

THE EFFECT OF FINANCIAL PERFORMANCE ON THE ASIA SUSTAINABILITY REPORTING RATING (ASSRAT) 2020 STUDY ON COMPANIES REGISTERED AT THE NATIONAL CENTER FOR SUSTAINABILITY REPORTING (NCSR)

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ABSTRACT

This study aims to obtain empirical evidence of the effect of the activity ratio (TATO) on the ranking of participants; obtain empirical evidence of the effect of profitability ratios (ROA) on participant ratings; and obtain empirical evidence of the effect of the liquidity ratio (CR) on the ratings of participants in the Reporting Rating 2020 study on companies registered with the National Center for Sustainability Reporting. The scope of this research is only limited to testing TATO, ROA, CR, and DER on the ranking of ASSRAT 2020 participants on the Indonesia Stock Exchange in 2020. The data analysis method used in this study uses Ordinal Logistics regression. The results of this study indicate that 12.9% of the dependent variable (Financial Performance) on the ranking of participants in the Asia Sustainability Reporting Rating 2020, can be explained by the independent variables TATO, ROA, CR, and DER. While the rest can be explained by factors outside the model.

Keywords: Financial Performance, ASRR Participant Rating, NCSR

INTRODUCTION

In order to fulfill development with the concept of sustainability, the Government of Indonesia has enacted Law no. 4 of 2007 Chapter V article 74 paragraph 1 explains that companies that carry out their business activities in the field and/or related to natural resources are obliged to carry out social and environmental responsibilities. After the regulation was further emphasized by the Statement of Financial Accounting Standards (PSAK) No. 1 Paragraph 12 by stating that an entity may also present, apart from financial statements, reports on the environment and value added statements, especially for industries where environmental factors play an important role. These additional reports are outside the scope of Financial Accounting Standards. The sustainability report presents the company's impact, both positive and negative on the environment, the economy and the local community. The disclosure reflects that the business entity has the awareness to maintain good

relations with stakeholders in an effort to minimize negative impacts and maximize the positive impacts of the company's operational activities.

Sustainability Report is a report made by the company to measure, disclose (disclose), and the company's efforts to become a company that is accountable to all stakeholders for the purpose of company performance towards sustainable development. By publishing a sustainability report, the company will have a positive impact on the environment and the company will always care about the community environment so that the company's good name will increase.

The development of Sustainability Reporting (SR) or sustainable reporting in Indonesia was started in 2005 by the National Center for Sustainability Reporting (NCSR). NCSR is the first independent organization to develop sustainability reporting in Indonesia and the organization to introduce the term "sustainability reporting". This was supported by the chairman of NCSR Ali

Darwin with the statement "Through the sustainability report, we can assess how far the company has contributed to the achievement of the Sustainable Development Goals (SDGs)" on the sidelines of the 3rd Year Sustainability Practitioner Conference on 8 December 2018 in Bandar Lampung.

Before the sustainability report was formed, the company had carried out corporate social responsibility (CSR) activities which would be reported in the sustainability report itself. CSR is a social responsibility activity by the company to the community. CSR activities are a bridge for companies to establish good communication and commitment with the community with the aim of having a good impact on the sustainability of the company. Companies need to maintain public trust with operational activities carried out by the company in order to achieve company goals. This is driven by the fact that the community has realized their rights to companies operating in the surrounding environment.

Sustainability report and the company's financial performance are two things that influence each other. The company's financial performance can be seen by calculating financial ratios. Financial ratio is a comparison of financial figures from the results of the company's operational activities. Thus, financial ratios have a relationship with the sustainability report because the resulting ratio is able to describe the company's financial condition while carrying out operational activities related to aspects of economic performance, environmental performance, employment, human rights, social community and product responsibility as well as standard Global Reporting Initiative (GRI).

Research using sustainability reports and company financial performance has been carried out by many previous researchers. Previous research conducted by Idah (2013) conducted research on corporate governance and company

characteristics in the disclosure of sustainability reports by finding the results that the profitability variable has a positive influence on the sustainability report disclosure while the company activity variables, liquidity ratios and leverage have no effect on the sustainability report disclosure. This research is supported by Afifulhaq's research (2018) with the results that profitability ratios affect the disclosure of sustainability reports and activity ratios, liquidity ratios, and leverage have no effect on sustainability report disclosures.

Based on previous research, the authors choose four factors to be tested to determine their effect on the ranking of participants in the Asia Sustainability Reporting Rating 2020. These factors are activity ratio, profitability ratio, liquidity ratio and leverage. The four financial ratios are considered to be able to describe the condition of the company from the point of view of financial performance so that management is able to make decisions, besides being able to describe the company's performance in managing assets, debt, and equity.

The activity ratio measures the company's ability to utilize assets (Prihadi, 2010). There are several kinds of comparisons in the activity ratio, one of which is Total Asset Turnover which measures the company's ability to generate income from its total assets by comparing net income with average total assets. This means, the higher the resulting ratio, the more efficiently the company uses its assets to generate revenue.

The main purpose of the company doing activities is to make a profit (profit). The impact of this will result in many calculation ratios to find the ratio of the ability to earn a profit or often called the profitability ratio. Prihadi (2010:138) asserts, "profitability is the ability to generate profits". Liquidity is the company's ability to pay off its short-term obligations using its assets. Solvency is the ability to pay the company's long-term debt. The characteristic of long-term debt is that

it incurs interest which becomes a fixed burden on the company's profits. Solvency affects the composition of the company's capital. In this solvency ratio will show the composition of the company's capital which consists of debt.

