SIJDEB, 3 (1), 2019, 53-72
p-ISSN: 2581-2904, e-ISSN: 2581-2912
DOI: https://doi.org/10.29259/sijdeb.v3i1.53-72

SRIWIJAYA INTERNATIONAL JOURNAL OF DYNAMIC ECONOMICS AND BUSINESS
http://ejournal.unsri.ac.id/index.php/sijdeb

FACTORS INFLUENCING FINANCIAL PERFORMANCE THROUGH SUSTAINABILITY REPORTING IN INDONESIA

Luk Luk Fuadah[1]*, Rika Henda Safitri[2], Yuliani[3]
[1,2,3]Universitas Sriwijaya, Indonesia

Abstract: The study aims to examine factors influence financial performance through sustainability reporting. The sample is companies that received an Indonesia Sustainability Reporting Awards (ISRA) in 2016. This study uses secondary data from the annual report 2012-2016. The first result shows that board size and sustainability are not significant. The second and third result shows the size and leverage have a positive impact on sustainability reporting. The last result shows that sustainability reporting has a positive and significant effect on financial performance. The contributions in this study, first, it shows the mediating effect of sustainability reporting on the relationship between these factors and financial performance. Second, this study also investigates companies that received ISRA in 2016. The limitation of this study is that it focuses on companies that received the award from ISRA in 2016. Another limitation, the framework is not the best framework.

Keywords: board size, company size, leverage, sustainability reporting, financial performance.

Introduction

With globalization coupled with increasing market complexity, as well as climate change the businesses are forced to operate in a dynamic and challenging environment. Thus, stakeholders demand better knowledge on how environmental, social and economic impacts are taken into account in business as well as how firms are obliged to comply with daily reporting (Amran and Ooi, 2014). Sustainability reporting is a report published by a company on social, economic and environmental factors that impact on daily activities. Siregar and Bachtiar (2010) state that companies publish sustainability reporting on their

* Corresponding author: lukluk_fuadah@unsri.ac.id

economic, social and environmental performance. Many companies state that financial statements alone do not satisfy the needs of stakeholders, customers, or the community on the information of a company's overall performance. Sustainability reporting also shows the value of the organization related to the sustainable global strategy and economy. According to Law No. 40 of 2007 regarding to limited corporation discloses that environmental and environmental responsibility is a commitment of a company to improving environmental quality and quality of life. In article 66 (2c) of Law No. 40/2007 states that companies are required to report and disclose corporate social responsibility for those who utilize natural resources. In article 74 of the rule explains that social and environmental responsibility is a cost of the firm relating to fairness and propriety. If a company does not perform the obligations related to social and environmental responsibility, it will be subject to sanctions.

Sustainability reporting affects the company's performance (Burhan & Rahmanti, 2012); market performance (Safitri, 2015); no effect on investor response (Jenawan & Juniarti, 2015). Atmajaya (2015) conducted research on the mining company in 2012 by checklist method and scoring on participants of Indonesia Sustainability Reporting Awards. Maharani (2014) discloses the reason for the company making sustainability reporting. The results of Tarigan & Semuel (2014) study show that the economic dimension of sustainability report has no effect on financial performance, while the other two dimensions are the environment and social have a negative effect on financial performance. Lesmana & Tarigan (2014) describes that sustainability reporting in the economic and environmental aspects has a significant negative effect and from the social aspect has a positive effect on the improvement of the Asset Management Ratio. Natalia & Tarigan (2014) discloses the existence of significant negative effects on economic performance, positive influence is not significant on environmental performance, a significant positive influence on social influence on financial performance. The results showed no differences before and after the announcement of ISRA related to abnormal return and trading volume of shares of companies winning ISRA in 2009-2013 (Suardi, Yuniarta, & Sinarwati 2015); there is no difference with regard to profitability (Agustina & Tarigan, 2014); there is a difference in market to book ratio (Widyastuti & Tarigan, 2014).

Nazier & Umiyati (2015) analyzed the transformation of sustainability reporting to integrated reporting in Indonesia should get support from internal and external companies. Disclosure of Sustainability Reporting reveals both individual and aggregate levels and ownership concentration affect firm performance (Laksono & Lina, 2016). The results of this study show that size, profitability and leverage have no effect on sustainability reporting (Burhan & Rahmanti, 2012; Rakhman, 2017); frequency of meetings and company size affect sustainability reporting. Sustainability reporting is significantly related to corporate value, but corporate governance does not moderate the relationship (Fatchan & Trisnawati, 2016).

