

This study examines the effect of sustainability report disclosure on financial distress with company's performance as an intervening variable. Company's performance measured by Return on Assets (ROA). Sustainability report disclosure that used in this research were economic, environment, labor practices and decent work, human right, product responsibility, society. The population of this study is non-finance and banking companies listed at IDX. Sample of this research were 29 non-finance and banking companies listed in IDX during 2012-2016. This research used multiple linier regression and logistic regression method for testing hypothesis. The results of this research showed that on first model, sustainability report disclosure doesn't affect the company's performance. Second model showed that, public responsibility aspect of sustainability report disclosure has negative effects on financial distress. The last model showed that company's performance doesn't affects the financial distress. Therefore, company's performance can't be used as an intervening variable. The implications of this study theoretically can provide evidence of the theory being tested related to the effect of sustainability report disclosure on financial distress with company's performance as an intervening variable. Practically, this research is expected to be able to give an overview of the importance of sustainability reports disclosure to be made and published periodically by the company because this is considered to improve the performance of the company which will minimize or prevent companies from financial distress.

Keywords: *Company's Performance, Financial Distress, Product Responsibility, Sustainability Report*

How to cite (APA 6th style)
Oktarina, D. (2018). The Effect of Disclosure of Sustainability Report on Financial Distress with Company Performance as Intervening Variables. *Journal of Accounting and Strategic Finance*, 1 (02), 109-121.

INTRODUCTION

This year's world economy is indeed in turmoil after America and China were involved in a trade war. This caused the Turkish Lira exchange rate to plummet due to sanctions to increase tariffs on imports of steel and aluminium by Americans (Prasongko, 2018). These conditions affected the psychology of the domestic market, which resulted in rupiah exchange rate volatility. The economic crisis also has an impact on the stability of companies in Indonesia. The instability of the company's condition makes companies experience financial difficulties or commonly called financial distress.

Financial distress is a company financial condition that experiences a continuous and continuous decline (Oktarina, 2018). If this condition continues, the company will gradually go bankrupt. Bankruptcy can be minimized and predicted by the company's management. Various things and efforts are made by management so that the company continues to run properly until the time

[1]Dian Oktarina
Email: dian.oktarina@perbanas.ac.id

that is not determined without experiencing financial distress. One of the efforts made by management to minimize the occurrence of financial distress is to improve company's performance which is usually seen in the company's financial ratios. The ratio that is usually used to measure company's performance is the return on assets ratio (ROA). The higher or better the performance of the company, it can be said that the company's income is higher which indicates the company has good finance so the possibility of a small financial distress.

Financial conditions only are not enough to predict or minimize the occurrence of financial distress. This is due to the demands of the company's stakeholders who want to know more than just the company's performance on financial aspects, but also on non-financial aspects such as the environment and social. Therefore, there is a new form of report that must also be disclosed by the company to report on the company's non-financial activities. The report is a sustainability report or commonly called a sustainability report (Manisa & Defung, 2017).

Sustainability hassle is a form of corporate responsibility towards its environment. The implementation of these responsibilities must pay attention and respect the cultural traditions of the people around the company's location (Manisa & Defung, 2017). Sustainability report is a concept that the company has a responsibility towards consumers, employees, shareholders, communities and the environment in all aspects of the company's operations. Implementation of sustainability report will give an impact on the sustainability of the company which is expected to improve the performance. So that, it can attract investors to invest their funds in the company. Thus, companies will get a lot of funds from investors, especially for company operations and minimized financial distress.

This is in accordance with the signal theory which states that companies need important signals from any factors both financial and non-financial information of the company related to company's performance so that the company can minimize and even prevent financial distress in the company. In addition, based on agency theory, managers as agents must run the company well in accordance with the mandate of investors as principals to produce good corporate performance. This may lead company to avoid financial distress. Stakeholder theory also supports that corporate managers are fully responsible for improving company's performance to prevent companies from going bankrupt. Therefore, corporate managers also need to know what things or factors can minimize and even prevent financial distress.

Some of the previous studies from Manisa & Defung (2017), Fadila (2016), and Sidharta & Juniarti (2015), stated that sustainability report influenced company's performance, while research conducted by Mustafa & Handayani (2014) stated that sustainability report did not affect the company's performance. Previous research related to the influence of company's performance on financial distress are Oktarina (2017, 2018) and Ellen & Juniarti (2013) researches, which states that company's performance influences financial distress, while Lakshan and Wijekoon's (2013) research states that company's performance does not affect financial distress. Previous research used as the basis of research related to the effect of sustainability report on financial distress is research from Fathonah (2016) which states that sustainability report influences financial distress, while research from Ellen & Juniarti (2013) states that sustainability report does not affect financial distress.