Analyzing the effect of the company's financial ratios on the ratings of participants in the Asia Sustainability Report Rating 2020 is an interesting topic to do because in one period the company carries out operational activities simultaneously with CSR activities in order to participate in preserving the environment.

Based on the above background, in order to fulfill development with a sustainable concept, it is considered that it can be demonstrated through actions that are in accordance with GRI standards. For companies that have implemented sustainability behavior with GRI standards, register companies with the NCSR. NCSR made the Asia Sustainability Report Rating show with the principle of giving scores to all registered participants. The company's efforts to carry out activities based on the principles of sustainable development according to the GRI standards require company management decisions. Management decisions can be formed through the results of the company's operations and form the results of financial ratios in the current year. Based on this description,

In research on the effect of financial ratios on the disclosure of sustainability reports, the research questions are as follows: Is there an effect of the activity ratio (TATO) on the ranking of participants in the Asia Sustainability Reporting Rating 2020 study on companies registered with the National Center for Sustainability Reporting (NCSR)?; Is there an effect of the profitability ratio (ROA) on the ranking of participants in the Asia Sustainability Reporting Rating 2020 study on companies registered with the National Center for Sustainability Reporting (NCSR)?; Is there an effect of the liquidity ratio (CR) ranking of participants in the Asia Sustainability

Reporting Rating 2020 study on companies registered with the National Center for Sustainability Reporting (NCSR)?; Is there an effect of leverage (DER) on the ranking of participants in the Asia Sustainability Reporting Rating 2020 study on companies registered with the National Center for Sustainability Reporting (NCSR)?; and What is the simultaneous activity ratio (TATO), profitability ratio (ROA), liquidity ratio (CR) and leverage (DER) to the ranking of participants in the Asia Sustainability Reporting Rating 2020 study on companies registered with the National Center for Sustainability Reporting (NCSR)?

Based on the background and formulation of the problem that has been stated, the objectives of this study are as follows: to obtain partial empirical evidence of the effect of the activity ratio (TATO), profitability ratio (ROA), liquidity ratio (CR), and leverage (DER) on ranking of participants in the Reporting Rating 2020 study of companies registered with the National Center for Sustainability Reporting; to obtain evidence simultaneously of the effect of the activity ratio (TATO), profitability ratio (ROA), liquidity ratio (CR) and leverage (DER) on the ranking of participants in the Reporting Rating 2020 study of companies registered with the National Center for Sustainability Reporting.

THEORETICAL BASIS

Stakeholder Theory

Stakeholder theory states that the company is not an entity that only operates for its own interests but must provide benefits to its stakeholders including shareholders, creditors, consumers, suppliers, government, society, analysts and other parties (Ghozali and Chariri, 2014: 439). At first only shareholders were seen as the only stakeholders of the company. This view is based on the argument presented by Friedman (in Ghozali and Chariri, 2014: 439) which states that the main goal of the company is

to maximize the interests of its owners. But over time this view changed substantially.

Legitimacy Theory

Legitimacy theory explains that organizations continuously operate according to the norms and customs prevailing in society with the aim of gaining legitimacy. The study of sustainability is supported by legitimacy theory (Wlimeshurts and Forst (in Ghozali and Chariri, 2014: 441)) explaining that legitimacy theory is very useful in regulating organizational behavior.

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

In essence, legitimacy theory suggests organizations to operate in line with the existing value system. This can be met with a sustainability report that reflects social responsibility.

Corporate Social Responsibility(CSR)

CSR is a liaison for the delivery of corporate responsibility to society and the environment. The community has different local wisdom in each area that must be obeyed by each company, this is due to the company being the 'agent of development' in the community. Along with increasing public awareness of their rights, the community wants to benefit from the existence of companies operating in their areas. Therefore, social responsibility is part of corporate social responsibility so that it is requested or not and there are rules or not the company still has to carry out CSR activities.

According to Garriga & Mele (in Budiarti S & Raharjo, 2014) explaining the concept of CSR in four major groups, namely instrumental theories, political theories, integrative theories, and ethical theories.

Asia Sustainability Reporting Rating(ASSRAT)

As an appreciation for companies in Indonesia who have compiled the Sustainability Report, the Indonesian Institute of Management Accountants (IAMI) and the National Center for Sustainability Report (NCSR) have organized an annual event called the Indonesian Sustainability Reporting Award (ISRA). ISRA is an award given to companies that have made reports on activities related to environmental and social aspects in addition to the economy to maintain the sustainability of the company itself and report it either published separately or integrated in an annual report (Wibowo, 2011).).

The objectives of the Indonesian Sustainability Reporting Award are as follows.

- a. Give recognition to organizations that report and publish integrated environmental, social and sustainability information.
- b. Support environmental and social environmental reporting.
- c. Increase corporate accountability by emphasizing responsibility towards key stakeholders.
- d. Increase company awareness of transparency and disclosure.

The assessment of ISRA is carried out by a jury consisting of key stakeholders, including: Indonesian Institute of Certified Public Accountants, Ministry of Environment, Financial Institutions, Indonesian Stock Exchange, Universities, National Committee on Governance, press media, and non-governmental organizations. However, in its journey starting in 2018, ISRA was changed to Asia Sustainability Reporting Rating (ASSRAT).

Sourced from the official NCSR website, the ranking criteria for the Asia Sustainability Reporting Rating 2020 are published, including:

Table 2.1 Criteria for Asia Sustainability Reporting Rating 2020

Rank	Score	SR Criteria 2020
Platinum	93 - 100	<ol style="list-style-type: none"> 1. Have an assurance engagement under US AA1000 (2018) and or ISAE 3000 2. SDG Compass 3. GRI standards-comprehensive options 4. Full disclosure about energy 5. Full disclosure about GHG Emissions
Gold	86-92	1. GRI standard
Silver	79-85	2. Comply with POJK 51/2017
Bronze	72-78	3. Supplement sector GRI disclosures

Source: <https://ncsr.id/>

Based on the table above, it can be concluded that the criteria are divided into two, namely special criteria for platinum and then criteria for gold, silver and bronze into one criterion.

