JAFA, 8(2), December 2021, 117-133
DOI: 10.21512/jafa.v8i2.8292

P-ISSN: 1979-6862
E-ISSN: 2746-6019

THE EFFECT OF CORPORATE GOVERNANCE MECHANISM, STAKEHOLDER PRESSURE, AND PROFITABILITY ON INTEGRATED REPORTING

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ABSTRACT

This study aims to examine the effect of corporate governance mechanisms, stakeholder pressure, and profitability on integrated reporting, with firm size as a control variable. The research object used is a manufacturing company listed on the Indonesia Stock Exchange (IDX) period 2017-to 2020 with a purposive sampling method as a sample collection method. The data analysis technique used is multiple linear analysis. The results showed that independent commissioners and firm size positively affected integrated reporting. Meanwhile, the audit committee has a negative effect on integrated reporting. In addition, stakeholder pressure and profitability are not proven to affect integrated reporting.

Keywords: *Integrated Reporting, Independent Commissioner; Audit Committee; Stakeholder Pressure; Profitability; Company Size*

INTRODUCTION

Integrated Reporting Committee of South Africa (IRCSA, 2011) explaining corporate reports tend to be about annual financial performance, sustainability, and governance disclosures often fail to link a company's strategy, its financial performance, and performance on environmental, social, and governance issues. Much of the reporting tends to be historical, looking backward, and does not provide sufficient information on stakeholders' needs to judge the company's ability to create value and maintain value in the short, medium, and long term (IRCSA, 2011).

Financial statements are periodic reports of the company's financial position and performance. The company is obliged to make financial reports that are used as material for work evaluation and planning, as well as to show the credibility of the company and as a form of corporate responsibility. The company also has the responsibility to provide information to stakeholders. The financial statements do not adequately describe the condition of the company as a whole, so it does not provide information to interested parties in the company. Thus, companies must also provide additional information in the form of complete and integrated non-financial information for stakeholders as a basis for making decisions.

In order to fulfill responsibilities and provide good financial reports for stakeholders, the company has begun to consider the interests of stakeholders by issuing sustainability reports (Sustainability Reporting). According to the Global Reporting Initiative (GRI), sustainability reporting is a process that assists organizations in setting goals, measuring performance, and managing sustainable global economic change, such as combining long-term profitability with social responsibility and environmental friendliness (GRI, 2013). Sustainability reporting is an intrinsic element of an integrated report and as the rationale of the company's integrated reporting, which is the basis of identifying material issues, strategic objectives, and financial aspects of the company in the achievement of company goals as well as value creation over time (GRI, 2013).

Integrated reporting is the latest report initiated by the International Integrated Reporting Committee (IIRC) and GRI in 2011. IIRC developed an integrated reporting framework to guide companies in communicating information expected by stakeholders to assess the company's long-term prospects (PriceWaterhouseCoopers (PWC) 2013). Corporate Social Responsibility

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(CSR) reporting, sustainability reporting, and other company reports are combined into one integrated report. In the inspirational session of the Aspiring Professional Accountants Festival (APA Fest) held by the Indonesian Institute of Accountants (IAI) on November 10, 2020, Deputy Chairman of the Indonesian Supreme Audit Agency (BPK) Agus Joko Promono stated that integrated reporting in Indonesia is still a voluntary disclosure. In addition, there are no regulations that regulate comprehensive financial reporting, which supports the creation of high transparency and accountability of financial reporting in Indonesia (IAI 2020).

According to the Indonesian Institute of Corporate Governance (IICG), corporate governance is a process and structure applied in running a company with the primary objective of increasing shareholder value in the long term while taking into account the interests of other stakeholders. In understanding corporate governance, the agency theory perspective is used. Agency theory is a contractual relationship between the task delegate (principal) and the task recipient (agent) (Jensen and Meckling, 1976). The separation of a company's management from the owner can cause agency problems, such as conflict of interest between the agent and the principal. Applying corporate governance mechanisms can be an alternative for companies to overcome agency problems. This study projected the corporate governance mechanism by independent commissioners and audit committees.

The existence of an independent commissioner as a supervisor of company performance and a balancer in decision-making can increase the reliability and impartial disclosure of information (Indrasari et al., 2017). Research by Mawardani and Harymawan (2021) shows that independent commissioners positively affect integrated reporting, where companies with more independent commissioners will disclose more information in integrated reports than companies with fewer independent commissioners. Meanwhile, there are differences in Adiwibowo and Ifnapiya's research (2020) stated that independent commissioners do not influence integrated reporting.

Based on OJK No.55/POJK.04/2015, an audit committee is formed and is responsible for assisting the board of commissioners in carrying out their duties and functions (OJK, 2015). The audit committee plays an influential role in conducting supervision to improve the quality of information disclosure (Focker, 1992; in Rahmawati and Handayani, 2017). Research by Ahmad and Sari (2017) states that the audit committee positively influences integrated reporting. The greater the number of audit committees, the wider the disclosure of information in the integrated report. Meanwhile, according to Adiwibowo and Ifnapiya (2020), the audit committee does not influence integrated reporting.