The inconsistency of previous research results is the reason for conducting research related to the sustainability report effect on financial distress with the company's performance as an intervening variable. Company's performance determination used as an intervening variable in this study because there is a foundation from previous research which states that indirectly company's performance can bridge the effect of sustainability report on financial distress which in the previous research was examined separately the effect of sustainability report on company's performance, company's performance on financial distress and sustainability report on financial distress. Therefore, to prove whether the company's performance can be used as an intermediary for the influence of the sustainability report on financial distress, this research is important to do especially for non-financial and banking companies listed on the Indonesia Stock Exchange that issue sustainability reports throughout the 2012-2016 period. In addition, this research is expected to provide an overview of the importance of sustainability reports and published it periodically to improve company's performance which will minimize or prevent companies from experiencing

financial distress.

This study was based on four theories, 1) the signalling theory, 2) agency theory, 3) stakeholder theory, and 4) legitimacy theory. Signalling theory is concerned with how to overcome problems that arise from information asymmetry in social rules. This shows that information asymmetry can be reduced if the party who has information can send a signal to the parties concerned. A signal can be an observable action, or an observed structure, which is used to show the hidden characteristics or quality of the signaller (Ulum, 2016). Signal delivery is usually based on the assumption that it must be advantageous to the signaller (An et al, 2011). Information influences the decision-making process of individuals in the household, business, and government. Individuals make decisions based on freely available public information and personal information available only to certain groups (Connelly et al, 2011).

Information published as an announcement will signal investors in making investment decisions (Jogiyanto, 2013). If the announcement contains a positive value, it is expected that the market will react when the announcement is received by the market. When information is announced, and all market participants have received the information, market participants first interpret and analyze the information as good news or bad signal. Based on signalling theory, companies need important signals from any factors, including non-financial information contained in the sustainability report, which will improve company's performance so that they can minimize and even prevent financial distress in the company.

The agency theory proposed by Jensen and Meckling in 1976 is a theory used to explain the relationship between the agent (who receives authority) and the principal (the authority) so that the company's goals can be achieved optimally (Mustafa & Handayani, 2014). The main principle of this theory states that there is a working relationship between the party giving authority (investor) and the party who receives the authority (manager). This shows that the agency relationship is a contract where one or more people (principals) involve other people (agents) to perform several services on their behalf that involve part of the decision-making authority to the agent. Based on agency theory, the manager as an agent must run the company in accordance with the mandate of the investor as principal to produce good corporate performance.

Stakeholder theory states that all stakeholders have the right to be provided with information about how organizational activities influence stakeholders even when stakeholders choose not to use that information and even when stakeholders cannot directly play a constructive role in the survival of the organization (Deegan, 2004). The main objective is helping corporate managers understand the stakeholder environment and managing it more effectively between the existence of relationships in the corporate environment. A broader goal is to help corporate managers increase the value of stakeholder activities and minimize losses to stakeholders.

Based on this theory, corporate managers are fully responsible for improving company's performance so that it can prevent companies from going bankrupt. Therefore, corporate managers also need to know what things or factors can minimize and even prevent financial distress. The thing that underlies the legitimacy theory was put forward by Shocker and Sethi in 1974 (as cited in Ghozali & Chariri, 2007) is the "social contract" that occurs between companies and communities where companies operate and use economic resources. The concept of a social contract is:

"All social institutions are no exception, companies operate in the community through social contracts, both explicit and implicit, where survival and growth are based on end results which can be socially provided to the wider community and distribution of economic, social or political benefits to groups according to the power owned. "This legitimacy theory explains the relationship between sustainability report on company's performance and financial distress. Figure 1 illustrates the relationship of grand theories to the variables studied.

Based on figure 1, several research hypotheses can be constructed. Sustainability report is a non-financial report that contains activities or things that have been done by the company as a form of corporate concern with the environment and surrounding communities (Manisa & Defung, 2017). In the report there are six aspects that need to be fulfilled or reported by the company: economic, environmental, employment aspects and the convenience of work, human rights, society, responsibility for the product. Based on the signalling theory, companies will provide signals to

the public, especially the potential investors. The investors then want to invest their funds into the company, so that it can improve company's performance. In addition, based on stakeholder theory, companies also have an obligation to report on the company's financial and non-financial activities to show the company's performance.