Disclosure

The word disclosure has the meaning of not covering or not hiding (Ghozali and Chariri, 2014: 407). When associated with reporting, disclosure means providing credible data to parties in need (stakeholders). Financial statements are examples of providing information in accounting practices in a company (Utami, 2019). Disclosure is the provision of credible information regarding the results of an entity's activities that are complete, clear and can be used as material for decision making.

There are three concepts that are generally suggested, namely adequate, fair and complete disclosure. The most commonly used concept is sufficient disclosure. Too much information will obscure the focus of the core information and make financial statements difficult to understand. Thus, information that is not material and relevant can be set aside so that

the presentation is focused and easy to understand.

Factors Affecting Rank

1) Activity Ratio

The company has the resources to generate revenue. These resources consist of assets owned by the company. In this case, the level of performance of the company's management in managing its assets can be measured through the activity ratio. The following are some types of activity ratios: Inventory Turnover (ITO), Account Receivable Turnover (ARTO), Working Capital Turnover (WCTO), Fix Assets Turnover, and Total Assets Turnover (TATO).

In this study, the author uses the TATO ratio as the effect of the activity ratio on the disclosure of sustainability reports on the participants of the Asia Sustainability Reporting Rating 2020. The reason the author uses this ratio is the average use of the company's overall assets to generate income. This illustrates the maximum use of company resources in generating sales.

2) Profitability Ratio

The profitability ratio is a ratio that reflects the final result of all financial policies and company operating decisions (Brigham and Houston, 2018). The following are several types of profitability ratios: Return on Assets (ROA), Return on Equity (ROE), Return On Invested Capital (ROIC), and Profit Margin.

For the measurement of profitability ratios, the authors use ROA in analyzing the effect of profitability ratios on the disclosure of the sustainability report. The reason the author uses ROA is the results obtained from management using all company assets to obtain better profits.

3) Liquidity Ratio

One of the benchmarks for a company to be considered healthy or not is the ability to pay maturing debts. Debts that mature can be repaid with the assets owned by the company. The results of calculating the liquidity ratio illustrate that companies are

able to budget their assets to pay off debt. The following are several types of liquidity ratios: Current Ratio (CR), Quick Ratio (QR), and Cash Ratio (CR).

The author uses the Current Ratio to measure the liquidity ratio in analyzing the effect of the liquidity ratio on the disclosure of the sustainability report on the participants of the Asia Sustainability Reporting Rating in 2020. The reason the author uses CR is that the calculations are carried out using all current assets of the company. This means that the liquidity of the company is not only measured by very current assets such as in the QR calculation or cash and cash equivalents in the cash ratio calculation. By using all current assets the results will be good.

4) Leverage

Leverage is the ratio of the company's ability to use assets or capital that generates fixed costs in order to increase the level of income (return) of the owner of the company. The use of leverage always incurs fixed costs. Fixed costs come from the company's policy of using debt as a source of funding to meet the company's operations. Fixed costs in the form of interest costs, borrowing costs and others related to debt. The following are the types of leverage ratios: Debt to Assets Ratio (DAR), Debt To Equity Ratio (DER), Long Term Debt to Equity Ratio, Times Interest Earned Ratio, and Operating Income to Liabilities Ratio.

In this study, the authors use DER to analyze the effect of leverage on voluntary disclosure. The reason the author uses DER is that capital is the main element in a business activity. By knowing the comparison of capital funded by outsiders and capital funded by own funds, the results will be good.

Previous Research

In the process of compiling this research, the author uses previous research that has discussed the sustainability report. These studies include:

Table 2.2 Previous Research

Name Researcher	Title Study	Variable	Method	Results
1. Idah (2013)	Corporate Governance and Company Characteristics in Disclosure of Sustainability Report	Independent variables: 1. Board of Commissioners 2. audit committee 3. Board of Directors 4. <i>governance committee</i> 5. Profitability 6. Liquidity 7. <i>Leverage</i> 8. Activity ratio 9. Company size Dependent variable: Disclosure of sustainability report	Descriptive statistics and logistic regression	The board of directors, governance committee, profitability and company size have a positive influence, while the board of commissioners, audit committee, leverage, liquidity, company activities have no role in the disclosure of the sustainability report.
2. Candri Puspita Marwati and Yulianti (2015)	Sustainability Report Disclosure Analysis on Non-Financial Companies 2009 - 2013	Independent variables: 1. Profitability 2. Liquidity 3. Company size 4. <i>Earnings per Share</i> Dependent variable : Disclosure of sustainability report	Multiple Linear Regression	The profitability ratio has a positive effect on the disclosure of the sustainability report, the liquidity ratio has no effect on the disclosure of the sustainability report, the size of the company and earnings per share has a negative and significant effect on the disclosure of the sustainability report.
3. Ria Anikta & Muhamad Khafid (2015)	Effect of Good Corporate Governance Mechanism and Financial Performance on Disclosure of Sustainability Report	Independent variables: 1. Independent board of commissioners 2. audit committee 3. Managerial ownership 4. <i>Governance committee</i> 5. Profitability 6. <i>Leverage</i> Dependent variable: Disclosure of sustainability report	Logistic regression analysis	The audit committee, governance committee and leverage have a positive effect, while the independent board of commissioners, managerial ownership and profitability have no effect on the disclosure of the sustainability report.
4. Indika Meutia Putri (2017)	Effect of Sustainability Report on Market Financial Performance	Independent variables: 1. Environmental dimension 2. Social dimension 3. Economic dimension Dependent variable : 1. Financial Performance (ROA) 2. Market performance (Tobin's Q)	Multiple linear regression analysis	The economic dimension has a positive effect on financial and market performance. Meanwhile, environmental and social dimensions have no effect on financial and market performance.
5. Annisa Fauziah Afifah q (2018)	The Effect of Profitability, Leverage, Liquidity, Company Activities and Corporate Governance on Sustainability Reporting Disclosure	Free Variables : 1. Profitability 2. <i>Leverage</i> 3. Liquidity 4. Company Activities 5. <i>Corporate Governance</i> Dependent variable : <i>Sustainability Reporting</i>	Multiple linear regression analysis	Profitability and the board of directors have a significant effect on the disclosure of sustainability reporting. Leverage, liquidity, company activities and the audit committee have no effect