The next factor influencing the integrated report is stakeholder pressure. The pressure obtained by management comes from stakeholders to make the company's management present information, both financial and non-financial, for stakeholders (Kurniawan and Wahyuni, 2018). Company management will disclose accurate and detailed financial and non-financial information when under strong pressure from stakeholders. Stakeholder pressure in this research is projected by government pressure. The pressure obtained by management comes from stakeholders who aim to make the company's management present information on both financial and non-financial information to stakeholders (Kurnianto, Purwohedi, and Prihatni, 2020). However, stakeholder pressure does not always increase the disclosure of information by company management, as stated in the research of Kurniawan and Wahyudi (2018), which says that stakeholder pressure has a negative effect on integrated reporting, where companies will withhold information disclosure in integrated reports if they get great pressure from stakeholders. Meanwhile, the differences in research by Kurnianto et al. (2020) stated that stakeholder pressure had no proven effect on integrated reporting.

The last factor that affects integrated reporting is profitability. Profitability is a financial ratio used to measure the extent to which a company can gain profits and its effectiveness in maximizing its profits. The company's profitability is calculated by the ROA (Return on Asset) formula and is used to assess management in managing the company's assets into profit (Sundari, Agriyanto, and Farida, 2020). According to Utamie (2021), profitability positively affects integrated reporting. Companies with high profitability will encourage management to disclose more comprehensive information. Companies are aware that they must be transparent in making disclosures that are not only oriented to the resulting profit. Meanwhile, the differences in the research results by Sundari et al. (2020) stated that the extent of disclosure in integrated reporting is not affected by profitability.

Stakeholder Theory

Stakeholders are parties who can influence or be affected by the achievement of organizational goals and can be in the form of groups or individuals (Freeman and McVea, 2001). Stakeholders are divided into internal stakeholders and external stakeholders. Shareholders and employees are included in internal stakeholders, while the government, environment, and consumers are included in external stakeholders (Vitolla, Raimo, Rubino, and Garzoni, 2019).

The basic assumption of stakeholder theory is that companies in their business activities do not only operate for the benefit of the owners and shareholders but must consider and consider other stakeholders' interests (Vitolla et al., 2019). Based on stakeholder theory, management is tasked with managing and integrating the interest relationships of shareholders, stakeholders, and other groups by ensuring the company's long-term success (Freeman and McVea, 2001). The theory also advises the company to use a forward-looking perspective in increasing its ability to create value in the future, where the company's management will try to understand the needs and interests of stakeholders. Thus, management is responsible for reporting all important information regarding all processes within the company, including activities that do not directly affect stakeholders.

Integrated reporting enables more effective communication between management, shareholders, and other stakeholders. Integrated reporting enables stronger and more productive cross-functional communication between employees and various levels of business activity and a more communicative dialogue with stakeholders. Corporate reporting becomes more transparent with integrated reports and encourages companies to focus on integrated thinking and strategic decision-making (PWC, 2013).

Agency Theory

According to Jansen and Meckling (1976), agency theory is an agency relationship that arises because of a contractual relationship between the party who delegates the task (principal) and the party who receives the job (the agent). The contract includes the authority in the decision-making, such as the relationship between shareholders as principals and management as agents. The separation of control between agents and principals resulting in management differences in interest and decision-making tends to reflect management preferences over principals. The difference is the cause of the emergence of agency problems, so management is expected to make decisions taking into account the interests of shareholders.

To overcome agency problems, we need a mechanism that can balance the interests of principals and agents. The monitoring mechanism can be implemented by implementing a corporate governance mechanism. Enforcement of corporate governance mechanisms within the company will make the company work more transparently and increase its accountability, increasing the trust of shareholders and other interested parties in the management of assets carried out by management. It will reduce conflicts of interest and agency costs because management has worked in the interests of shareholders and other stakeholders (Lestariningrum 2019).

Integrated reporting through the principle of transparency and corporate governance mechanisms of the company has an essential role in increasing the openness of company information so that the information disclosed is more transparent, accurate, and timely. The transparency and availability of adequate communication can reduce the information gap owned by agents and principals to reduce agency problems. Integrated reporting can also improve reporting transparency regarding a company's performance by management.

Integrated Reporting

Corporate reporting has evolved, with investors, the public, and the government increasingly demanding that companies be accountable and transparent in providing information to shareholders and stakeholders. The expansion of accountability and reporting aspects has been implemented among companies. Such initiatives are reported without coherence with the company's long-term goals and are often presented as different activities and in other reports, such as annual reports and sustainability reports (Abeysekera 2013), so it is expected that integrated reporting can combine the reporting of various aspects of organizational activities on the same information with integrated goals.

Integrated reporting is the latest form of corporate reporting initiated by IIRC and GRI in 2011. According to IIRC (2013), integrated reporting is a communication about how the organization's strategy, governance, performance, and prospects in the external environment lead to value creation in the short, medium, and long term. Integrated reporting is expected to enhance an in-depth understanding of a company's strategy and how it affects and is influenced by environmental, social, financial, and economic issues to raise internal awareness. In addition, integrated reporting can improve the transparency of company reports, thereby improving the company's trust and reputation among stakeholders.