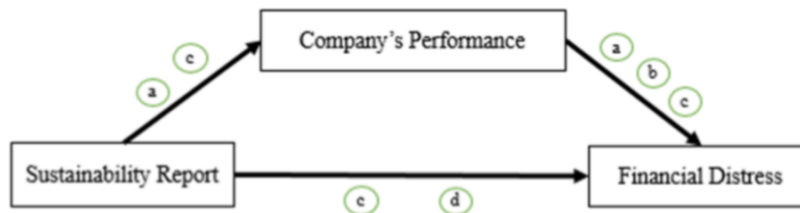

Figure 1. Grand Theories Relationship with Research Variables

Source: Data processed

Notes:

a: Signalling Theory

b: Agency Theory

c: Stakeholder Theory

d: Legitimacy Theory

Proof of this theory has been carried out by many researchers. Some researchers who have successfully proven this theory are Manisa & Defung (2017), and Fadila (2016). The results of the study stated that sustainability report disclosure influenced company's performance. Based on this, the hypothesises are:

H1. Economic aspects affect company's performance

H2. Environmental aspects affect company's performance

H3. The aspects of employment and work comfort affect the company's performance

H4. The aspect of human rights affects the company's performance

H5. The aspect of society influences company's performance

H6. The aspect of responsibility for the product affects the company's performance

The disclosure of the sustainability report by the company through the company's official website is one way for companies to improve company's performance through the non-financial side. This can be said because companies that carry out sustainability disclosures in other words more disclosures on non-financial aspects will attract investors to invest their funds in the company. Investors will assume that companies always pay attention to their environment (stakeholders) well. Increasing investor's good view of the company makes investors invest their funds in the company so that the company can continue to operate smoothly without having to experience financial distress which will lead to bankruptcy.

This has also been revealed to stakeholder theory which states that companies must pay attention to their stakeholders, namely by revealing reports of activities that have been carried out by the company both financial and non-financial aspects. In addition, the legitimacy theory also states that companies must pay attention to the social environment because based on regulations made by the government in Law no. 40 of 2007 concerning limited liability companies on points of corporate social responsibility.

Proof of this theory has been carried out by many researchers. One of these researchers who have successfully proven this theory is Fathonah (2016). The results of the study stated that sustainability report disclosure influenced financial distress. Based on this, the hypotheses are:

H7. Economic aspects affect financial distress

H8. Environmental aspects affect financial distress

H9. The aspects of employment and work comfort affect financial distress

H10. The aspect of human rights affects financial distress

H11. The aspect of society influences financial distress

H12. The aspect of responsibility for the product affects financial distress

Financial distress is a condition where the company experiences financial difficulties (Oktarina, 2018). If left unchecked, then this condition will have a bad impact on the company which will lead to bankruptcy (Oktarina, 2017). Basically, financial distress occurs long before the company experiences financial difficulties. This can be detected earlier by using company financial ratios that reflect a condition of company's performance. The continued good performance of the company will not make the company experience financial distress and even bankruptcy. Signaling theory, agency theory, and legitimacy theory also state that companies must continue to improve company's performance through both financial and non-financial aspects so that companies will not experience financial distress which will lead to bankruptcy.

Proof of this theory has been carried out by many researchers. Researchers who succeeded in proving the theory were Oktarina (2018, 2017), Ellen & Juniarti (2013), and Lakshan & Wijekoon (2013). The results of the study state that company's performance affects financial distress. Based on this, the hypothesis is:

H13. Company's performance affects financial distress

RESEARCH METHODS

Research Design

This study is a hypothesis testing research that aims to test hypotheses and explain phenomena in the form of relationships between variables (Sugiyono, 2011). This research is included in quantitative research, namely systematic research on phenomena and the relationship between sustainability report disclosure variables, company's performance, and financial distress. When viewed from the data, this study includes research using secondary data obtained indirectly through several websites including IDX and GRI. The time dimension used in this study is the time series starting from 2012-2016.

Operational Definition and Variable Measurement

The following is an explanation or definition and measurement of the variables used in this study:

Financial distress

In this study financial distress is measured using an ordinal scale which is included in the category variable with two categories namely zero and one category, where the zero category for companies that do not experience financial distress while the one category for companies that experience financial distress. Based on research from Oktarina (2018), the determination of the company experiences financial distress if: 1) For two years or more experienced negative net income. 2) For more than one year no dividend payment was made.