Source: Journal of processed research results (2021)

Based on the table above, what distinguishes this study from previous research is that the authors combine independent variables from several previous studies, namely activity ratios, profitability ratios, liquidity ratios, and leverage. The author deliberately does not use the variables of company size, industry type, audit committee, governance committee, and the board of directors because it has been done by previous researchers with the results having a positive influence on the disclosure of the sustainability report. In addition, the time period used in this study is more recent.

HYPOTHESES

Based on the theoretical basis and previous research above, the authors formulate the research hypothesis as follows:

1) The Effect of Activity Ratio (TATO) on Asia Sustainability Reporting Rating 2020 Participants Rank

The activity ratio shows the company's ability to utilize its resources (Utami, 2019). The better the company's

ability to utilize its resources, the more efficiently the company's resources are used to obtain the desired return. This gives a signal for investors to invest in it. Based on this description, the following research hypotheses are proposed by the author:

H1 : Activity ratio (TATO) has a positive effect on the ranking of participants in the Asia Sustainability Reporting Rating 2020

2) The Effect of Profitability Ratio (ROA) on the Ranking of Participants in Asia Sustainability Reporting Rating 2020

Profitability shows the effectiveness of the company in generating profits by utilizing its resources. This ratio is a measure of top-level performance because it reflects management can take advantage of the resources they have to gain company profits. Good profitability is able to attract investors to invest in the company. This is because investors are able to see the performance of management using the assets they will invest. Based on this description, the following hypothesis is proposed by the author:

H2: Profitability (ROA) has a positive effect on the ranking of participants in the Asia Sustainability Reporting Rating 2020

3) The Effect of Liquidity Ratio (CR) on the Ranking of Participants in Asia Sustainability Reporting Rating 2020

The level of the company's ability to repay short-term liabilities is indicated by the liquidity ratio. The higher the liquidity number, the more liquid the company is. Liquid companies are trusted by investors because they are considered to have good company performance. Liquidity Ratio is able to describe the management's ability to manage resources with its obligations. In addition, a high liquidity ratio is considered to have good prospects for investors, because investors perceive the company to have good performance so that it is able to increase stock prices which means the value

of the company will also increase (Putra, 2016). Based on this description, the following hypothesis is proposed by the author:

H3: Liquidity Ratio (CR) has a positive effect on the ratings of participants in the Asia Sustainability Reporting Rating 2020

4) The Effect of Leverage (DER) on the Ranking of Participants in the Asia Sustainability Reporting Rating 2020

Comparison of the capital owned by the company that comes from debt and own capital can be shown by the leverage ratio. Companies with high leverage indicate that they have more capital from debt. The impact of having debt is the incurring costs due to ownership of the debt that must be taken into account in every management decision making. However, some investors argue that the higher the level of debt, the better the company's performance, this is because with large capital, the opportunity to earn profits is greater. Another advantage of interest arising from debt can reduce taxes owed. Based on this, the following research hypotheses are proposed by the author:

H4 : Leverage (DER) has a positive effect on the ranking of participants in the Asia Sustainability Reporting Rating 2020

5) The effect of the activity ratio (TATO), profitability ratio (ROA), liquidity ratio (CR), and leverage (DER) on the Asia Sustainability Reporting Rating 2020 Participant Rating simultaneously.

Summarizing from all the results that have been obtained for all independent variables, there is a conclusion that financial ratios have a positive influence on the ratings of participants in the Asia Sustainability Reporting Rating 2020. This is because the company has the motivation to build a good name in the eyes of the community that they are able to carry out development with a sustainable concept. .

H5: activity ratios, profitability ratios, liquidity ratios, and leverage have a positive effect on the ratings of participants in the Asia Sustainability Reporting Rating 2020

METHOD

The scope of research

The scope of this study is only limited to testing TATO, ROA, CR, and DER on the ratings of ASSRAT 2020 participants on the Indonesia Stock Exchange in 2020.

Sample Population

The object that will be examined in this study is the companies registered as members of the Asia Sustainability Reporting Rating in 2020. This study uses companies registered as participants in the Asia Sustainability Reporting Rating in 2020 as the population. The sample selection used a purpose sampling method which aims to obtain a sample with certain criteria. Samples were selected according to the following criteria.

1. The company is registered as a participant in the 2020 Asia Sustainability Reporting Rating
2. Companies within the territory of the Republic of Indonesia
3. The company publishes financial reports and annual reports for 2020
4. Companies that have information that will be used to calculate research variables.

Data source

Secondary data is a type of data source used in this study. Secondary data is data obtained through intermediary media. This data source was chosen because the 2020 financial reporting was downloaded through the IDX website (www.idx.co.id) and the company's official website provides the variables to be studied.