It is believed that sustainability reporting affects the company's performance (Burhan and Rahmanti, 2012) as well as market performance (Safitri, 2015). Suryono and Prastiwi (2011) show the different characteristics of company that issue sustainability reports and those that do not. Tarigan and Semuel (2014) show that the economic dimension of sustainability reporting has no effect on financial performance, while the other two dimensions, such as social and environment, have a negative effect on financial performance. The disclosure of Sustainability Reporting reveals that both individual and aggregate levels and ownership concentration affect firm performance (Laksono and Lina, 2016). Another study shows that size, profitability and leverage have no effect on sustainability reporting whereas the frequency of meetings and company size affect sustainability reporting (Burhan and Rahmanti, 2012; Rakhman, 2017). Sustainability reporting is significantly related to corporate value, but corporate governance does not moderate the relationship between sustainability reporting and corporate value (Fatchan and Trisnawati, 2016).

Previous research has been conducted in Singapore (Cheng and Courtenay, 2006), Australia (Lim, Matolcsy, and Chow, 2007), India (Bhayani, 2012), United States (Artiach, Lee, Nelson, and Walker, 2010), Portugal (Branco, Delgado, Gomes, and Eugénio, 2014), and Jordan (Al-Shubiri, Al-abedallat, and Orabi, 2012). Board independence is significant, but board size and CEO duality are not significant in relation to voluntary disclosure (Cheng and Courtenay, 2006). Board composition and board independence have a positive impact on voluntary disclosure, but board structure is not significant (Lim, et.al., 2007). Profitability, leverage, listing status and size of the audit have an impact on company disclosure (Bhayani, 2012). Size profitability and growth are associated with corporate sustainability performance, but leverage and cash flow are not significant (Artiach, et.al., 2010). Size, leverage, profitability, listing status and industrial affiliation have a significant relationship with sustainability reporting, but ownership does not (Branco et al., 2014). Firm size, leverage, the age of the company, and growth have a significant impact on sustainability report information (Al-Shubiri, et.al., 2012)

This research is different from the previous research in that it examines the factors that impact sustainability reporting disclosure in companies that have received an award from Indonesia Sustainability Reporting Award (ISRA). This study also empirically tests the influence of sustainability reporting and financial performance. This study makes several contributions. First, it shows the mediating impact of sustainability reporting on the factors and financial performance. Second, this study investigates the companies which rreceived Indonesia Sustainability Reporting Awards (ISRA) in 2016. First, this paper presents the literature review and hypothesis development, and then describes the method. Then, the finding of the research results follow. Finally, the paper presents the conclusions and limitation of this study.

Literature Review

Stakeholder Theory

Stakeholder theory is a theory used in this study. The concept of stakeholders according to (Freeman, 1983) is a framework of policy and business planning, and framework of corporate social responsibility both the management and stakeholders. The first framework is by improving and testing corporate strategic decisions with groups and communities that provide support for the company's business to keep going. Thus the framework is the focus of the company to manage the company's relationships with its stakeholders. The second framework adds an external influence that may be different from the company. These groups include governments, communities, and groups who are concerned about social issues.

Stakeholder theory deals with governance of behaviors, methods, and implementation if done simultaneously will create a philosophy of stakeholder management. This stakeholder model includes groups outside the old stakeholder model, ie government, political community, trade unions, and groups that may have different interests is a framework of thought that shows relationships or relationships between stakeholders and the company. Not just corporate but also other communities including investors, suppliers, customers, employees, government, political groups, trade associations and other communities (Donalson & Preston, 1995). Based on stakeholder theory, sustainability initiatives including sustainability reporting impact positively on financial performance (Mc Williams & Siegel, 2001).

Agency Theory

Companies with higher debt in their capital structure are susceptible to higher agency costs. Higher agency costs have a positive relationship with voluntary disclosure (Fama and Jensen, 1983). Wallace and Nasser (1994) found no support for debt predictability. Malone, Fries, and Jones (1993) identify leverage as a factor that positively affects the level of voluntary disclosure. Leverage is a bad sign for stakeholders. Stakeholders invest more money in companies that are financially good and healthy (Belkaoui and Karpik, 1989). Therefore, company managers must reduce costs (including the costs of disclosing social and environmental reports) to ensure good financial performance. This is supported by the research by Jensen and Meckling (1976), that states that companies with high leverage ratios bear a high monitoring cost.

Previous Studies

This research from Hahn & Kühnen (2013) provides a literature review of contemporary sustainability reporting from 1999 to 2011 and contributes to the literature by providing an overview of the results of sustainability reporting determinants (internal and external). Diof & Boiral (2017) expresses the perceptions of stakeholders making the sustainability report quality using standards from the Global Reporting Initiative (GRI). This study conducted interviews with stakeholders and experts for example consultants, financial managers, analysts (Diof & Boiral, 2017).