Company's Performance

Company's performance is a description of the condition of a company that is analyzed through financial analysis tools to find out the good and bad financial condition of a company which can then describe the work performance of a company in a certain period (Mustafa & Handayani, 2014). In this study using measurement of company's perfomance with Return on Assets (ROA). The following is the formula to look for ROA:

ROA = Profit after tax / Total assets ……………………………………………………………… (1)

Sustainability report disclosures

The sustainability report disclosure using GRI G4 includes six aspects that must be disclosed: economics, environment, employment practices and work convenience, human rights, society, and responsibility for products. This variable is measured through the Sustainability Report Disclosure Index (SRDI). From the six aspects of Sustainability report disclosure, there were 91 items which were then adjusted to each company. SDRI calculations are performed by giving one if one item is disclosed, and zero if not disclosed in the existing report. After scoring all items, the score is summed to obtain the overall score for each dimension. The formula for calculating the score index for each dimension is as follows (Mustafa & Handayani, 2014):

$$SRDI = n / k \quad (2)$$

which:
SRDI = Sustainability report of the company Disclosure Index
n = The number of items disclosed by the company in every aspect
k = The number of items expected by each aspect

Population and Research Sample

The population used in this study is the data of non-financial and banking companies listed on the Indonesia Stock Exchange (IDX) which includes financial distress data, sustainability report disclosures and company's performance which is limited to the period between 2012-2016. The sampling technique used in this study was purposive sampling with the criteria: 1) Non-financial and banking companies listed on the Indonesia Stock Exchange (IDX) in 2012-2016. 2) Presents the sustainability report on the company's official website. 3) Presenting complete data needed by researchers. Based on the criteria of the sample, 29 non-financial and banking companies were listed on the IDX in 2012-2016 that met the sample criteria.

Data and Data Collection Methods

The data used are secondary data in the form of financial distress, sustainability report disclosure, and company's performance during 2012 to 2016. Data sources were obtained from the IDX and GRI websites. The data were collected by means of documentation from various sources. In addition to through the website, data and information collection is done by retrieving from articles, journals, and supporting books. Based on its characteristics, this study uses data collection methods in the form of content analysis.

Data Analysis Technique

This study uses several data analysis techniques that are used for each research model that is in the mind-set. The following are some data analysis techniques used in this study (Ghozali, 2015):

1. Descriptive analysis of statistics and frequencies.
2. Analysis of multiple linear regression tests.

Analysis of multiple linear regression tests was carried out to test the effect on the first model, namely the relationship between the sustainability report variable on company's performance. How big the sustainability report variable affects the company's performance variables is calculated using the following multiple linear regression equation:

$$Y = c + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + \beta5X5 + \beta6X6 + e \quad (3)$$

Notes:

Y = company's performance (ROA)

c = Constants

β = Regression line coefficient

X_1 = Sustainability report on economic aspects

X_2 = Sustainability report on environmental aspects

X_3 = Sustainability report on aspects of employment and convenience of work

X_4 = Sustainability report on aspects of Human Rights

X_5 = Sustainability report on community aspects

X_6 = Sustainability report on aspects of responsibility for the product

Analysis of logistic regression tests

Analysis of logistic regression test was conducted to test the effect on the second model (relationship between the sustainability report variable on financial distress) and the third model (relationship between the variable performance of the company towards financial distress). How big the company's performance variables affect financial distress variables is calculated using the following logistic regression equation:

Second Model:

$Ln(p/(1-p))=\beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\beta_5X_5+\beta_6X_6$

$p=1/(1+(e^{-(\beta0+\beta1X1+\beta2X2+\beta3X3+\beta4X4+\beta5X5+\beta6X6)})$ ………………………………………………………. (4)

Notes:

p = probability of financial distress

β = Constants

X_1 = Sustainability report on economic aspects

X_2 = Sustainability report on environmental aspects

X_3 = Sustainability report on aspects of employment and convenience of work

X_4 = Sustainability report on aspects of Human Rights

X_5 = Sustainability report on community aspects

X_6 = Sustainability report on aspects of responsibility for the product

Third Model:

$Ln(p/(1-p)) = \beta_0+\beta_1X_1$

$p=1/(1+(e^{-(\beta0+\beta1X1)})$ ……………………………………………………………………….. (5)

Notes:

p = probability of financial distress

β = Constants

X_1 = company's performance (ROA)

Single test and bootsrapping analysis

The sobel test and bootsrapping analysis is used to assess whether the company's performance variable can be used as a mediating variable between the sustainability report variable on financial distress. Assessment is done by looking at the significance value. If the significance value is smaller than alpha 0.05, it can be said that the company's performance variable can be used as a mediating variable between the sustainability report of financial distress.

RESULTS AND DISCUSSION

Based on the sample criteria made, from all non-financial and banking companies listed on the IDX there are 29 companies that meet the criteria as samples so that the total sample in 2012-2016 was 106 samples.

The following are the results of data analysis conducted by researchers starting from descriptive analysis for each independent variable and the dependent variable until testing the research hypothesis and its discussion.

Descriptive Analysis

The following table 1 is the results of a descriptive statistical test and statistical frequencies. Based on table 1, the financial distress variables using the frequencies test showed that from 106 data there were 24 or 22.6% of the data exposed to financial distress while the remaining 82 or 77.4% of the data were not affected by financial distress.