Method of collecting data

The data collection used in this research is the documentation observation method. The author collects the annual financial statements provided by the sample

companies and traces and records the relevant data with the research variables.

Variable Operational Definition

This research was conducted using four dependent variables and four independent variables.

1. Dependent Variable

The dependent variable that will be used is the rating contained in the List of Ratings of Asia Sustainability Reporting Rating 2020 available on the website of the National Center for Sustainability Reporting (www.ncsr.id) as follows.

- a. *Platinum*
- b. *Gold*
- c. *Silver*
- d. *Bronze*

2. Independent Variable

This study uses the following independent variables.

1) Activity Ratio

Utilizing the resources owned by the company efficiently to earn revenue is the task of company management. This study uses TATO which is able to measure the turnover of all company assets. The results of the calculation of the ratio which shows high means that the management has efficiently used the company's resources. the calculation formula is:

$$(Total\ Asset\ Turn\ Over) = \frac{Penjualan}{Rata-rata\ Total\ Aset}$$

2) Profitability

Profitability ratios explain the high and low profits generated by the company in the current period. This study uses ROA which is able to explain the effectiveness and efficiency of company management in determining financial policies and operational decisions. Calculation results that show a high value means the profit generated by large companies. The calculation formula is:

$$(Return\ Of\ Asset) = \frac{Laba\ Bersih}{Total\ Aset}$$

3) Liquidity

The ability to pay off short-term debt owned by the company can be measured by the liquidity ratio. This study uses CR, the

higher the value indicates the better performance. The calculation formula is:

$$(\text{Current rasio}) = \frac{\text{Aset Lancar}}{\text{Kewajiban Lancar}}$$

4) Leverage

The ratio of the ratio of capital owned by the company comes from debt and obtained with own funds can be measured by leverage. This study uses DER, with the comparison formula is;

$$(\text{Debt to Equity Ratio}) = \frac{\text{Total Utang}}{\text{Total Modal}}$$

Data analysis method

The Ordinal Logistics regression analysis method is the method that will be used in this study to test the research hypothesis and state whether or not there is an influence of the independent variable on the dependent variable in the form of a category of more than two values and has a rating. The steps in this method are as follows.

1. Descriptive Statistics

In this study, the author uses descriptive statistics to determine the average, standard deviation, minimum and maximum values.

2. Classic assumption test

Classical assumption test is a data testing method that is carried out in research using multiple linear regression equations so that there are no problems with the classical assumptions of normality and multicollinearity. The stages in the classical assumption test include: Normality Test and Multicollinearity Test.

3. Hypothesis testing

1) Model Fitting Information

The fitting information model tests whether by including independent variables into the model the results will be better when compared to only entering the intercept (Wiyono, 2011). The results of this test can be proven with a significance level (α) of less than 5% or 0.05.

2) Model Fit Test (Goodness of Fit Test)

The good of fit test aims to determine whether or not the model that will be generated with the data is suitable. Tests

can be carried out using the Pearson test and Deviance test according to Fagerland's opinion (Budyanra, 2017). The Pearson test compares the expected values and observations of each cell in the contingency table, while the Deviance test compares the likelihood of the saturated model obtained (Budyanra, 2017).

3) Pseudo R-Square

Pseudo R-Square test how much the independent variable explains the dependent variable. The displayed value of Pseudo R2 is a slice of 100% ability to explain the dependent variable, the rest is explained by other variables.

4) Test of Parallel Lines

Parallel lines testing aims to test the assumption that each category has the same parameters or the relationship between the independent variables and logit is the same for all logit equations (www.statistikolahdata.com). This can be proven with the condition that the value is significant > 0.05 , if the opposite occurs then the assumption is not met.

4. Regression Equation

The regression analysis model used is as follows.

Logit

$$(\pi(y \leq j)) = \beta_0 + \beta_1 TATO + \beta_2 ROA + \beta_3 CR + \beta_4 DER$$

Information:

Logit($\pi(y \leq j)$): Is the most significant factor affecting the Asia SR rating 2020

β_0 : Constant

TATTOO : Activity ratio
(*Total Assets Turn Over*)

ROA : Profitability (*Return On Assets*)

CR : Liquidity (*Current Ratio*)

DER : leverage (*Debt to Equity Ratio*)

RESULTS AND DISCUSSION

Sample Selection Results

The object used for this research is a company that has become a participant in the Asia Sustainability Reporting Rating 2020 and obtained a sample of 32 through

the selection of predetermined criteria. The sample selection process is described in Table 4.1.

Table 4.1 Research Sample Based on Purposive Sampling

No	Criteria	Amount
1	Companies participating in the Asia Sustainability Reporting Rating 2020 from Indonesia	41
3	Companies that do not publish financial statements	(9)
	Amount	32
	year old	1
	Number of samples	32

Source: Data processed using SPSS Analysis Tool

In connection with the data analysis process, the data used for the calculation has been transformed. Hypothesis testing will be carried out using 32 companies with a period of one year.