Integrated reporting can be effective if it can reflect the company's ability to create and maintain value based on the financial, social, economic, and environmental systems and the quality of its relationships with stakeholders (IRCSA 2011). According to IIRC(2013), integrated reporting contains eight interrelated elements: an overview of the organization and the external environment, corporate governance, business models, risks and opportunities, strategy and resource allocation, performance, prospects and future, and the basis for disclosure of elements.

In Indonesia, integrated reporting is still voluntary, and not many companies use this form of reporting. To know the presentation of integrated reports, companies must identify how many the company discloses integrated reporting elements in annual reports published by companies on the Indonesia Stock Exchange (IDX) website or company website.

Corporate Governance Mechanism

According to the Organization for Economic Cooperation and Development (OECD), corporate governance is a means for setting and achieving company goals and a structure for deciding to monitor company performance. Simply put, the mechanism of corporate governance is management to organize and operate a company with the ultimate goal of demonstrating shareholder value and improving the company's prosperity and accountability (Nuryaman, 2009).

National Committee on Governance Policy (KNKG 2019) stated five basic principles of good corporate governance: transparency, accountability, responsibility, independence, and fairness. The corporate governance mechanism is used to improve the quality and reliability of the company's financial reporting, which is integrated into one's report. In addition, in the corporate governance mechanism, the company is obliged to disclose information on the company's performance, ownership, and stakeholders in an accurate, timely, and transparent manner as a form of accountability to shareholders or investors (Kaihatu, 2006; in Poluan and Nugroho, 2015). The corporate governance mechanism is divided into internal and external mechanisms. An internal mechanism is a mechanism to control the company using the company's internal structure and processes, such as the structure of the board of directors, board of commissioners, independent commissioners, and managerial ownership (Poluan and Nugroho, 2015). Meanwhile, the external mechanism influences the company other than using internal mechanisms, such as market control of the company, institutional ownership, and the level of debt funding (Poluan and Nugroho, 2015).

Based on the perspective of agency theory, the emergence of agency problems in companies is caused by the low disclosure of information in the financial statements, where the agent has more information than the principal. This imbalance in information control can harm shareholders because shareholders use the financial statements as a benchmark for decision-making. Thus, the principal will ensure a good corporate governance mechanism, primarily focusing on shareholders, where company management will provide high quality, value-relevant, and reliable information, especially financial and non-financial information (Wang, Zhou, and Wang 2019).

Independent commissioner

The first corporate governance mechanism is an independent commissioner. The Guidelines for Good Corporate Governance (GCG) explain that independent commissioners are boards of commissioners who have no relationship with the board of directors. Other board members of commissioners could be controlling shareholders, business relationships, and other relationships that may affect their ability to act independently. Independent commissioners are tasked with ensuring the transparency and disclosure of the company's financial statements and ensuring fair treatment of minority shareholders and other stakeholders. Independent commissioners focus on the responsibility to protect shareholders from fraudulent practices (Puspitasari and Ernawati, 2010).

Independent commissioners have an important role in the corporate governance mechanism, ensuring the creation of objective decisions in evaluating management performance by the board of commissioners. Based on the perspective of agency theory, the existence of independent commissioners can increase transparency on management performance and reduce conflicts of interest between shareholders and company management, as well as between controlling and non-controlling shareholders. The existence of independent commissioners will minimize management actions to prioritize their own interests. Thus, the existence of an independent commissioner can be a balancer in decision-making and protect the interests of minority shareholders and related parties.

OJK Regulation No.33/POJK/2014 explains that the minimum composition of independent commissioners in a company is 30% of the board of commissioners. Independent commissioners must meet the requirements of not working or have the authority and responsibility to plan, lead, control, or supervise the activities of the issuer or public company within the last 6 (six) months and have no direct or indirect relationship with the company's business activities (OJK, 2014).

Audit Committee

The second corporate governance mechanism is the audit committee. According to OJK Regulation No.55/POJK.04/2015, the audit committee is formed by and is responsible for assisting the board of commissioners in carrying out the functions of the board of commissioners. To increase public confidence in the objectivity of the company's financial statements the audit committee was tasked with overseeing the financial reporting process and assisting the board of commissioners in examining the company's financial statements and internal controls (Poluan and Nugroho, 2015).

One of the critical parts of the company's corporate governance is the audit committee. Guna and Herawaty (2010) explain the purpose of the existence of the audit committee in the company, which are:

1. To provide assurance that management is fair and not misleading in presenting the company's financial statements and that the financial statements have been introduced following general accounting principles.
2. To ensure that the company's internal control is adequate.
3. To carry out supervision to minimize the occurrence of material deviations and have the duty to follow up in the event of material variations and their legal implications.
4. To provide recommendations for external auditors who will conduct audits in the company.

Based on the agency theory, the audit committee plays an important role in overseeing the company's activities. The existence of an audit committee can reduce management's opportunistic behavior to behave selfishly (Chariri and Januarti, 2017). Management can work effectively and efficiently with the supervisory function of the committee so that management will disclose company information under integrated reporting (Ahmad and Sari, 2017). The audit committee in the company consists of at least 3 (three) people who come from independent commissioners and parties outside the issuer or public company (Decree of the Chairman of Bapepam-LK No. KEP-643/BL/2012).