The integration of sustainability reporting into the management control system has the advantage for organizations to operationalize sustainability goals, expand stakeholder accountability and intensify interaction with stakeholders, formalize organizational trust and improve communication of internal sustainability steps. While a framework such as balanced scorecard can facilitate the implementation of sustainability reporting, some organizations may choose to fully integrate the latter into their management control system. Sustainability reporting is sometimes seen as an external reporting philosophy that can be managed as a separate project. The author indicates that it can be integrated into the entire management control system or through tools such as the balanced scorecard (Kerr, Rouse, & Villiers, 2015).

Bhatia & Tuli (2017) examined the relationship between Sustainability Reporting in companies. The results show that age, size, having multinational operations and having IT have a significant effect on Sustainability Reporting. However, profit, leverage and growth and intensity of advertisements did not show significant results. Dissanayake, Tilt, & Xydias-lobo(2016)empirically test related to sustainability reporting in listing companies in Sri Lanka. Many factors influence the Sustainability Reporting. The size of the company, and the media that are visible influence the Sustainability Reporting disclosure. Sustainability Reporting has endeavored as a mandatory for companies (Dienes, Sassen, & Fischer, 2016). The results demonstrate the high concern of the GRI framework for all companies. Manufacturing companies pay more attention to Sustainability Reporting. The company prepared a report to convince external parties (Kuzey & Uyar, 2016).

Furthermore, the integration of sustainability reporting with management control systems provides benefits for the organization to manage sustainable goals, accountability to stakeholders as well as the intensity of interaction with stakeholders, formulating trust and improving communication of internal measurement continuously (Kerr et al., 2015). Khan, Islam, Fatima, & Ahmed (2011) examined the tendency of Sustainability reporting in banks in Bangladesh using the GRI3 standard. The results of the study reveal the literature review of Sustainability Reporting from 1999 to 2011 which provides views on determinants both internally and externally for Sustainability Reporting (Hahn & Kühnen, 2013). The results show a major focus on social indicators, although environmental recording is still lacking in this country. Research Burritt, Schaltegger, & Burritt (2010) development of accountants and Sustainability Reporting must be oriented to improve decision making. Adams &Frost (2006) identified a number of obstacles in developing sustainability reporting and integrating planning and decision making and the power to change.

Huang & Wang (2010) revealed that sustainability reporting combines the company's development strategy and normal management schedule. Several recommendations were submitted. The first recommendation to the Chinese government is to formulate guidelines and implementation rules for sustainability reporting, which must be in accordance with the type, size and stage of development in Chinese companies. In addition, the next recommendation is to improve the reliability of sustainability reports, the relevant policy framework must be established to promote and guide external guarantees or third party comments regarding the report on Corporate Social Responsibility. The last recommendation is to improve the quality of reporting, steps must be taken to stimulate enthusiasm and company initiatives to reveal more information on voluntary sustainability (Huang & Wang, 2010). The results of the cross-sectional analysis of the combined data sets for the two countries support the view that industrial type contextual factors significantly affect the abnormal return of the reporting company. In this case, this study identifies several contextual factors, such as industry and types of sustainability reporting, which have the potential to affect relationships. Only the type of Corporate Social Responsibility sustainability reporting is significant in explaining the abnormal returns of New Zealand companies (Reddy & Gordon, 2010).

Sawani, Zain, & Darus (2010) provides evidence that most of the information relating to reported sustainability disclosures is integrated in annual reports and without guarantee statements because of the low level of awareness and the absence of legislative pressure to carry out these practices. The study shows that companies implement selective reporting on issues relating to monetary contributions mainly due to the insistence of minority shareholders to better return their investments. This research is exploration and focuses on the evolution of the sustainability reporting of current corporate responsibility reporting and the availability of guarantee practices in Malaysia.

Sandberg & Holmlund (2015) identified eight organizations that have memorable management tactics used in sustainability reporting, four of which relate to how companies present their actions while the remaining four are characteristics of the writing style used by the company. Lozano, Nummert, & Ceulemans (2016) show that the decision to publish the first sustainability report was mainly driven by the company's internal motivation, while the following report was caused by a combination of internal motivation and external stimulus. The development and publication of sustainability reports drive changes in sustainability in the company, leading to a transition period during the development of the next report. This causes changes in data and indicators, strategies, organizational changes, reputation and validation, stakeholders, and the report itself. Changes become part of the organization until the start of the following report.

Lozano, Nummert, & Ceulemans (2016) study show that the decision to publish the first sustainability report was mainly driven by the company's internal motivation, while the following report was caused by a combination of internal motivation and external stimulus. The development and publication of sustainability reports drives changes in sustainability in the company, leading to a transition period during the development of the next report. This causes changes in data and indicators, strategies, organizational changes, reputation and validation, stakeholders, and the report itself. Changes become part of the organization until the start of the following report (Lozano et al., 2016). Sustainability reporting is a value that is relevant or not based on a sample provided by 297 Turkish public companies at Bursa Istanbul. The findings revealed an awareness of Global Reporting Initiative based reporting between the companies studied, and trends in improving the quality of reports; however, sustainability reporting that is convinced by independent inspectors is not widespread among companies. Using ten formulated hypotheses, empirical evidence produces significant results, which explain the driving factors behind sustainability reporting (Kuzey & Uyar, 2016).

