

# **The Effect of Sustainability Report Disclosure, Good Corporate Governance, and Profitability on Company Value in Manufacturing Companies Listed on the Indonesia Stock Exchange in 2017-2021**

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**Abstract:** This study aims to empirically examine the effect of sustainability report disclosure, good corporate governance proxied by institutional ownership and managerial ownership, and profitability proxied by ROA (Return On Assets) on company value. The population in this study is manufacturing companies listed on the Indonesia Stock Exchange for the period 2017-2021. The sample of this study was determined by purposive sampling method so that as many as 8 companies were obtained that met the research criteria with a total of 40 samples. This study used multiple linear regression analysis techniques with SPSS software version 26. The results of this study show that sustainability report and managerial ownership have no effect on company value, internal ownership and ROA (Return On Assets) have a positive effect on company value.

**Keywords:** Sustainability Report, Institutional Ownership, Managerial ownership, Profitability.

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## **1. Introduction**

The development of the times accompanies the rapid development of the business world, as seen from the emergence of companies with various sectors. The existence of these developments causes the level of competition between economic actors to be tighter. This competition forces business actors to try their best to achieve their company goals. Basically, the establishment of a business has the desire to progress and develop in accordance with the planned goals, from short-term goals such as maximizing business profits by utilizing the resources owned, to long-term goals by maximizing company value and shareholder success (Swardika & Mustanda, 2017).

Company value is a picture of the good and bad performance of the company which is considered to affect the company's image in the eyes of stakeholders (Sari & Wahidahwati, 2020). Then the company must pay attention to the factors that are considered to increase the value of a company, coupled with the Covid-19 pandemic that occurred requires companies to continue to pay maximum attention to these factors. Maximizing corporate value is very important because by maximizing company value, a company can achieve its main goal in the face of increasingly fierce global market competition. Company value is an investor's perception of a company and is often tied to its stock price (Pujiningsih, 2020). The higher the share price of a company, the higher the value of a company's company so that it can provide investor confidence not only in the company's current performance, but also in its future prospects. Company value is still an important and interesting research subject, because company value is one of the factors underlying investment decisions by investors aimed at generating profits from company activities.

Companies listed on the Indonesia Stock Exchange from 2017-2021 have an average fluctuating company value. In 2018 and 2021, the average company value increased from the previous year, namely 0.05 and 0.45, while in 2019 and 2020, the average company value decreased by 0.07 and 0.35.

Companies in carrying out business activities must pay attention to profitability to maintain the continuity of their business in the long term. According to Pratami & Jamil (2021), the profitability of a company is the company's ability to generate net profit from activities carried out in an accounting period. The profitability ratio used to measure the effectiveness of the company in creating profits through its assets is by using ROA.

In carrying out business activities, the company not only prioritizes financial factors, but also must pay attention to non-financial factors that have an impact on company value. Information related to social and environmental responsibility can be disclosed through the Sustainability Report. According to GRI, sustainability report is a practice related to the disclosure of reporting to the public related to company activities regarding economic, environmental, and social impacts. In the assessment of the performance of a company is not optimal enough if only seen from the success of a company in financial terms, but companies are also required to convey

their success outside of financial matters as an effort to increase company value.

In maximizing company value and gaining the trust of investors and attracting potential investors, good corporate governance (GCG) is needed. Good corporate governance is a system that regulates and controls the company which is expected to provide and increase corporate value for its shareholders (Soesanto, 2016). Companies with governance that is implemented in accordance with applicable rules and implemented clearly can have a positive impact on the organization which in turn will also have an impact on the value of a company.

Based on the description above, the author is responsible for conducting research on variables that are considered to affect company value. The research is entitled "The Effect of Sustainability Report Disclosure, Good Corporate Governance, and Profitability on Company Value in Manufacturing Companies Listed on the Indonesia Stock Exchange in 2017-2021".

## **2. Literature Review and Hypothesis Development**

### **2.1 Legimitation Theory**

According to Deegan (2004) the theory of legitimation asserts that a company continues to ensure that the company operates within the frame and norms that apply in the society or environment of the company, trying to ensure that the activities carried out by the company are accepted by outsiders legitimately.

### **2.2 Agency Theory**

According to Jasen and Meckling (1976) agency theory is a contractual theory where a service contract between the owner of the company or shareholders (principal) who authorizes other parties (agents) to carry out a service for the benefit of company owners or shareholders, through delegation in the form of decision-making power to the agent.

### **2.3 Signal Theory**

According to Widiastari and Yasa (2018), signal theory is emphasized on companies that are required to convey information to external parties to prevent or reduce the occurrence of asymmetries related to company information in the hope of increasing company value. The information is related to financial reporting and company conditions by internal parties which are then interpreted into good signals and bad signals.