Table 1. Test Results Statistics Frequencies

Information	Frequency	Percentage (%)
Not Financial distress	82	77.4
financial distress	24	22.6
Total	106	100

Source: Data processed

Table 2. Descriptive Statistics

Information	Min	Max	mean	Std. Deviation
EC	0.0000	1.0000	.5556	.2717
EN	0.0000	1.0000	.4181	.2588
LA	0.0000	1.0000	.5124	.2472
HR	0.0000	1.0000	.3082	.3290
SO	0.0000	1.0000	.3911	.2665
PR	0.0000	1.0000	.4151	.3587
ROA	-0.1536	.4150	.0729	.0993

Source: Data processed

Based on the results of the descriptive statistical test in table 2, it shows that disclosure of the economic aspect sustainability report (EC) has a min value of 0.0000 represented by PT. Salim Ivomas Pratama Tbk, the maximum value of 1,0000 is represented by PT. Adaro Energy Tbk, the mean value is 0.5556 with a standard deviation of 0.2717. Disclosure of environmental aspects of sustainability report (EN) has a min value of 0.0000 represented by PT. Wijaya Karya Tbk, the maximum value of 1.0000 represented by PT PP (Persero) Tbk, mean value of 0.4181 with a standard deviation of 0.2588. Disclosure of the sustainability report on employment aspects and work convenience (LA) has a min value of 0.0000 represented by PT. Total Bangun Persada Tbk, the maximum value of 1,0000 represented by PT PP (Persero) Tbk, is a mean of 0.5124 with a standard deviation of 0.2472. Disclosure of sustainability report aspects of Human Rights (HR) has a min value of 0.0000 represented by PT. AKR Corporindo Tbk, the maximum value of 1,0000 represented by PT PP (Persero) Tbk, is a mean of 0.3082 with a standard deviation of 0.3290. Disclosure of the sustainability report aspect of society (SO) has a min value of 0.0000 represented by PT. AKR Corporindo Tbk, the maximum value of 1,0000 represented by PT PP (Persero) Tbk, has a mean value of 0.3911 with a standard deviation of 0.2665. Disclosure of sustainability report aspects of responsibility for products (PR) has a min value of 0.0000 represented by PT. Austindo Nusantara Jaya Tbk, a maximum value of 1,0000 represented by PT. Wijaya Karya Tbk, a mean of 0.4151 with a standard deviation of 0.3587. ROA has a value of min -0.1536 represented by PT. Bakrie Sumatera Plantations Tbk, the maximum value of 0.4150 represents PT. Unilever Indonesia Tbk, the mean value is 0.0729 with a standard deviation of 0.0993.

Analysis of Multiple Linear Regression

This multiple linear regression test was carried out on the first model which examined the effect of the six aspects contained in sustainability report on the performance of the company represented by ROA. The following table 3 shows the results of multiple linear regression tests on the first model:

Test F

Based on table 3, shows that the significance value in the F test is 0.200. This value is greater than alpha 0.05 so it can be said that the model is not fit. The model that is not fit shows that the results of multiple linear regression cannot be fully believed.

R^2 Test

In table 3, it shows that the adjusted R square value is 0.026 or 2.6%. This means that the dependent variable can be explained by an independent variable of only 2.6%, the remaining 97.4% is explained by other variables outside the study.

Table 3. Multiple Linear Regression Test Results

Information	Value	
test F		
value F	1,460	
Sig.	.200	
test R		
Adjusted R Square	0,026	
t test		
	B	**Sig.**
EC	-0.046	.360
EN	0,042	0.505
LA	0,015	.820
HR	-0.097	0.075
SO	0,033	.619
PR	0.097	0,017
C-Model 1	0,050	0,054

Source: Data processed

t Test

Based on the test results, then in the second model a logistic regression model can be formed as follows:

ROA = 0,050 - 0,046EC + 0,042EN + 0,015LA - 0,097HR + 0,033SO + 0,097PR…………… (6)

The multiple linear regression equation shows that from the sustainability report variable, only economic aspects (EC) and Human Rights (HR) have a negative influence on company's performance which is proxied by ROA, while the other four aspects have a positive influence on the company's performance. proxied by ROA.

Table 4. Model Fit Test Results

Test Model Fit	Model 2	Model 3
-2 Log Likelihood		
Block 0	113.401	113.401
Block 1	100.725	72.662
Snell R Square and Nagelkerke R Square		
Cox and Snell R Square	0,113	0.319
Nagelkerke R Square	0.172	0.486
Hosmer and Lemeshow's Goodness of Fit Test		
Chi Square	14.324	16.614
significance	0.074	0,034
table Classification		
percentage of Overall	76.4%	88.7%

Source: Data processed

Logistic Regression Analysis

The logistic regression test was carried out in two stages, namely in the second model which examined the influence of the six aspects contained in the sustainability report on financial distress, and the third model that examined the influence of company's performance represented by ROA on financial distress. Table 4 and table 5 are the results of the logistic regression test for the two models.