Al-Shaer & Zaman (2016) found that the board had a variety of genders associated with higher quality of sustainability reporting and independent female directors had a greater impact on the quality of sustainability reporting than female directors. Our findings have implications for policy formulation and provide evidence to 'obey or explain' more gently to encourage gender diversity and its effect on the quality of sustainability reporting. In line with Arayssi & Jizi (2016) revealing better decision making to improve investor perceptions of the legitimacy and competence of reported community activities. That is, it increases the legitimacy of signalling and the importance of sustainability reporting.

Analysis in the study of Bhatia & Tuli (2017) shows that large-sized companies, older, have multinational operations and are members of the Software and Oil and Gas industry have significant sustainability reporting. However, the influence of company profits, growth and advertising is negatively related to the level of information disclosure. Other variables were found to be insignificant (Bhatia & Tuli, 2017).

Gerab (2017) showed a significant increase in the quality of sustainability reporting and the benefits of experience in writing this report can contribute to this. Based on signalling theory and legitimacy theory, the researcher suggests that the improvement of sustainability reporting quality acts as an important signal to gain legitimacy when information is asymmetry during legitimacy processes (Gerab (2017). While processes that strengthen the high level of assurance reduce information asymmetry because the guarantee process ensures only moderate levels of insufficiency. If the guarantee provider tests the numerical data details, this will reduce the asymmetry information. For countries that do not have sustainability reporting regulations, we provide evidence that analytical testing of combined indicators, descriptions of guarantee provider competencies and descriptions of specific guarantee work steps also contribute to reducing asymmetry information (Fuhrmann, Ott, Looks, & Guenther, 2017).

Hypotheses Development

Board Size and Sustainability Reporting

With regard to the size of the board, John and Senbet (1998) states that the board's monitoring capacity increases as the number of board members increases. These benefits can be offset by the additional cost of poorer communication and the efficiency of decision-making that is often associated with large groups. If the company uses sustainability reporting. it is a tool for building trust in society (Solomon and Solomon, 2004). In addition, increasing board involvement in the reporting process is a sign of strong transparency. De Villiers, Naiker, and van Staden (2011) find that larger boards with greater independence lead to better environmental performance.

The larger the company's board size, the higher the disclosure of information. Board size and voluntary disclosure have a positive impact (Lim, Matolcsy, and Chow, 2007;

Laksmana, 2008; Artiach, Lee, Nelson, & Walker, 2010; Suryono & Prastiwi, 2011; Al-Shubiri et al., 2012; Branco et al., 2014) This study predicts that the board size positively influence sustainability reporting. Therefore the proposed hypothesis is as follows:

H1: There is a positive associaton between board size and sustainability reporting.

Company Size and Sustainability Reporting

Large companies are more politically visible and attract more concern from governments, the general public, and other stakeholders. Large companies are more likely to create greater social problems because of their scale and excellence. Size also tends to affect acompany's strategic response to stakeholder demands (Artiach, Lee, Nelson, and Walker, 2010).

First, information about the production is expensive, and larger companies may be better able to afford these costs. Further, if the process produces information including fixed components, the proportion of these fixed costs to the size of the firm will be smaller for large companies. Second, more disclosure can put small companies at a disadvantage with their bigger counterparts in the industry. Therefore, they may not be interested in disclosing more information than large companies. Third, big companies are more likely to attract news coverage and public interest, and are more closely monitored by government agencies; then they can reveal more information to reduce public criticism or government involvement in their affairs. In addition, it is said that the larger the company (in terms of the number of shareholders), the greater is the information asymmetry among investors on the one hand and management on the other. Hence, more disclosure can be used to reduce the problem of information asymmetry (Hassan, Giorgioni, and Romilly, 2006).

Previous studies have supported a positive relationship between company size and the level of accounting disclosure. Large companies tend to reveal more information for several reasons. They are more open to public control than small companies, therefore, they tend to disclose more information. Revealing more information allows large companies to get new funds at a lower cost (Botosan, 1997).

Research related to company size and sustainability reporting refers to the theory of legitimacy that states that larger companies receive more public scrutiny, requiring more legitimacy and higher resources (Kansal, Joshi, and Batra, 2014). The stakeholders of bigger companies follow all company activities. The bigger companies, the more they dislose more information especially about sustainability reporting (Suryono and Prastiwi, 2011). Previous research has shown positive and significant relations between company size and sustainability reporting (Artiach, Lee, Nelson, and Walker, 2010; Al-Shubiri, Al-abedallat, and Orabi, 2012; Branco, Delgado, Gomes, and Eugénio, 2014; Suryono and Prastiwi, 2011). Therefore, this research predicts that companysizeis a positive influence on sustainability reporting and the hypothesis would be as follows:

H2: Company size positively influences sustainability reporting.