### **2.4 Company Value**

According to Pujiningsih (2020), company value is investors' perception of a company's success which is associated with the company's stock price. When the stock price of a company is high, the value of the company will also be higher, and vice versa.

### **2.5 Sustainanability Report**

According to the Global Report Initiative, sustainability report is a practice related to disclosing reports to the public about company activities related to economic, environmental, and social impacts including information related to positive and negative contributions as a form of responsibility to all stakeholders about the company's performance to achieve the goals of sustainable development. Companies that are able to submit these reports and have a positive impact and are able to prosper the environment will increase the attractiveness of investors to invest their capital. Research conducted by Pramita, Agussalim and Desmiwerita (2021) proves that sustainability reports have a significant effect on company value. Based on this, a hypothesis can be formulated:

**H<sub>1</sub>**: Disclosure of sustainability reports affects company value.

### **2.6 Institutional Ownership**

According to Dewi and Abundanti (2019), institutional ownership is the proportion of ownership of a share at the end of the year owned by an institution such as a bank, insurance company or similar institution. A high level of institutional ownership will encourage shareholders to increase oversight for every decision taken by management. Research conducted by Thauziad and Kholmi (2021) states that institutional ownership has a positive effect on company value. Based on this, a hypothesis can be formulated:

**H<sub>2</sub>**: Institutional ownership affects the value of the company

### **2.7 Managerial Ownership**

According to Dewi and Abundanti (2019), managerial ownership is a condition where managers play a dual role, namely as owners of company shares and also as company managers. Managerial ownership is concerned in overcoming the emergence of conflicts of interest in a company. The greater the proportion of

managerial ownership, the less chance of conflicts appearing, prudence in decision making so as not to be a disadvantage for the company. Research conducted by Dewi and Abundanti (2019) states that managerial ownership has a positive effect on company value. Based on this, a hypothesis can be formulated:

**H<sub>3</sub>**: Managerial ownership affects the value of the company

### 2.8 Profitability

According to Pratami&; Jamil (2021), the profitability of a company is the company's ability to generate net profit from activities carried out in an accounting period. A high level of profitability of a company can indicate that the company is able to generate high profits. The higher the benefits that the company can get can increase the value of the company. Conversely, the lower the profit that the company can achieve, it can reduce the value of the company. Research conducted by Sari and Wahidahwati (2021) proves that profitability affects company value. Based on this, a hypothesis can be formulated:

**H<sub>4</sub>** : Profitability affects the value of the company

## 3. Research Methods

### 3.1 Population and Sample

Tabel 1 Research Sample Selection Process

No	Criterion	Amount
1	Manufacturing companies listed on the Indonesia Stock Exchange for the period 2017-2021	214
2	Manufacturing companies that did not publish annual reports during the observation period	(70)
3	Manufacturing companies that did not publish <i>sustainability reports</i> during the observation period	(133)
4	Manufacturing companies that suffered losses during the observation period	(3)
Samples that meet the criteria		8
Total research sample = 8 x 5		40
<b>Total samples processed</b>		<b>40</b>

Source: Data Process, 2023

Based on the sample selection process in Table 1, the population used is manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2021 period. The data collection method used in this study to obtain company data and information is using documentation methods with data sources derived from secondary data. This method is carried out by collecting data on annual financial statements and sustainability reports through each company's website. In this study, sampling uses purposive sampling techniques, meaning that samples taken from data sources are based on consideration of certain criteria. This study used measurements for each variable, as follows:

Tabel 2 Variable Measurement

Variable	Indicator	Source
Company Value	$PBV = \frac{\text{Harga pasar perlembar saham}}{\text{Nilai buku perlembar saham}}$	Pujiningsih (2020)
Sustainability Report	$SDRI = \frac{\text{Total item yang diungkapkan oleh perusahaan}}{\text{Total keseluruhan item yang disyaratkan oleh GRI}}$	Nikmah & Amanah (2019)
Institutional Ownership	$KI = \frac{\text{Jumlah saham yang dimiliki institusi}}{\text{Jumlah saham yang beredar}} \times 100$	Dewi & Abundanti (2019)
Managerial Ownership	$KM = \frac{\text{Jumlah saham yang dimiliki manajer}}{\text{Jumlah saham yang beredar}} \times 100$	Dewi & Abundanti (2019)
Profitability	$ROA = \frac{\text{Laba Bersih}}{\text{Total Aset}} \times 100$	Puspita & Jasman (2020)

Source: Data Process, 2023

### 3.2 Data Analysis Techniques

In this study, hypothesis testing used multiple linear regression analysis. The multiple linear regression method is used to determine the correlation of each independent variable to the dependent variable.