Stakeholder Pressure

The company cannot stand alone without the support of stakeholders. Stakeholders are part of business activities and support the achievement of company goals. According to Freeman and McVea(2001), stakeholders are groups or individuals who can influence or be affected by the achievement of organizational goals. Meanwhile, according to Rudyanto and Siregar (2017), stakeholders are individuals or groups who have the same interest in an organization. Stakeholders will pressure the company to present information that is used to assess the company's performance and support decision-making regarding the company's future. Based on stakeholder theory, management needs to inform stakeholders about the company's activities that affect them both directly and indirectly.

According to Vitolla et al. (2019), stakeholder pressure is divided into two, namely internal (shareholders and employees) and external (government, environmental, and consumer pressures). This study uses stakeholder pressure as a proxy for government pressure. The government plays an important role and has power over companies as the state regulator. Governments generally require corporate financial information for corporate taxation purposes and other financial purposes. In addition to the financial report, the government also needs information like environmental and social information that impacts people's welfare (Vitolla et al., 2019).

To meet the interests of the company's stakeholders, financial and non-financial information must be integrated into one report. Integrated reporting can be a link between the performance of company management and the level of expectations of the company's stakeholders (Setia et al., 2015; in Kurniawan and Wahyuni, 2018). Integrated reporting can improve the quality of information for company stakeholders to assist stakeholders in the decision-making process. Stakeholders can assess or review the company's performance more comprehensively and provide complete information about the company's condition using the information in the integrated report (Kurniawan and Wahyuni, 2018).

Profitability

Profitability can measure how much the company's performance in generating profits. Profitability is the company's ability to create earnings concerning sales, total assets, and capital (Novaridha, Indrawati, and L, 2017). The greater the profitability of the company, the greater the prosperity is. Thus, the higher the level of profitability, the company tends to provide more information for stakeholders to show their performance through increased profitability (Almilia, 2008; in Sundari et al., 2020).

Based on stakeholder theory, the company's high profitability will provide positive information to stakeholders so that the information can meet stakeholders' needs. Analyzing the company's performance is also one of the investors' considerations, so disclosing more information can help management gain investors' trust (Utamie 2021). This study is conducted to calculate profitability using the ROA formula. ROA is used to assess a company's performance by making assets a benchmark for assessing management performance, namely in utilizing company assets to earn profits (Kurniawan and Wahyuni, 2018; Sundari et al., 2020).

The Influence of Independent Commissioners on Integrated Reporting

Independent commissioners play an essential role in the corporate governance mechanism by supporting the transparency and disclosure of the company's financial statements and protecting the rights of minority shareholders and other stakeholders. The existence of independent commissioners on the board of commissioners is expected to prevent fraud in presenting the company's financial statements to not mislead users in making decisions (Nurdiniah and Pradika, 2017). In addition, the existence of independent commissioners is a balancer in decision making and reduces conflicts of interest, as well as opportunistic behavior of management who prioritizes their interests.

In line with the research results of Mawardani and Harymawan (2021), which state that independent commissioners positively affect integrated reporting, the independent commissioner also has the function of overseeing the performance of the management broadly and thoroughly. Thus, the management will disclose information more reliably and impartially (Saksakotama, 2014; in Indrasari et al., 2016). In line with the agency theory, to prevent information asymmetry and self-serving management actions, management must be transparent and open in presenting information to shareholders, other stakeholders, and interested parties. Thus, independent commissioners can encourage management to be more transparent and open in reporting both financial and non-financial in integrated reports. Therefore, the hypothesis of this study is:

H1a: Independent commissioners have a positive effect on integrated reporting.

Influence of the Audit Committee on Integrated Reporting

The Audit Committee is a committee formed by and responsible to the board of commissioners. The audit committee is tasked with examining and supervising the company's financial reporting and internal control to improve the quality of information disclosure. Based on agency theory, the audit committee's role as a supervisor of corporate activities can supervise management in conducting financial reporting so that management reasonably presents reports following accounting principles. Oversight of the company's audit committee can present high-integrity financial reports. Supervision from the audit committee also encourages management to present financial statements according to the actual condition of the company to convince shareholders to make decisions. Research by Ahmad and Sari (2017) and Kurnianto et al.

(2020), state that the audit committee positively affects integrated reporting. Thus, the hypothesis of this study is:

H1b: The audit committee has a positive effect on integrated reporting.

The Effect of Stakeholder Pressure on Integrated Reporting

Stakeholders need accurate and adequate information as a basis for decision-making, so often, they put pressure on management to present information transparently. This follows the stakeholder theory, where management must report and contribute information about the company's activities, which can directly or indirectly affect stakeholders. Stakeholders then use the information to assess the company's performance and support decision-making regarding the company's future prospects.

Based on Kurniawan and Wahyudi (2018) research, stakeholder pressure negatively affects integrated reporting. Stakeholder pressure in this research is proxied by government pressure. Pressure from stakeholders should be able to encourage companies to disclose information, but the pressure given must be balanced with effective supervision. When stakeholders exert considerable pressure without effective supervision, the company will ignore the pressure given, and the company will withhold disclosure of information that is deemed unnecessary to minimize costs. Thus, the hypothesis of this research are:

H2: Stakeholder pressure has a negative effect on integrated reporting.