Statistics Description

Here are the results of descriptive statistical tests:

Table 4.2 Descriptive Statistics

	N	Minimum	Maximum	mean	Std. Deviation
RANKING	32	1.00	4.00	2.8750	.79312
TATTOO	32	.06	1.05	.3889	.29630
ROA	32	-.10	.13	.0220	.04221
CR	32	.00	6.40	1.6720	1.70410
DER	32	.06	24.85	2.9920	4.76403
Valid N (listwise)	32				

Source: Data processed using SPSS Analysis Tool

Based on table 4.2, it can be explained that the number of companies in this study were 32 companies and the financial reporting period used in this study was 1 year, namely in 2020 and obtained data that the activity ratio with a mean value of 0.3889, standard deviation of 0.29630, the minimum value is 0.6, and the maximum value is 1.05. Profitability with a mean value of 0.0220, a standard deviation of 0.4221, a minimum value of -0.10 and a maximum value of 0.13. Liquidity with a mean value of 1.6720, a standard deviation of 1.70410, a minimum value of 0, and a

maximum value of 6.40. Leverage with a mean value of 2.9920, a standard deviation of 4.76403, a minimum value of 0.06, and a maximum value of 24.85. The mean results show the highest value on leverage and the lowest value on profitability. While the results of the standard deviation show the highest value on leverage while the lowest value on profitability.

Classic Assumption Test

The following is a description of the results of the classical assumption test:

1) Normality

This test uses the Kolmogorov-Smirnov test. Here are the results of the normality test

Table 4.3 Normality Test Results One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		32
Normal Parameters	mean	.0000000
	Std. Deviation	.74504231
	Most Extreme Differences	.203
Kolmogorov-Smirnov Z	Absolute Positive	.100
	Absolute Negative	-.203
	asymp. Sig. (2-tailed)	.144

a. Test distribution is Normal.

Source: Data processed using SPSS Analysis Tool

Based on table 4.3, the Asymp number is obtained. Sig. of 0.144 > 0.05. These results mean that the normality test in this study proves that all data have a normal distribution.

2) Multicollinearity Test

Based on data processing using the SPSS application, the results obtained from the multicollinearity test:

Table 4.4 Multicollinearity Test

		Coefficients ^a				Collinearity Statistics			
Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Tolerance	VIF
		B	Std. Error	Beta					
1	(Constant)	2.951	.413			7.138	.000		
	TATO	-.221	.523	-.083		-.423	.676	.855	1.170
	ROA	-4.546	4.429	-.242		-1.026	.314	.588	1.701
	CR	.128	.095	.274		1.344	.190	.784	1.276
	DER	-.034	.044	-.207		-.780	.442	.463	2.161

a. Dependent Variable: RANKING

Source: Data processed using SPSS Analysis Tool

The output results above explain the value of Tolerance > 0.1 and the value of

VIF < 5 then a regression equation is declared free from multicollinearity problems. Based on Table 4.4, the results obtained from the Tolerance of each independent variable are more than 0.1 and the VIF value is less than 5. It can also be noted that the four independent variables have a range value, namely the activity ratio 0.855 to 1.170, profitability ratio 0.588 to 1.170. 1.701, liquidity ratio 0.784 to 1.276, and leverage 0.463 to 2.161. This means that the regression equation in this study does not have multicollinearity problems.

Hypothesis test

1. Case Processing Summary

Descriptive statistics are able to show the percentage of each ranking in the Asia Sustainability Reporting Rating 2020, which is as follows.

Table 4.5 Case Processing Results Summary
Case Processing Summary

	N	Marginal Percentage
RANK (Y)		
<i>PLATINU</i>	5	15.6%
<i>M</i>	2	
<i>GOLD</i>	1	65.6%
<i>SILVER</i>	3	9.4%
<i>BRONZE</i>	3	9.4%
Valid	3	
Missing	2	100.0%
Total	0	
	3	
	2	

Source: Data processed using SPSS Analysis Tool

Descriptive statistics can show the large percentage of the number of companies that have platinum, gold, silver, and bronze rating categories. Based on the results of descriptive statistics, the percentage of companies that received platinum rankings was 15.6% containing 5 companies, while the percentage of companies that received gold rankings was 65.63% containing 21 companies, and the percentage of companies that received silver and bronze rankings was 9.4. % contains 3 companies each. From these results, it is known that the participants of the Asia Sustainability Reporting Rating 2020 have been ranked gold in the competition.

2. Simultaneous Test

This test will test the effect of each independent variable, namely the activity ratio (TATO), profitability ratio (ROA), liquidity ratio (CR), and leverage (DER) on the ranking of participants in the Asia Sustainability Reporting Rating 2020. The test is done by testing the entire model (overall). fit models). The analysis that has been done through the simultaneous test (Fitting Information) obtained the following results.

Table 4.6 Simultaneous Test Results
Model Fitting Information

Model	-2 Likelihood Logs	Chi-Square	df	Sig.
<i>Intercept Only</i>	64,659			
<i>Final</i>	60,847	3.813	4	.432

Link function: Logit.

Source: Data processed using SPSS Analysis Tool

This test is done by comparing the value between the initial -2Log Likelihood (-2LL) (intercept only) and -2LL in the final model. There is a decrease in the value of the initial -2LL (intercept only) of 64,659 to the final -2LL of 60,847 which means that there is a decrease in yield of 3,813 and significant at 0.432. These results show the p-value > 0.05. Thus, the model with the independent variables TATO, ROA, CR and DER is not better at determining its effect on the ranking of participants in the Asia Sustainability Reporting Rating 2020 or it can also be said that there is no dependent variable that affects the independent variable.

3. Model Fit Test

The analysis that has been carried out through the goodness of fit test obtained the following results:

Table 4.7 Model Fit Test Results
Goodness-of-Fit

	Chi-Square	df	Sig.
Pearson	85.165	89	.595
Deviance	60,847	89	.990

Link function: Logit.

Source: Data processed using SPSS Analysis Tool

Based on the results of the model fit test, the chi-square value of the Pearson test is 85.165 and the p-value is 0.595. The chi-square value of the deviance test is 60.847 and the p-value is 0.990. These results show the p-value > which means that the regression model used is suitable.