Leverage and Sustainability Reporting

Company leverage should reveal more information to meet the information requirements of creditors. Companies with higher debt in their capital structure are susceptible to higher agency costs. Higher agency costs have a positive relationship with voluntary disclosure (Fama and Jensen, 1983). Wallace and Nasser (1994)found no support for debt predictability. Malone, Fries, and Jones (1993) identify leverage as a factor that positively affects the level of voluntary disclosure.

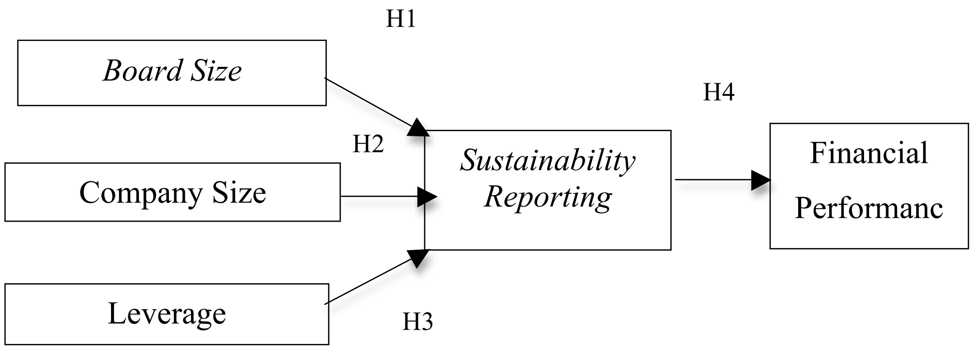
In disclosing social information, expenditures affect income negatively. Leverage is a bad sign for stakeholders. Stakeholders invest more money in companies that are financially good and healthy (Belkaoui and Karpik, 1989). Therefore, company managers must reduce costs (including the costs of disclosing social and environmental reports) to ensure good financial performance. This is supported the research by Jensen and Meckling (1976), that states that companies with high leverage ratios bear a high monitoring cost. Companies will tend to incur greater costs in the process of collecting and managing information in the context of report creation. Hence, they will choose to reduce the voluntary disclosure rate of reports, such as sustainability reporting.

As a capital supplier for companies, debtholders are a powerful stakeholder group and management is more likely to tackle their problems than those of less powerful stakeholders, such as employees and the wider community. Therefore, we expect that as firm leverage increases, the emphasis is on bondholders' claims on the less-powerful plaintiff's claim (Artiach, et. al., 2010). Companies must disclose financial statements, whether voluntary to disclose sustainability reporting is voluntary (Suryono and Prastiwi, 2011). Bhayani (2012), and Branco et al. (2014) showed that leverage has a negative effect on sustainability reporting. Some previous research shows different result that is not significant to leverage and sustainability reporting (Suryono and Prastiwi, 2011). Thus the proposed hypothesis is as follows:
H3: There is a positive association between leverage and sustainability reporting.

Sustainability Reporting and Financial Performance

Sustainability reporting is a tool to communicate to stakeholders related to corporate sustainability. Sustainability reporting is forced by internal and external motivators, especially stakeholders. Sustainability reporting is compulsory based on the law No 40 2007. Most companies listed on Indonesia Stock Exchange attempt to prepare sustainability reporting. The sustainability reports are prepared based on the Global Reporting Initiative (GRI-G4).

The disclosure of sustainability reporting affects the performance of the company. The larger the company in expressing sustainability reporting, the greater is the firm performance. Based on stakeholder theory, sustainability initiatives including sustainability reporting impact positively on financial performance (Mc Williams & Siegel, 2001). This is related to the reputation of the company Lo and Sheu (2007). Guidry and Patten (2010); Hussain, Rigoni, & Cavezzali, (2018); Gnanaweera & Kunori (2018) show the result that sustainability reporting has a positive effect on financial performance. Sustaiablity reporting as mediation effect between factors and financial performance. Therefore, the proposed hypothesis is as follows:
H4: Sustainability Reporting positively influences financial performance.



Methods

Sampling

Secondary data obtained through company's website and Indonesia Stock Exchange are used in this research. The sample of this research is selected from those companies that are awarded from Indonesia Sustainability Reporting Award (ISRA) in 2016 from financial sector, mining sector, energy, and manufacturing sector and also others it can be seen in attachment 1. This study includes one company for several companies such as PT. Pertamina Lubricants, PT. Pertamina EP, PT. Pertamina EP Cepu, PT. Pertamina Hulu Energi Offshore North West Java, thus it takes one company namely PT. Pertamina (Persero). The data are from 2012-2016 (five years) for companies that received the award from Indonesia Sustainability Reporting Award in 2016.