The Effect of Profitability on Integrated Reporting

Profitability is used to assess the company's performance in utilizing its assets to generate profits. Thus, profitable companies will provide broad information for stakeholders to show their performance through increased profitability (Almilia, 2008; in Sundari et al., 2020).

Based on stakeholder theory, management in companies with high profitability will disclose more information to meet stakeholder needs. The information disclosed in the integrated report can serve as a reference for stakeholders to assess the company's performance and create value for the future. In addition, the increase in profitability is positive information for the company and shareholders. Thus, the company will disclose more detailed information on financial reporting to gain shareholders' trust. Based on the results of Utamie's research (2021), profitability positively affects integrated reporting. Thus, the hypothesis of this research are:

H3: Profitability has a positive effect on integrated reporting.

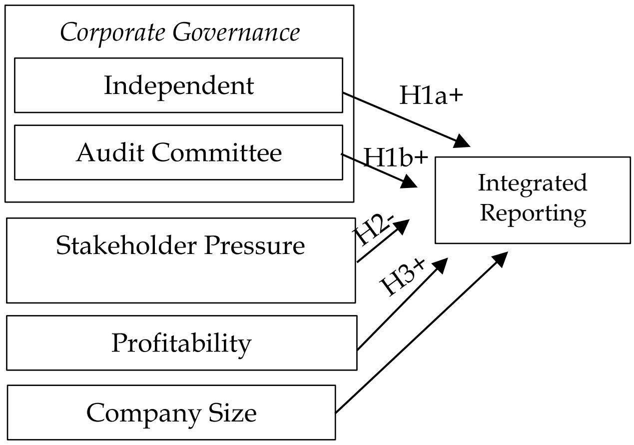

Figure 1. Research Model

METHODS

This research was conducted in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for 2017-2020. Manufacturing companies were chosen because they have complex business processes and various assets and resources used to support their business processes, so companies need to present their information in the form of integrated reporting. Based on purposive sampling criteria, from 194 companies, 90 companies were obtained as research samples. The data analysis technique used is multiple linear analysis with the Statistical Product Service Solution (SPSS) program.

Population and research sample

The population of this study is all manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2020 period. Sampling using a purposive sampling method. The sample used is a company that has the following criteria:

1. Manufacturing companies were listed on the Indonesia Stock Exchange for 2017-2020.
2. Manufacturing companies publish complete annual reports for 2017-2020 on the IDX.
3. Manufacturing companies have complete data related to the variables used in the study.
4. Manufacturing companies listed on the IDX present Rupiah's (Rp) financial statements.

Research paradigm

This research is quantitative. This study uses causality research to examine and analyze the effect of disclosure of corporate governance mechanisms, stakeholder pressure, and profitability on integrated reporting in manufacturing companies listed on the IDX for the 2017-2020 period.

Research variable

The independent variables in this study are independent commissioners, audit committees, stakeholder pressure, and profitability. The control variable in this study is firm size. The dependent variable in this study is integrated reporting.

Independent Variable

Independent Commissioner (KI)

Good Corporate Governance (GCG) defines independent commissioners as parties who are not affiliated with the board of directors and other members of the board of commissioners. The number of independent commissioners must be at least 30% of the total members of the board of commissioners (Adiwibowo and Ifnapiya, 2020). Independent commissioners can be measured by dividing the number of independent commissioners by the number of boards of commissioners (Mawardani and Harymawan, 2021).

$$\mathrm{KI} = \frac{\text{Number of Independent Commissioners}}{\text{Number of Boards of Commissioners}}$$

Audit Committee (KA)

The audit committee in the company consists of at least 3 (three) people who come from independent commissioners and parties outside the issuer or public company (Decree of the Chairman of Bapepam-LK No. KEP-643/BL/2012). Measurement of the audit committee is done by giving a score of 1 for companies that have a larger number of audit committee members equal to 3 and a score of 0 for companies with a number of audit committee members less than 3 (Ahmad and Sari, 2017).

Stakeholder Pressure (TPK)

Stakeholder pressure in this research is projected by government pressure. Measurement of stakeholder pressure is based on the total shares owned by the government with the total shares of the majority shareholder (Kurnianto et al., 2020). The measurement of stakeholder pressure is carried out using a dummy, where if there is government ownership in the company's shares, a value of "1" is given. A value of "0" is given if there is no ownership from the government. Kurnianto, et al., 2020).

Profitability (PFB)

Profitability is used to measure how the company's performance generates profits. Measurement of profitability using ROA (Return on Assets) because ROA is used to measure the company's profitability and see the efficiency of management in using assets to generate profits (Kurniawan and Wahyuni, 2018).

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

Dependent Variable

Integrated Reporting (PT)

Integrated reporting is measured using content elements, which are given a score of “1” if disclosed and “0” if not disclosed. Next, add all the scores to get the total score of the integrated reporting indicators for each element disclosed by the company (Kurnianto et al., 2020).

$$\mathrm{PT} = \frac{\text{Number of Elements Disclosed}}{57}$$

There are eight integrated reporting elements, namely organizational description and external environment (14 items), corporate governance (7 items), business model (9 items), risks and opportunities (3 items), strategy and resource allocation (7 items), performance (6 items), prospects and future (8 items), and basic disclosure elements (3 items).