$$NP = \alpha + \beta_1 SDRI + \beta_2 KI + \beta_3 KM + \beta_4 ROA + \varepsilon$$

Keterangan

NP : Company Value

$\alpha$	: Constant
$\beta_1 \beta_2 \beta_3 \beta_4$	: Linear regression coefficient
SDRI	: Sustainability Report Disclosure Index
KI	: Institutional Ownership
KM	: Managerial Ownership
ROA	: Profitability
$\varepsilon$	: Standard Error

## 4. Results and Discussion

### 4.2 Descriptive Statistical Analysis

Tabel 3 Descriptive Statistical Analysis Test Result

	N	Minimum	Maximum	Mean	Std. Deviation
Sustainability Report	40	,32	,51	,3993	,04999
Institutional Ownership	40	50,11	84,99	62,4993	13,29773
Managerial Ownership	40	,00	9,24	1,2005	3,06636
Profitability	40	,01	,53	,1371	,14363
Company Value	40	,00	56,79	7,7591	12,02035
Valid N (listwise)	40				

Source: Data Process, 2023

Based on the results of descriptive statistical tests in Table 3, information is obtained about the minimum value, maximum value, average (mean), and standard deviation of each variable studied. Sustainability report has a minimal value of 0.32 and a maximum value of 0.51. The mean of the sustainability report variable is 0.3993 with a standard deviation of 0.04999. Institutional ownership has a minimal value of 50.11 and a maximum value of 84.99. The mean of the institutional ownership variable was 64.4993 with a standard deviation of 13.29773. Managerial ownership has a minimal value of 0.00 and a maximum value of 9.24. The mean of the managerial ownership variable is 1.2005 with a standard deviation of 3.06636. Profitability has a minimal value of 0.01 and a maximum value of 0.53. The mean of the profitability variable is 0.1371 with a standard deviation of 0.14363. The company's value has a minimal value of 0.00 and a maximum value of 56.79. The mean of the company value variable is 7.7591 with a standard deviation of 12.02035.

### 4.2 Classical Assumption Test

#### 4.2.1 Normality Test

In this study the number of samples used amounted to  $40 > 30$ , this shows that the data in this study has been distributed normally. This is according to the explanation related to the CLT (Central Limit Theorem) test which states that if the observed data is large enough (n more than 30) then the normality assumption can be ignored.

#### 4.2.2 Multicollinearity Test

Tabel 4 Multicollinearity Test Result

	Tolerance	VIF	Information
Sustainability Report	,900	1,111	No multicollinearity occurs
Institutional Ownership	,352	2,842	No multicollinearity occurs
Managerial Ownership	,927	1,078	No multicollinearity occurs
Profitability	,332	3,009	No multicollinearity occurs

Source: Data Process, 2023

Based on the results of multicollinearity testing in Table 4 above, it shows that all independent variables have a tolerance value of not less than 0.1 and a VIF (Variance Inflation Factor) value of less than 10, so it can be concluded that all independent variables used in this study do not occur multicollinearity

#### 4.2.3 Heterokedasticity Test

Tabel 5 Heterokedasticity Test Results

	t	Sig.	Information
Sustainability Report	,414	,682	No heterokedasticity
Institutional Ownership	1,695	,099	No heterokedasticity

Managerial Ownership	-,475	,638	No heterokedasticity
Profitability	,827	,414	No heterokedasticity

Source: Data Process, 2023

Based on the results of the heterokedasticity test in Table 5 above, it shows that all independent variables have a sig value of more than 0.05, it can be concluded that the data passed the heterokedasticity test or heterokedasticity did not occur.

#### 4.2.4 Autocorrelation Test

Tabel 6 Autocorrelation Test Results

Type		Durbin-Watson	Information
1	Company Value	1,972	No autocorrelation occurs

Source: Data Process, 2023

Based on the results of the autocorrelation test in Table 6 above, it shows that the DW (Durbin-Waston) value is 1.972 which means that the DW value is between the limit of -2 to +2. So it can be concluded that the data does not occur autocorrelation.

### 4.3 Test the Hypothesis

#### 4.3.1 Multiple Linear Regression Analysis

Tabel 7 Multiple Linear Regression Analysis Results

Type	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	-34,156	13,209		-2,586	,014
Sustainability Report	38,343	25,186	,159	1,522	,137
Institutional Ownership	,339	,151	,375	2,240	,032
Managerial Ownership	-,226	,405	-,058	-,558	,580
Profitability	41,417	14,426	,495	2,871	,007

Source: Data Process, 2023

Based on the multiple linear regression analysis in Table 7 above, it can be interpreted as follows:

The constant value with a negative sign of -34.156 means that if the sustainability report, institutional ownership, managerial ownership, and profitability are equal to zero (0), the company's value decreases.