Measurement

This study uses three independent variables, one intervening variable, and one dependent variable. The dependent variable is financial performance. The Independent variables are board size, company size, and leverage. One intervening variable is sustainability reporting.

Table 1. List of Varible Operational

Variables	Measurement
Financial Performance is obtained from return on equty or the ratio of profit after interest and tax to the book value of equity (Wang and Clift, 2009;Siregar and Bachtiar 2010).	$ROE = \frac{\text{Net Income}}{\text{Shareholder Equity}}$
Board size is the number of board commissioners in the company (Siregar and Bachtiar, 2010).	Board size = total board of commissioners
Company size is measured from the log of total assets (Lungu, Caraiani, and Dascalu, 2011).	Size = Natural log (total assets)
Leverage uses the measurement of debt to equity ratio or DER (Siregar and Bachtiar 2010; Uwuigbe, Egbide, and Ayokunle, 2011).	$Leverage = \frac{\text{Total Liabilities}}{\text{Shareholder Equity}}$
Sustainability Reporting refers of the last standard of the Global Reporting Initiative (GRI) namely is G4 (Skouloudis and Evangelinos, 2009).	Skouloudis and Evangelinos (2009) developed a scoring system where each GRI / indicator was allocated a score between 0 and 4 points follows: when it is not specified, 0 points; a brief or generic statement receives 1 point; more detailed coverage gets 2 points; broad coverage receives 3 points and the full coverage receives 4 points.

Analysis

This study uses path analysis namely structural equation modeling (SEM). Structural equation modeling (SEM) generally has two characteristics SEM. First, the estimates of relationships are diverse and equally related. Second, it can estimate of relationships are diverse and interrelated. The third is the capacity to illustrate concepts that can-not be considered in the framework of this relation or relationship. Furthermore, this analysis examines the error measurement in the estimation process (Hair, Black, Babin, and Anderson, 2010).

Path analysis is a form of multiple regression analysis. This analysis is guided by the path model to help solve the problem or examine a complicated hypothesis. With this method, we can calculate both the direct and indirect relationships between some independent variables and the dependent variable. This relationship is illustrated as the real coefficient of the path in a standardised regression (Hair et al., 2010)

Partial Least Square is one of the powerful analytical methods. This is because it is not based on many assumptions. Data should not be normally distributed (Ghozali, 2016). Partial Least Square aims to derive structural models aimed at predicting. In Partial Least Square, the weight estimate for obtaining a latent variable score from the indicator is specified in the outer model, whereas the inner model is a structural model that connects the latent variables (Ghozali, 2016)

The model of the research is as follows:

$$SR = \beta_0 + \beta_1 BS_t + \beta_2 Size_t + \beta_3 DER_t + e$$

Where:

SR = SustainabilityReporting;
BS = Board Size;
Size = Company Size;
DER = Leverage

The relationship between sustainability reporting and financial performance is tested by the following regression model:

$$ROE_{t+1} = \beta_0 + \beta_1 SR_t + e$$

Where:

ROE = Financial Performance

Findings

This study focuses on financial performance as the dependent variable, while board size, company size, and leverage as independent variables. Furthermore, sustainability reporting is intervening variable. The following is a statistical descriptive of each variable:

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean
Board Size	75	3	9	5.71
Company Size	75	6.90	15.59	13.55
Leverage	75	0.10	0.97	0.4299
Sustainability Reporting	75	1	4	2.35
Financial Performance	75	0.110	0.910	0.315

Table 1 show that the minimum board size value is 3, the maximum value is 9 and the mean is 5.71. The minimum value of company size is 6.90, the maximum value is 15.59, and the mean is 13.55. However, the minimum value for leverage is 0.1, the maximum value is 0.97 and the mean is 0.4299. While the minimum value for sustainability reporting is 1, the maximum value is 4 and the mean is 2.35. Furthermore, the minimum value for financial performance is 0.11, the maximum value is 0.910 and the mean is 0.315.