4. Model Determination Coefficient Test

To determine the magnitude of the effect of the independent variable on the dependent variable, the coefficient of determination model test was used using the Pseudo R-Square table. The value of the coefficient of determination in the logistic regression model is shown by the Nagelkerke value. In this test, it is seen from the Nagelkerke value because it usually shows the largest value between Cox and Snell and McFadden. Here are the SPSS results for the Pseudo R-Square model:

Table 4.8 Test of Model Determination Coefficient
Pseudo R-Square

Cox and Snell	.112
Nagelkerke	.129
McFadden	.059

Link function: Logit.

Source: Data processed using SPSS Analysis Tool

Based on the results of the model determination coefficient test, it shows that the r-square value using various methods has different results. The Nagelkerke method gives the largest value among other methods, which is 0.129. These results indicate that the independent variable is able to explain the dependent variable by 12.9%. This value explains that the ranking of participants in the Asia Sustainability Reporting Rating 2020 can be explained using the independent variables: Activity

ratio (TATO), profitability ratio (ROA), liquidity ratio (CR), and leverage (DER) of 12.9%, while the rest is explained by other variables. Outside the model.

5. Parallel Lines Test

Parallel Lines Test assess whether the categories have the same parameters or not. The desired value is p-value > 0.05.

Table 4.9 Test of Parallel Lines
Test of Parallel Lines

Model	-2 Likelihood Logs	Chi-Square	df	Sig.
Null Hypothesis	60,847			
General	48.079a	12.767b	8	.120

Source: Data processed using SPSS Analysis Tool

Based on the results of the parallel lines test above, it shows that the chi-square value approach is 12.767 and the p-value is 0.120. At 95% confidence, it shows that the resulting model has the same parameters or the relationship between the 97 independent variables and the logit is the same for all logit equations so that the selection of the link function is appropriate.

Result of Regression Equation

The estimate parameter is used to find out how significant the influence of the independent variable is on the ranking of the Asia Sustainability Reporting Rating 2020 participants, provided that the sig or p-value > 0.05. The following is a table of ordinal logistic regression testing:

Table 4.10 Regression Test Results

		Parameter Estimates					95% Confidence Interval	
		Estimate	Std. Error	Wald	df	Sig.	Lower Bound	Upper Bound
Threshold	[RANK=1.00]	-2.705	1.213	4.976	1	.026	-5.082	-.328
	[RANK=2.00]	-1.876	1.136	2.727	1	.099	-4.103	.350
	[RANK=3.00]	1.611	1.122	2.061	1	.151	-.588	3.810
Location	TATO	-.603	1.377	.192	1	.661	-3.303	2.098
	ROA	-13.291	11.879	1.252	1	.263	-36.574	9.992
	CR	.335	.251	1.780	1	.182	-.157	.827
	DER	-.100	.114	.764	1	.382	-.324	.124

Source: Data processed using SPSS Analysis Tool

The table above shows that there is no significant independent variable because all independent variables have a sig or p-value

of more than 0.05, so the regression equation is as follows.

- $\text{Logit}(p_1) = -2.705 + 0.603\text{TATO} + 13,291\text{ROA} - 0.335\text{CR} + 0.100\text{DER}$
- $\text{Logit}(p_1+p_2) = -1.876 + 0.603\text{TATO} + 13,291\text{ROA} - 0.335\text{CR} + 0.100\text{DER}$
- $\text{Logit}(p_1+p_2+p_3) = 1.611 + 0.603\text{TATO} + 13,291\text{ROA} - 0.335\text{CR} + 0.100\text{DER}$

Where p_1 = probability of platinum rank, p_2 = probability of gold rank, p_3 = probability of silver rank.

The data processing program with SPSS presents an inverse direction to the output location in parameter estimates in ordinal logistic regression (Norusis, 2011). From the above equation, no significant variables were found so that the Odds Ratio relationship could not be seen. In this section the Odds Ratio serves to assess the tendency of the influence of each change in the dependent variable due to the significant influence of the independent variable.

Test Results and Discussion

1. Activity Ratio Test Results (TATO) Against Participant Ranking of Asia Sustainability Reporting Rating 2020

The results of the Ordinal Logistics Regression test between the Activity ratio (TATO) and the ranking of the participants of the Asia Sustainability Reporting Rating 2020 obtained a variable coefficient value of 0.603. The value becomes positive. This shows that TATO as a variable to calculate the effect on the ranking of participants gets a higher value than not using the TATO variable. Meanwhile, when viewed from the significance value, the TATO variable has a significance value of 0.661. The value is greater than 0.05 ($p\text{-value} > \alpha 5\%$). This shows that TATO does not have a significant effect on the ranking of participants. Companies with high activity ratios usually get pressure to implement sustainability behavior. However, in this study it is proven that the use of assets to

earn company income does not affect sustainability behavior in the environmental field considering that the environment will have a lot of influence on the activities of using these assets in the company's operations. This test found the same results as the research conducted by Idah (2013) that in her research entitled Corporate Governance and company characteristics in the Disclosure of Sustainability Reports, the results of company activities did not have an influence on the disclosure of the sustainability report.

2. Profitability Ratio (ROA) Test Results Against the Ranking of Participants in the Asia Sustainability Reporting Rating 2020

The results of the Ordinal Logistics Regression test between the profitability ratio (ROA) and the ranking of the Asia Sustainability Reporting Rating 2020 participants obtained a variable coefficient value of 13,291. Value is positive. This shows that ROA as a variable to calculate the effect on the ranking of participants gets a higher value than not using the ROA variable. Meanwhile, when viewed from the significance value, the ROA variable has a significance value of 0.263. The value is greater than 0.05 ($p\text{-value} > \alpha 5\%$). This shows that ROA does not have a significant effect on participant ratings. Companies with good profitability ratios have the financial resources to be able to contribute to implementing sustainability activities. However, in this study it is proven that the ability of assets to generate profits does not affect the ratings issued by NCSR. This can be supported by the opinion that when the company gets a high level of profit, the company will maintain its good name by not reporting things that are considered to interfere with information about the company's success. The results of this study are in line with Aniktia and Khafid (2015).