Table 5. Logistic Regression Test Results

Information	B	Sig.
EC	-0.249	.851
EN	2.828	0.097
LA	-2.038	0,253
HR	-0.206	0.888
SO	1,253	0.469
PR	-2.800	0,011
ROA	-31.655	0,000
C-Model 2	-0.693	.255
C-Model 3	-0.152	0.648

Source: Data processed

Assess the Fit Model

Based on the test results in table 4, it shows that in model two, the Log Likelihood value of -2 obtained in block 0 is 113,401 while in block 1 is 100,725. The decrease in the Likelihood Log -2 value means that the regression model in the two models is fit with the data. In model three, the Log Likelihood value of -2 in block 0 is 113.401, while in block 1 is 72.662. Decreasing the value of the Likelihood Log -2 means the regression model in the three-fit model with data.

Cox and Snell R Square

Based on the test results in table 4, it shows that in model two, the value of Nagelkerke R Square is 0.172 and Cox and Snell R Square is 0.113 which means that the ability of the independent variable is 0.172 or 17.2% explains the dependent variable. In model three, the Nagelkerke R Square value is 0.486 and Cox and Snell R Square is 0.319, which means that the ability of the independent variable is 0.486 or 48.6% explains the dependent variable.

Hosmer and Lemeshow's Goodness of Fit Test

Based on the test results in table 4, it shows that in model two, Hosmer and Lemeshow's Goodness of Fit Test produces a Chi-Square value of 14,324 with a significance of 0.074. Significant value greater than 0.05, which means that the logistic regression model is feasible to be analysed further because this model can predict the value of its observations. In model three, Hosmer and Lemeshow's Goodness of Fit Test produces a Chi-Square value of 16.614 with a significance of 0.034. Significant value is smaller than 0.05, which means that the logistic regression model is not able to predict its observational value properly.

Classification Table

Based on the test results in table 4, in model two shows that overall, the classification accuracy of the logistic regression model in this study is 76.4%, which means that this study has a good accuracy in knowing six aspects of sustainability report affecting financial distress. In model three shows that overall, the classification accuracy of the logistic regression model in this study amounted to 88.7%, which means, this study has a fairly good accuracy to determine the performance of the company that is proxied by ROA affects financial distress.

Test the Regression Coefficient

Based on the test results, then in the second model a logistic regression model can be formed as follows:

$$\text{Ln}\ (p/(1-p)) = -0{,}693 - 0{,}249EC + 2{,}828EN - 2{,}038LA - 0{,}206HR + 1{,}253SO - 2{,}800PR \qquad (7)$$

The logistic regression equation shows that the sustainability report variable is only environmental aspects (EN) and society (SO) which have a direction of positive influence on financial distress, while the other four aspects have a direction of negative influence on financial distress.

Model three logistic regression models can be formed as follows:

$$\text{Ln}\ (p/(1-p)) = -0{,}152 - 31{,}655ROA \qquad (8)$$

The logistic regression equation shows that the company's performance variable which is proxied by ROA has a negative influence on financial distress.

Sobel and Bootsrapping Test Analysis

In this study, the sobel test and bootsrapping test could not be continued because the model test results in model one and model three were not significant so the model could not be trusted. Therefore, it can be said that company's performance that is proxied by ROA cannot be used to mediate the sustainability report of financial distress.

Discussion

Effect of Sustainability Report Disclosures on Company's Performance

In model one, which examines the influence of the six aspects of sustainability report on company's performance which is proxied by ROA. Based on table 3, shows that the significance value in the F test is 0.200. This value is greater than alpha 0.05 so it can be said that the model is not fit, so that further testing cannot be continued, so that it can be interpreted that sustainability report disclosure does not affect the company's performance. The effect of sustainability report disclosure on the company's performance is due to research data, there are two companies, namely PT Garuda Indonesia (Persero) and PT Aneka Tambang, which have high sustainability report disclosures, but have low or negative company's performance. The existence of this makes empirical evidence that not all companies that have a high amount of disclosure of sustainability reports show high corporate performance.

In addition, this is due to the outline (29 companies included), almost 50% were more including companies in the mining industry where the products sold were special products which of course only certain companies made purchases of these products. Therefore, the sale does not depend on the fluctuation of the product price or the reputation of the product manufacturing company in the eyes of the public but based on the specific needs of the company. So that the number of activities disclosed in the company's sustainability report does not make sales or demand for the company's products increase, which in turn will have an impact on company profits related to company's performance.