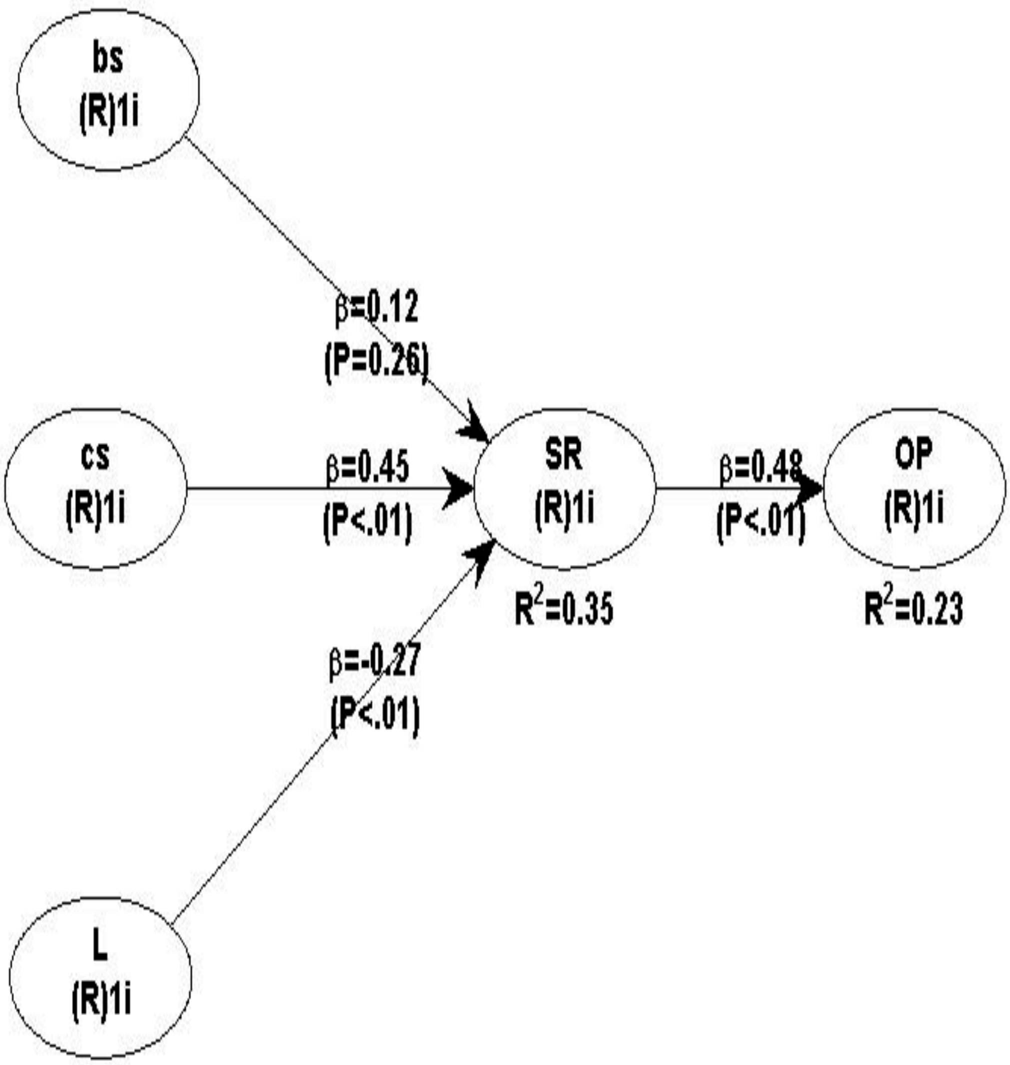


Figure 1. Test Result of Partial Least Square
(bs = board size; cs = company size; L = leverage; SR = Sustainability Reporting; OP = Financial Performance).

Table 2. The Result of Hypothesis

Hypothesis	Coefficient	p-value	Result
X1 Y1	0.12	0.26	Rejected
X2 Y1	0.45	0.01	Supported
X3 Y1	-0.27	0.01	Supported
Y1 Y2	0.48	0.01	Supported

Source: Data processed (2017).

From figure 1 and table 2 report the results. Table 2 shows that almost all the hypotheses are supported. The first hypothesis shows that the result is not significant because of p-value 0.26 (more than 0,05 or 5%). However, others second, third and the fourth hypotheses show that the result is accepted. The resulting research shows that the p- value is 0,01 less than 0,05 or 5%.

Hypothesis 1 states that board size support positively significantly influences sustainability reporting. This means the bigger the board, the more sustainability reporting is disclosed by companies. This study found that the board size does not positively influence on sustainability reporting. Hypothesis 1 was not statistically supported. The result does not support previous empirical findings (Lim, et.al., 2007;Buniamin, Alrazi, Johari, Raida, and Rahman, 2011), which argue that board size has a positive influences on voluntary disclosure, one of that is sustainability reporting. Lim et al (2007) stated that board size needs not only quantitative but also strategic information. Buniamin, Alrazi, Johari, Raida, and Rahman (2011) which found positive and significant between board size and environmental reporting. However, Amran, Lee, and Devi (2014) stated the need to enhance the role of the board of commissioners in sustainability reporting due to their result of research showed board size is not significant with sustainability reporting.

The inconsistency of this result with previous empirical research is due to the bigger board size not influencing to higher sustainability reporting. A major challenge facing business organizations is to provide sustainability reporting as a means both to communicate relevant corporate social responsibility information and to monitor management behavior.