3. The Results of the Liquidity Ratio (CR) Test Against the Ranking of the Participants in the Asia Sustainability Reporting Rating 2020

The results of the Ordinal Logistics Regression test between the liquidity ratio (CR) and the ranking of the participants of the Asia Sustainability Reporting Rating 2020 obtained a variable coefficient value of -0.335. Value is negative. This shows that CR as a variable to calculate the effect on the ranking of participants gets a lower value than not using the CR variable. Meanwhile, when viewed from the significance value, the CR variable has a significance value of 0.182. The value is greater than 0.05 (p-value > 5%). This shows that CR does not have a significant effect on the ranking of participants. Suryono and Prastiwi (in Afifulhaq Annisa Fauziah, 2018) that liquidity does not affect the practice of disclosure of sustainability reporting because creditors are more focused on paying attention to financial performance than additional information about social and environmental activities through sustainability reports. The results of this study are in line with Indah (2013). Good liquidity brings benefits in the form of the company being able to pay off short-term debt so that payment of employee salaries, payment of raw material debt, payment of shipping costs and other debts related to production bills can be completed by the company. This is only beneficial for the company's internal, so that liquidity does not affect the disclosure of the sustainability report.

4. Leverage Test Results (DER) Against the Ranking of Participants in the Asia Sustainability Reporting Rating 2020

The results of the Ordinal Logistics Regression test between the leverage (DER) and the ranking of the participants of the Asia Sustainability Reporting Rating 2020 obtained a variable coefficient value of 0.100. Value is positive. This shows that DER as a variable to calculate the effect on the ranking of participants gets a higher value than not using the DER variable. Meanwhile, when viewed from the significance value, the DER variable has a

significance value of 0.382. The value is greater than 0.05 (p-value > 5%). This shows that DER does not have a significant effect on the ranking of participants. The results of this study are in line with Afifulhaq (2018) that companies with high leverage do not always bear high interest expenses, so companies will reduce the level of disclosure of reports, especially voluntary ones such as sustainability reports.

5. Simultaneous Testing Results of Activity Ratios, Profitability Ratios, Liquidity Ratios, and Leverage to the ranking of participants in the Asia Sustainability Reporting Rating 2020

Based on the test results with Ordinal Logistics Regression in table 4.6 shows the p-value > 0.05. This value shows that the independent variables TATO, ROA, CR and DER have no effect on the ranking of participants in the Asia Sustainability Reporting Rating 2020. The results of this test prove that the company's financial performance does not affect the ratings of participants and this test proves that if the company has good financial ratios, it is not necessarily carry out sustainability activities that are reported in the sustainability report and vice versa if the company has poor financial ratios it is not necessarily not carrying out sustainability activities considering that sustainability activities require resources where the ability of the resources they have can be reflected through financial ratios but other than that, there are GRI criteria that must be met in carrying out sustainability behavior. From the results of this test, it can be explained that companies that have implemented sustainability with the GRI criteria do not explain the company's financial ratios are good or bad considering that in order to carry out a sustainability strategy, resources that can be allocated to finance these activities.

Table 4.11 Summary of Coefficient Values and Significant Values

NO	Variable	Score Coefficient	Score Significance
1	Activity Ratio (TATO)	0.603	0.661
2	Profitability Ratio (ROA)	13,291	0.263
3	Liquidity Ratio (CR)	-0.335	0.182
4	Leverage(DER)	0.100	0.382

Source: Results of data processing

Before conducting this research, it was assumed that large companies have good profitability and have assets in large sizes so that they are able to fund sustainability activities which cause the company to survive in the long term. The results of this study prove that there are other factors that support sustainability activities so that companies are able to get awards in the form of rankings as released by NCSR in ASSRAT 2020.

CONCLUSIONS

Conclusion

Based on the results of the analysis and discussion of the factors that affect the ratings of the participants of the Asia Sustainability Reporting Rating 2020 on companies listed in the NCSR, it can be concluded as follows. The TATO variable does not have a significant effect on the rating of the Asia Sustainability Reporting Rating 2020 participants. This means that the size of the asset's ability to generate profits does not affect the ratings on the Asia SR Rating 2018. The ROA variable does not have a significant effect on the ratings of the participants of the Asia Sustainability Reporting Rating 2020. This means that , the size of the profit generated due to asset ownership does not affect the ratings on the Asia SR Rating 2018. The CR variable does not have a significant effect on the ratings of the participants in the Asia Sustainability Reporting Rating 2020. That is,

The results of this study indicate that 12.9% of the dependent variable (Financial Performance) on the Asia Sustainability Reporting Rating 2020

participant rating, can be explained by the independent variables TATO, ROA, CR, and DER. While the rest can be explained by factors outside the model.

Suggestion

Suggestions from the author for several subjects are expected to use a sample of companies that have ASSRAT ratings that have been verified by the NCSR, use other independent variables such as the audit committee and governance committee to measure ASSRAT participants, so that they are able to meet the criteria set by the NCSR. Companies are advised to continue to follow developments in various regulations such as the Global Reporting Initiative Standards as a guide for implementing sustainability commitments. The company participates in achieving Compass's Sustainable Development Goals, which are relevant to the issues faced by Indonesia.

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