The results of this study are not in line or cannot prove stakeholder theory which states that the company has an obligation to report company activities including matters related to non-financial so that it shows the company's performance. In addition, the results of this study are in line with research from Mustafa & Handayani (2014).

Effect of Sustainability Report Disclosures on Financial Distress

In model two, which examines the influence of the six aspects contained in the sustainability report on financial distress, it shows that only aspects of responsibility for the product (PR) that affect financial distress. The relationship between sustainability report disclosures and financial distress is negative. This shows that the higher or many aspects of product responsibility (PR) revealed in the sustainability report, the lower the likelihood that the company will experience financial distress. The aspects of responsibility for the products referred to in this study included in GRI 4 are customer health and safety, product and service labeling, marketing communications, customer privacy, and compliance. The high responsibility aspect of the product shows that the company also has a high awareness that the company needs customers to buy products or services produced by the company so that the company can continue to generate profits and operate sustainably without any financial distress. which will later lead to bankruptcy.

This supports stakeholder theory which states that the company must pay attention to its stakeholders by revealing reports of activities that have been carried out by the company both financial and non-financial aspects. In addition, the results of this study also support the legitimacy theory which states that companies must pay attention to the social environment because it is based on regulations made by the government in law no. 40 of 2007 concerning limited liability companies on points of corporate social responsibility. The results of this study also support the research conducted by Fathonah (2016).

Effect of Company's Performance on Financial Distress

In model three which examines the effect of company's performance which is proxied by ROA on financial distress, the significance value of the Hosmer and Lemeshow's test is not significant so that the model is unable to predict its observational value properly. It can be said that the company's performance which is proxied by ROA does not affect financial distress. The effect of company's performance on financial distress is not affected because based on research data there are two companies, namely PT Garuda Indonesia (Persero) and PT Smart, which experience negative ROA but do not experience financial distress. This is because the company during the study period experienced negative ROA not two consecutive years which if this happens can be categorized as a company experiencing financial distress. The existence of this makes empirical evidence that not all companies that have negative ROA or poor company's performance can be said to experience financial distress.

In addition, this is due to the outline (29 companies included), almost 50% were more including companies in the mining industry where the products sold were special products which of course only certain companies made purchases of these products. Therefore, sales are not available every day and once there can be directly with a high nominal. Thus, this is what makes the company's sales unstable every period resulting in a performance ratio that is not good, so the instability of the company's sales does not indicate that the company experienced financial distress.

The results of this study are not in line or cannot prove signalling theory, agency theory, and legitimacy theory which states that companies must continue to improve company's performance, including non-financial aspects so that companies will not experience financial distress which will lead to bankruptcy. In addition, the results of this study are in line with research from Lakshan and Wijekoon (2013).

CONCLUSIONS

Based on the results of the analysis and discussion, only the two models can be assured of the results. The second model is a model that examines the effect of six aspects of the sustainability report on financial distress. In model two only aspects of product responsibility (PR) that affect financial distress with a negative influence direction. The implication of this research is that it can be useful for company management in predicting financial distress so that companies do not experience financial distress which results in bankruptcy, namely by disclosing the sustainability report on the company's website, especially on aspects of product responsibility (PR).

The researcher realizes that there are still weaknesses that become limitations in this study, namely in the process of determining aspects contained in the full sustainability report with justifications from researchers because not all sustainability reports presented on the company's official website have codes or explanations related to aspects of activities or things conducted by the company. Therefore, the researcher suggests the next researcher to create a separate code list that is used as a reference for sustainability report assessment so that the justification can be minimized.

The implications of this study theoretically can provide evidence of the theory being tested related to the effect of sustainability report on financial distress with company's performance as an intervening variable. Practically, this research is expected to be able to give an overview of the importance of sustainability reports to be made and published periodically by the company because this is considered to improve the performance of the company which will minimize or prevent companies from experiencing financial distress. In addition, it can also be used by investors in making investment decisions.

REFERENCES

An et all. (2011). “Towards a comprehensive theoretical framework for voluntary IC disclosure”, *Journal of Intellectual Capital*, 2, pp. 571-585.

Connelly et al. (2011). “Signaling Theory: A Review and Assessment”, *Journal of Management*, 37, pp. 39-67.

Deegan. (2004). *Financial Accounting Theory*. Sydney: McGraw-Hill Book Company.

Ellen & Juniarti. (2013). “Penerapan Good Corporate Governance, Dampaknya terhadap Prediksi *Financial distress* pada Sektor Aneka Industri dan Barang Konsumsi”, *Business Accounting Review*, 1, pp. 1-13.