Control Variable

Company size (UP)

Company size is an illustration of the size of a company. Large companies generally have large assets so that they can attract investors to invest in the company, so the company will disclose more information (Ahmad and Sari, 2017). The measurement of the firm size variable uses the natural logarithm of total assets (Utamie 2021).

$$\mathrm{UP} = \mathrm{Ln}\ (\text{Total Assets})$$

RESULT AND DISCUSSION

Descriptive Analysis Results

Table 1: Descriptive Test Results

	Min	Max	mean	Dev. std
PT	0.54	0.96	0.80	0.04810357
KI	0.20	0.83	0.40	0.10123439
PFB	-1.07	0.92	0.06	0.13463306
UP	9.80	14.54	12.39	0.74619069

Source: Processed data (2021)

The average company Manufacturers listed on the IDX for the 2017-2020 period revealed 0.80 or 80% integrated reporting. Table 1 shows the lowest integrated reporting disclosure of 0.54 or 54% owned by PT Akasha Wira International Tbk in 2019. The highest integrated reporting disclosure was 0.96 or 96% by Unilever Indonesia Tbk in 2018 and 2020.e composition of independent commissioners had the lowest score of 0.20 or 20% owned by Semen Baturaja Tbk in 2017, while the composition of the highest independent commissioners was 0.83 or 83% owned by Unilever Indonesia Tbk in 2020. The average listed manufacturing companies on the IDX for the 2017-2020 period, the composition of independent commissioners is 0.40 or 40%, which is following the provisions.

Profitability with the lowest value of -1.07 or -10.7% is owned by Tirta Mahakam Resources Tbk in 2020, and the highest value of 0.92 or 92% owned by Merck Tbk in 2018. The average profitability of manufacturing companies listed in IDX for the 2017-2020 period is 0.06 or 6%.

The company size that has the lowest value of 9.80 is owned by Aneka Gas Industri Tbk in 2017, and the highest value is 14.54, which Astra International Tbk owned in 2019. The average value of the company size is 12.39, which shows that the average manufacturing companies listed on the IDX for the 2017-2020 period under study are large.

Table 2: TA Frequency Test Results

	Frequency	Percentage
KA < 3	9	2.5
KA 3	351	97.5
Total	360	100.0

Source: Processed data (2021)

Table 2 shows companies with the number of audit committees less than 3 as many as 9 companies with a percentage of 2.5%. Meanwhile, as many as 351 companies or 97.5% already have audit committees equal to 3, which is in accordance with the provisions of the audit committee in the company, there are at least 3 members.

Table 3: TPK Frequency Test Results

	Frequency	Percentage
There is no TPK	340	94.4
There is a TPK	20	5.6
Total	360	100.0

Source: Processed data (2021)

Table 3 shows that as many as 340 companies, or 94.4%, do not own government ownership of company shares. Meanwhile, as many as 20 companies, or 5.6%, have government ownership of company shares.

Classic Assumption Test Results

Table 4: Normality Test Results

Description	Monte Carlo Sig. (2- tailed)	Conclusion
Unstandardized Residual	0.172	Normal

Source: Processed data (2021)

Normality test results in table 4 using the Kolmogorov-Smirnov Test with Monte Carlo sig. (2-tailed) of 0.172 concluded that the data was normally distributed because it qualified the normality of ≥ 0.05.

Table 5: Glejser Test Results

Variable	Sig.	Conclusion
KI	0.084	There is no heteroscedasticity
KA	0.802	There is no heteroscedasticity
TPK	0.098	There is no heteroscedasticity
PFB	0.716	There is no heteroscedasticity
UP	0.729	There is no heteroscedasticity

Source: Processed data (2021)

The results of heteroscedasticity carried out by the Glejser test in table 5 show that the significance value of the independent and control variables, namely KI, KA, TPK, PFB, UP, have significance values of 0.084; 0.802; 0.098; 0.716; 0.716. This shows that the independent and control variables in the regression model are free from heteroscedasticity.

Table 6: Multicollinearity Test Results

var.	Toll.	VIF	conclusion
KI	0.925	1.081	There is no multicollinearity
KA	0.983	1.018	There is no multicollinearity
TPK	0.964	1.038	There is no multicollinearity
PFB	0.919	1.089	There is no multicollinearity
UP	0.953	1.049	There is no multicollinearity

Source: Processed data (2021)

The results of the multicollinearity test in table 6 show the independent variables that are KI, KA, TPK, and PFB, and UP as a control variable has a tolerance value of 0.10 and VIF of 10. So it can be concluded that there is no multicollinearity in the regression model.

Table 7: Autocorrelation Test Results

Durbin-Watson	Description
2.015	There is no autocorrelation

Source: Processed data (2021)

The DU value of 1.849 was obtained from the Durbin Watson table (with a significance of 0.05) with a total sample of 360 (n=360) and a total of 4 independent variables and one control variable (k=5). Based on the results of the autocorrelation test in table 7 show 1.849 < 2.015 < 2.151. It can be concluded that there is no autocorrelation in the regression model.

Hypothesis testing

Table 8: Coefficient of Determination Test Results (R2)

R	R^2	adj.R^2
0.477	0.227	0.216

Source: Processed data (2021)

Table 8 shows the value of *Adjusted* of 0.216 or 21.6%, meaning that the variance of KI, KA, TPK, and PFB as independent variables and UP as a control variable can explain the variance of the dependent variable, namely PT, by 21.6%. In contrast, the remaining 78.4% is explained by other factors outside the model under study.