Hypothesis 2 states that company size support positively significantly influences on sustainability reporting. This hypothesis was statistically supported by the result research. The finding shows that company size has a significant effect on sustainability reporting. Hypothesis 2 is accepted. The bigger the size of the company, the more it disclose the sustainability reporting. The results of this study are similar to past research finding that company size has a positive and significant relationship with sustainability reporting (Artiach, Lee, Nelson, and Walker, 2010; Suryono and Prastiwi, 2011; Branco, Delgado, Gomes, and Eugénio, 2014; Al-Shubiri, Al-abedallat, and Orabi, 2012). Suryono and Prastiwi, 2011 carry out their research in Indonesia on all companies listed in Indonesia Stock Exchange, finding a positive relationship between company size and sustainability reporting. Branco, Delgado, Gomes, and Eugénio, 2014 carry out their research in Portugal which showed that the larger company, the higher sustainability report assurance. This finding also supports the theory of legitimacy. Large corporations are more likely to legitimise important information than small companies.

Hypothesis 3 states that leverage support positively significantly influences on sustainability reporting. This hypothesis is statistically supported by the study 's finding. Hypothesis 3 is accepted. This study finds that leverage also has a negative and significant effect on sustainability reporting. This finding is consistent and supports the previous research that has found a significant negative relationship between leverage and sustainability reporting (Bhayani, 2012; Branco et al., 2014). The greater leverage, the less the company publishes sustainability reporting. The finding also supports agency theory.

Hypothesis 4 states that sustainability reporting support positively significantly influences financial performance. This hypothesis was statistically supported by the study 's finding. Hypothesis 4 is also accepted. Sustainability reporting on the company affects its financial performance. In conclusion, the larger the company in expressing sustainability reporting, the greater is its performance. Sustainability reporting has a positive and significant effect on company performance. This finding also supports the previous empirical research (Lo and Sheu, 2007; Guidry and Patten, 2010). The result also indicate that sustainability reporting has significant mediate effect between factors and financial performance.

Conclusion

This research examines the impact of board size, company size, and leverage on financial performance through sustainability reporting. The findings shows that company size, and leverage have a significant impact on sustainability reporting. A similar condition with sustainability reporting also has a significant impact on financial performance. However, board size does not have a significant impact on sustainability reporting. These finding indicated firstly that companies received Indonesia Sustainability Reporting Awards in 2016 are likely to engage in sustainability reporting. Secondly, company size has a significant impact on sustainability reporting. Thirdly, leverage also has a significant impact on sustainability reporting. Finally, sustainability reporting has a significant impact on financial performance. This study makes two contributions. First, it shows the mediating impact of sustainability reporting on the relationship between the factors and financial performance. Second, this study also investigates companies which received Indonesia Sustainability Reporting Awards (ISRA) in 2016. The results of this study provide implications not only for companies but also for the government as a regulator.

The first limitation of this study is that it can- not be generalised to all types of companies, as the sample in this research is only companies that received an Indonesia Sustainability Reporting Award (ISRA) in 2016. Another limitation is that the framework not the best framework. Several suggestions for future research. The first suggestion is to research for one sector based on Indonesia Stock Exchange (e.g., financial sector, manufacturing sector and others). The last suggestion is to examine other variables related to factors linked to sustainability reporting (e.g., foreign ownership, liquidity).

ACKNOWLEDGEMENTS

This research was supported by the Penelitian Unggulan Kompetitif from Universitas Sriwijaya.

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ATTACHMENT 1

The winner 2016 from Indonesia Sustainability Reporting Award (ISRA)

No.	The Company
	Financial Services
1	PT. Bank Negara Indonesia (Persero) Tbk
2	PT. Bank Danamon Indonesia Tbk
3	PT. Bank Pembangunan Daerah Jawa Tengah
	Mining and Metal
4	PT. Kaltim Prima Coal
5	PT. Indo Tambangraya Megah Tbk
6	PT. ANTAM (Persero) Tbk
	Combined Report
7	PT. Timah (Persero) Tbk
8	PT. Pertamina Lubricants
9	PT. Pertamina EP
	Oil and Gas
10	PT. Pertamina (Persero)
11	PT. Pertamina Hulu Energi Offshore North West Java
12	PT. Pertamina EP Cepu
	Energy
13	PT. Perusahaan Gas Negara (Persero) Tbk
14	Star Energy Geothermal (Wayang Windu Ltd)
15	PT. Pembangkitan Jawa Bali
	Infrastructure
16	PT. Wijaya Karya (Persero) Tbk
17	PT. United Tractors Tbk
18	PT. Telekomunikasi Indonesia
	Category Manufacturing
19	PT. Bio Farma (Persero)
20	PT. Pupuk Indonesia (Persero)
21	PT. Pupuk Kalimantan Timur

Source: sra.ncsr-id.org (2017)