Fadila, Oktaviani Nur. (2016). “Pengaruh Corporate Social Responsibility terhadap Profitabilitas dan Likuiditas pada Perusahaan Tobacco Manufactures”, *Jurnal Ilmu dan Riset Manajemen*, 5, pp. 1-16.

Fathonah, Andina Nur., (2016). “Pengaruh Penerapan Good Corporate Governance terhadap Financial distress”, *Jurnal Ilmiah Akuntansi*, 1, pp. 133-150.

Ghozali, I. (2015). *Aplikasi Analisis Multivariate dengan Program IBM SPSS 21*. Semarang : BP UNDIP.

Ghozali, I. & Chariri. (2007). *Teori Akuntansi*. Semarang: BP UNDIP

Jensen, M.C. and Meckling, W.H., (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure, *Journal of Financial Economics, October*, V. 3, No. 4, pp. 305-360. Electronic copy available at: http://ssrn.com/abstract=94043

Jogiyanto. (2013). *Teori Portofolio dan Analisis Investasi.* edisi 8. Yogyakarta: BPFE.

Lakshan & Wijekoon. (2013). “The Use of *Financial* Ratios in Predicting Corporate Failur in Sri Lanka”, *Journal on Business Review*, 2: pp. 37-43.

Manisa, Dea Eka & F. Defung. (2017). “Pengaruh Pengungkapan *Sustainability report* terhadap Kinerja Keuangan Perusahaan Infrastruktur yang Terdaftar di Bursa Efek Indonesia”, *Forum Ekonomi*, 19, pp. 174-187.

Mustafa, Cut Cinthya & Nur Handayani. (2014). “Pengaruh Pengungkapan Corporate Social Responsibility terhadap Kinerja Keuangan Perusahaan Manufaktur”, *Jurnal Ilmu dan Riset Akuntansi*, 3, pp. 1-16.

Oktarina, Dian. (2017). “Indikator makroekonomi dan rasio keuangan dalam memprediksi *financial distress*”, *The Indonesian Accounting Review*, 7, pp. 1-14

Oktarina, Dian. (2018). “Prediksi *financial distress* menggunakan rasio keuangan, sensitivitas makroekonomi, dan intellectual capital”, *Jurnal Ultima Accounting Univ. Multimedia Nusantara – proses review*

Prasongko, Dias. (2018). Tempo.Co, *Darmin Sebut Idul Adha Kali Ini Berbeda Karena Gejolak Ekonomi*, (online), (https://bisnis.tempo.co/read/1119415/darmin-sebut-idul-adha-kali-ini-berbeda-karena-gejolak-ekonomi) accessed October 11, 2018.

Sidharta, Stefany Dianita & Juniarti. (2015). “Pengaruh Corporate Social Responsibility terhadap Respon Investor dalam Sektor Keuangan”, *Business Accounting Review*, 3, pp. 245-256.

Sugiyono. 2011. *Metode Penelitian Pendidikan (Pendekatan Kuantitatif, Kualitatif, dan R&D)*. Bandung: Alfabeta.

Ulum, Ihyaul. (2016). *Intellecetual Capital – Model Pengukuran, Framework Pengungkapan, dan Kinerja Organisasi*. Malang: UMM Press.

THE EFFECT OF DISCLOSURE OF SUSTAINABILITY REPORT ON FINANCIAL DISTRESS WITH COMPANY PERFORMANCE AS INTERVENING VARIABLES

ORIGINALITY REPORT

0%	0%	0%	0%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

Exclude quotes	On	Exclude matches	< 5%
Exclude bibliography	On		

THE EFFECT OF DISCLOSURE OF SUSTAINABILITY REPORT ON FINANCIAL DISTRESS WITH COMPANY PERFORMANCE AS INTERVENING VARIABLES

GRADEMARK REPORT

FINAL GRADE

/0

GENERAL COMMENTS

Instructor

PAGE 1

PAGE 2

PAGE 3

PAGE 4

PAGE 5

PAGE 6

PAGE 7

PAGE 8

PAGE 9

PAGE 10

PAGE 11

PAGE 12

PAGE 13

RUBRIC: MAKALAH 0 / 5

PENDAHULUAN (15%) 0 / 5

SANGAT BAGUS (5)	Susunan kata sangat jelas
BAGUS (3)	
JELEK (1)	

ISI (60%) 0 / 5

SANGAT BAGUS (5)	
BAGUS (3)	
JELEK (1)	

PENUTUP (25%) 0 / 5

SANGAT BAGUS (5)	
BAGUS (3)	
JELEK (1)	