The sustainability report coefficient has a positive relationship with the company's value, which is 38,343, which means that if there is a 1% increase in sustainability report, the company's value will increase by 38,343.

The institutional ownership coefficient has a positive relationship with the company's value, which is 0.339, which means that if there is an increase of 1% in institutional ownership, the company's value will increase by 0.339.

The coefficient of managerial ownership has a negative relationship with the value of the company, which is -0.226 which means that if there is a 1% increase in managerial ownership, the value of the company will decrease by -0.226.

The profitability coefficient has a positive relationship with the company's value of 41,417 which means that if there is a 1% increase in profitability, the company's value will increase by 41,417.

#### 4.3.2 Test F

Tabel 7 F Test Results

Type	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	3687,473	4	921,868	16,567	,000 <sup>b</sup>
Residuals	1947,590	35	55,645		
Total	5635,063	39			

Source: Data Process, 2023

Based on the results of the f test Table 7 above shows that the significance value is 0.000. The significance value resulting from the f test is less than 0.05, so it can be implied that the value of independent variables namely sustainability report, institutional ownership, managerial ownership, and profitability

simultaneously affect the value of the company.

#### 4.3.3 Coefficient of Determination Test

Tabel 8 Coefficient of Determination Test Results

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,809 <sup>a</sup>	,654	,615	7,45959

Source: Data Process, 2023

Based on the results of the coefficient of determination test in Table 8 above, it shows that the Adjusted R-Square value is 0.615 or 61.5%. This shows that the variables sustainability report, institutional ownership, managerial ownership and profitability can explain the dependent variable, namely company value of 0.615 or 61.5% while the remaining 38.5% is explained by other variables not listed in this study.

#### 4.3.4 T Test

Tabel 9 T Test Results

Variable	Sig.	Information
Sustainability Report	,137	H <sub>1</sub> Rejected
Institutional Ownership	,032	H <sub>2</sub> Accepted
Managerial Ownership	,580	H <sub>3</sub> Rejected
Profitability	,007	H <sub>4</sub> Accepted

Source: Data Process, 2023

The variable sustainability report has a sig value of 0.137 which is greater than 0.05 or 5%. So it is stated that H<sub>0</sub> is accepted and H<sub>1</sub> is rejected, which means that the sustainability report has no effect on the value of the company.

The institutional ownership variable has a sig value of 0.032 which is smaller than 0.05 or 5%. So it is stated that H<sub>0</sub> is rejected and H<sub>2</sub> is accepted, which means that institutional ownership has an effect on the value of the company.

The managerial ownership variable has a sig value of 0.580 which is greater than 0.05 or 5%. Then it is stated that H<sub>0</sub> is accepted and H<sub>3</sub> is rejected, which means that managerial ownership has no effect on the value of the company.

Variabel profitabilitas memiliki nilai sig sebesar 0,007 yang lebih kecil dari 0,05 atau 5%. Maka dinyatakan bahwa H<sub>0</sub> ditolak dan H<sub>4</sub> diterima, yang berarti profitabilitas berpengaruh terhadap nilai perusahaan.

## 5. Conclusion

### 5.1 Conclusion

This study aims to empirically examine the effect of disclosure of sustainability report, good corporate governance, and profitability on company value in manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2021 period. With a sample of 40 manufacturing companies. Based on the results of data analysis and discussion described in the previous chapter, it can be concluded that the variables of sustainability report and variables of good corporate governance proxied by managerial ownership have no effect on company value, while the variables of good corporate governance proxied by institutional ownership and profitability affect company value.

### 5.2 Limitations

This study still has limitations, so it needs to be considered for future researchers. The limitations in this study are as follows in this study the research project was only conducted on manufacturing companies listed on the Indonesia Stock Exchange, where the number of samples obtained still does not describe the entire company listed on the Indonesia Stock Exchange. In this study the independent variables used by researchers are only three variables, of which there are several other possible variables that can affect the value of the company. The research period is limited to only five years, so it has not been able to provide a maximum picture of results.

### 5.3 Suggestion

Based on the conclusions and limitations in this study, the researcher provides some suggestions that hopefully can be useful in the future are as follows for the next researcher, The results of this study can be a reference to expand the object of research, The results of this research can also be a reference to increase the

number of independent variables, the number of samples, the research period so that the research will be better. For manufacturing sector companies, they must pay more attention to the disclosure of sustainability reports, good corporate governance, and profitability because it is proven that it has a significant effect on company value.

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