Table 9: F Statistical Test Results

	F	Significance
Regression	21,799	0.000

Source: Processed data (2021)

Table 9 shows the results of the calculated F statistical test, which has a significant value of 0.000, where it is concluded that the regression equation model is suitable for predicting because the significance value is below 0.05.

Table 10: T-Statistic test results

var.	coef.	t	Sig	Results
KI	0.100	4,241	0.000	accept
KA	-0.037	-2,694	0.012	reject
TPK	0.015	2,532	0.123	reject
PFB	0.031	1,792	0.080	reject
UP	0.023	7.534	0.000	-

Source: Processed data (2021)

The linear regression equation based on the results of the multiple linear regression test in table 10 is as follows:

$$\mathrm{PT} = \alpha + \beta_1 \mathrm{KI} + \beta_2 \mathrm{KA} + \beta_3 \mathrm{TPK} + \beta_4 \mathrm{PFB} + \beta_5 \mathrm{UP} + \mathrm{e}$$

Based on the multiple linear regression model above, the explanation can be described as follows:

The KI variable has a regression coefficient value of 0.100 and a significance value of 0.000, where the value is less than 0.05, so H1a is accepted. The positive value of the regression coefficient indicates a positive relationship between KI and integrated reporting. So, if the other independent variables are fixed and the KI variable has increased by one unit, the integrated reporting will increase by 0.100.

KA regression coefficient value is -0.037. The negative value indicates the opposite relationship between KA and integrated reporting. The significance value of 0.012 < 0.05 follows existing provisions. However, H1b states that KA positively affects integrated reporting, so the hypothesis is rejected. Based on the test results in table 4.11, if the other independent variables are fixed, and KA has increased by one unit, integrated reporting has decreased by 0.037.

TPK has a regression coefficient of 0.015 and a significance value of 0.123 > 0.05. This result shows that TPK does not affect integrated reporting. H2, which states that stakeholder pressure has a negative effect on integrated reporting, is rejected.

The PFB coefficient value is 0.031 and the significance value is 0.080 > 0.05. The result shows that PFB has no effect on integrated reporting, so H3, which says that PFB has a positive effect on integrated reporting, is rejected.

UP, the control variable, has a positive influence on integrated reporting as seen in table 4.11, and the regression coefficient value is 0.023 with a significance value of 0.000 <0.05.

Independent Commissioner Hypothesis Test Results

The study results in table 10 show that the first hypothesis, part an H1a, is accepted. The positive direction indicates that the higher the composition of independent commissioners on the board, the greater the disclosure area in integrated reporting.

The existence of independent commissioners aims to supervise management to create transparency and disclosure of financial reports. With the existence of independent commissioners, they can monitor management to disclose broader information to interested parties. It can also encourage management to disclose broader information in the company's annual report, not only on financial aspects but other non-financial aspects in accordance with the integrated reporting framework. The results of hypothesis testing in table 10 confirm Mawardani and Harymawan's research (2021), which states that independent commissioners positively affect integrated reporting.

Audit Committee Hypothesis Test Results

The results of this study confirm the research conducted by Azhar (2014). The study results in table 10 show that the first hypothesis, part b (H1b), is rejected. The negative direction shows that the more the number of audit committees in the company, the wider the disclosure in integrated reporting decreases. The existence of many audit committees in the company makes the audit committee ineffective in carrying out its functions. Thus, the audit committee cannot minimize agency problems, which causes internal control to become ineffective in disclosing information in integrated reporting more broadly.

The study results in table 10 show that the second hypothesis (H2) is rejected. This study confirms the research of Kurnianto et al. (2020), which states that stakeholder pressure does not affect integrated reporting. The pressure from stakeholders, especially in this study, is that government pressure cannot influence companies to disclose more comprehensive information. In addition, stakeholders have not been able to provide strategic demands that can support integrated reporting practices within the company due to the lack of stakeholder understanding of integrated reporting.

Profitability Hypothesis Test Results

The study results in table 10 show that the third hypothesis (H3) is rejected. This study confirms the research by Sundari et al. (2020), which states that profitability does not affect integrated reporting. The company uses high profits to increase the trust of stakeholders because it is considered that the company can return profits as expected. Thus, the company will focus more on profit as the company's primary information, while other non-financial information is ignored. So, in integrated reporting, the company will disclose minimal information.

Firm Size Hypothesis Test Results

Company size as a control variable in this study describes the company's size under study. The hypothesis test results in table 10 show that company size influences integrated reporting. This study confirms the research of Utamie (2021), which states that firm size has a positive effect on integrated reporting. The larger the company, the greater the disclosure of information in the form of financial and non-financial information in the company's integrated reporting. Broad disclosure of information by large companies is a form of corporate responsibility to shareholders and other stakeholders.

CONCLUSION

Based on the results of the analyses and discussions described previously, it is concluded that independent commissioners have a positive influence on integrated reporting, where the higher the composition of independent commissioners on the board of commissioners, the higher the disclosure of information in integrated reporting. The supervisory function of an independent commissioner can encourage management to present financial reports transparently and openly. Thus, the existence of an independent commissioner will supervise management to disclose broader information in company reports, not only on financial aspects but also on other non-financial aspects, in accordance with the integrated reporting framework.

Meanwhile, with the existence of many audit committees in the company, less information is disclosed in integrated reporting. The existence of many audit committee members in the company makes the audit committee function ineffective. Thus, the audit committee cannot minimize agency problems, which causes internal control to become ineffective in being able to disclose company information more broadly.

In this study, pressure from stakeholders is that government ownership of company shares is considered unable to influence companies to disclose extensive information in integrated reporting. In addition, stakeholders have not been able to provide strategic demands that can support more comprehensive disclosure of information in integrated reporting due to the lack of stakeholder understanding of integrated reporting.

Companies with high profitability are not proven to affect the extent of disclosure in integrated reporting. The company uses high profits to increase the trust of stakeholders because it is considered that the company can return profits as expected. Thus, the company will focus more on profit as the company's primary information. In contrast, other non-financial information is ignored so that the company's integrated reporting will disclose minimal information.

The results also show that firm size as a control variable positively affects integrated reporting. These results indicate that the larger the company's size, the easier it is for agency problems to occur. One way to minimize agency problems is to disclose more external information in integrated reporting.

The limitation of this study is that this study uses stakeholder pressure in the form of government share ownership of company shares. So that it does not describe the influence of stakeholder pressure as a whole, suggestions that can be given for further research are that it is better to add stakeholder groups to see the effect of stakeholder pressure on integrated reporting as a whole. Future research can add other stakeholder groups, such as consumers, the environment, and shareholders, as stated in Vitolla, Raiomo, Rubiano, and Garzoni (2019). In addition, further researchers can also use other corporate governance mechanisms, namely the board of commissioners and management ownership, as.

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APPENDIX

Appendix 1. Descriptive Statistical Test Results

Descriptive Statistics

	N	Min	Max	mean	Std. Devi
PT	360	,54386	,96491	,8010234	0.04810357
KI	360	,20000	,83333	,4058234	,10123439
PRB	360	-1.07991	,92505	,0609232	,13463306
UP	360	9.80642	14.54649	12.3910866	,74619069
Valid N (listwise)	360				

Appendix 2. KA Frequency Test Results

KA

		Freq.	Percent	Valid Percent	Cumulative Percent
Valid	0	9	2.5	2.5	2.5
	1	351	97.5	97.5	100.0
	Total	360	100.0	100.0	

Appendix 3. TPK Descriptive Statistical Results

TPK

		Freq.	Percent	Valid Percent	Cumulative Percent
Valid	0	340	94.4	94.4	94.4
	1	20	5.6	5.6	100.0
	Total	360	100.0	100.0	

Appendix 4. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			360
Normal Parameters, b	mean		,0000000
	Std. Deviation		,04224266
Most Extreme Differences	Absolute		0.058
	Positive		0.030
	negative		-,058
Test Statistics			0.058
asymp. Sig. (2-tailed)			,006c
Monte Carlo Sig. (2-tailed)	Sig.		,172d
	95% Confidence Interval	Lower Bound	,133
		Upper Bound	,211

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. Based on 360 sampled tables with starting seed 2000000.

Appendix 5. Multicollinearity Test Results

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	,514	0.040		12,732	,000		
	KI	,100	,023	,210	4,314	,000	,925	1.081
	KA	-,037	0.015	-,120	-2.536	0.012	,983	1.018
	TPK	0.015	,010	,074	1.546	,123	,964	1.038
	PFB	,031	0.017	,085	1,753	0.080	,919	1.089
	UP	,023	,003	,350	7,306	,000	,953	1.049

a. Dependent Variable: PT

Appendix 6. Autocorrelation Test Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,477a	,227	,216	,0425886574906	2.015

a. Predictors: (Constant), UP, KI, TPK, PFB, KA
b. Dependent Variable: PT

Appendix 7. Heteroscedasticity Test Results

Coefficients a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,009	,037		,250	,803
	KI	,037	,021	,095	1,735	,084
	KA	,003	0.013	0.013	,251	,802
	TPK	-,015	,009	-,089	-1,657	,098
	PFB	,006	0.016	0.020	,364	,716
	UP	,001	,003	0.019	,347	,729

a. Dependent Variable: ABS_Res

Appendix 8. Coefficient of Determination Test Results ()R^2

Model Summary b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,477a	,227	,216	,0425886574906

a. Predictors: (Constant), UP, KI, TPK, PFB, KA

b. Dependent Variable: PT

Appendix 9. F Statistical Test Results

ANOVA a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,189	5	,038	20.799	,000b
	Residual	,642	354	,002		
	Total	,831	359			

a. Dependent Variable: PT

b. Predictors: (Constant), UP, KA, KI, TPK, PFB

Appendix 10. T . Test Results

Coefficients a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,514	0.040		12,732	,000
	KI	,100	,023	,210	4,314	,000
	KA	-,037	0.015	-,120	-2.536	0.012
	TPK	0.015	,010	,074	1.546	,123
	PFB	,031	0.017	,085	1,753	0.080
	UP	,023	,003	,350	7,306	,000

a. Dependent Variable: PT