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The Impact of Disclosure Sustainability Reporting, Influence Corporate Social Responsibilities Towards Corporate Value with Mediation of Financial Performance

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Abstract

Purpose: *The purpose of this study is to obtain empirical evidence about the effect of sustainability reporting and corporate social responsibilities on firm value with mediation of financial performance to 132 manufacturing companies listed on Indonesia Stock Exchange (IDX) in 2017-2018.*

Design/Methodology/Approach: *This study is quantitative research by testing hypotheses because it uses statistical methods to resolve the problem. Data Analyzed using multiple linear regression model to examine the impact of the disclosure of sustainability reporting and the disclosure of corporate social responsibility toward firm value with the mediation of financial performance*

Results: *The findings of this study indicate that the disclosure of sustainability reporting and corporate social responsibility do not affect financial performance.The disclosure of sustainabilityreporting and corporate social responsibility do not affect firm value.The Firm performance affects firm value. The Firm performance does not mediate the relationship of corporate social responsibility disclosure to firm value and the relationship of disclosure of sustainability reporting to firm value.*

Authenticity/Value:*This study uses stakeholder theory as the basis to explain how to minimize gap between managers who run companies and stakeholders who have high expectation toward corporates performance and legitimacy theory that can be used as a vehicle to construct corporate strategy, especially related to efforts to position themselves in an increasingly advanced society .*

Keywords: *sustainability reporting, corporate social responsibility,financial performance, firm value*

1. INTRODUCTION

The concept of sustainability development is a concept that has long been introduced in the business world. The objectives of social and economic development need to be determined by all developing countries or developing countries, countries with market-oriented or centralized systems (Anonymous, 2006b; Bhagwat, 2011; Tscharntke et al., 2011). Reporting on social responsibility is the development of sustainability which is much debated (N. D. Daizy, 2014). The incorporation of the concept of social responsibility into sustainability reports is a manifestation of the concept of ethical belief in the long run. Sustainability reports are social responsibilities related to all reports that disclose information on environmental, social and economic aspects (Daizy & Das, 2014). Disclosures in the annual report will help users of financial statements to understand the contents and figures reported in the annual report. The aspects as outlined in the sustainability report become a necessity for the company as a form of economic, social and environmental performance to be known by the stakeholders (Chariri & Nugroho, 2009).

To avoid suspicion from stakeholders, managers make a policy through the practice of corporate social responsibility (CSR). Implementation of corporate social responsibility (CSR) is believed to improve relations with stakeholders and will certainly increase the frequency of communication with stakeholders. Thus, trust will be created between stakeholders and the company (Wibisono, 2007). Corporate social responsibility (CSR) is also used as an anticipatory and preventive measure because failure to meet stakeholder expectations will be a time bomb that can trigger unexpected risks.

Therefore, the results obtained by the company from the practice of corporate social responsibility (CSR) is that the company will get a lot of support from various stakeholders, get better treatment from the government, get support from activist groups, get legitimacy from the community, get good news from the media and of course reduce the company's business risk.

According to (Utama, 2007) CSR practices and disclosures in Indonesia began to develop along with the increasing attention of the global community on the development of trans-national and multinational companies operating in Indonesia. Various cases of environmental pollution that occur in Indonesia have a lot of negative impacts on the community and the environment around the company operates has provided lessons for companies to care more about the community and other stakeholders.

Sustainability reporting research is based on several previous studies, namely (Garg, 2015), (Whetman, 2018) and (Uwuigbe et al., 2018). In research (Garg, 2015), it was found that sustainability reporting has a negative impact on firm value in the short term and a positive impact in the long term. Whereas research (Whetman, 2018) found that corporate sustainability reporting proved to be an effective substitute for monitoring by institutional investors. In addition, research (Uwuigbe et al., 2018) found that sustainability reporting also has an influence on financial performance. The selection of corporate social responsibility variables is based on research (Lima Crisóstomo, de Souza Freire, & Cortes de Vasconcellos, 2011) and (Freeman, Civera, Cortese, & Fiandrino, 2018) which find that CSR has a positive effect on firm value. While research (Gangi, Mustilli, & Varrone, 2019) also found that CSR affects the financial performance of a company. That is, SR and CSR disclosures are non-financial disclosures. This needs to be examined in relation to its influence on investors' decisions on the purchase of company shares which is reflected in the value of the company.

The motivation for this research is first, the research (Lima Crisóstomo et al., 2011) focuses on the influence of corporate social responsibility on corporate value. Disclosure of social responsibility is very closely related to the company's business performance with stakeholders. The difference between this research and the research (Lima Crisóstomo et al., 2011) is that this study uses a mediator namely financial performance. This is because disclosure of social responsibility can affect the value of the company by mediating financial performance in increasing the value of the company, directly or indirectly.

Second, CSR practices and disclosures can provide their own benefits. (Kotler & Lee, 2008) states that companies will be encouraged to practice and disclose CSR, because they obtain several benefits such as increased sales and market share, strengthen brand positioning, improve corporate image, reduce operating costs, and increase corporate attractiveness in the eyes of investors and financial analysts, which will increase the value of the company. In Indonesia, the obligation to implement CSR is also regulated in the Investment Law No. 25 of 2007 article 15 section b, article 17 and article 34 which regulates every investment required to participate in corporate social responsibility. Third, the sustainability report (sustainability reporting) and corporate social responibility reports both reported separately and integrated in the annual report (annual report) of the company. The study (Whetman, 2018) found that positive and significant sustainability effects reported a return on equity, return on assets, and profit margins in the following year. Whereas research (Garg, 2015) shows that the practice of corporate sustainability reporting has increased over time. Furthermore, research reveals that the practice of reporting sustainability from an impact has a negative impact on its performance in the short term and positive in the long term. For the inconsistency of the results of these studies, this needs to be further investigated in this study. The sustainability reporting guidelines used in the study refer to the guidelines issued by the latest version of GRI, namely the GRI-G4 index. This research then focuses on the disclosure of items in the company's sustainability reporting that is examined based on the GRI-G4 index. The features in GRI-G4 make this guide easier to use, both for experienced reporters and for those new to sustainability reporting from any sector and supported by other GRI materials and services (GRI, 2013). In addition, GRI-G4 also provides guidance on how to present sustainability disclosures in different formats, be they independent sustainability reports, integrated reports, annual reports, reports that discuss certain international norms, or online reporting (GRI, 2013). In the GRI-G4 standard performance indicators are divided into 3 main components, namely economic, environmental, and social, which include labor practices and work comfort, human rights, society and product responsibility.

2. THEORITICAL GROUND

2.1. Legitimacy Theory

O'Donovan (O'Donovan, 2002) argues that organizational legitimacy can be seen as something given by the community to the company and something that is desired or sought by the company from the community. Thus, legitimacy is a potential benefit or resource for a company to survive (going concern). In line with its character that is close to space and time, legitimacy experiences a shift along with changes and developments in the environment and society in which the company is located (Dowling & Pfeffer, 1975). Changes in social values and norms in society as a consequence of the development of human civilization, also become a motivator of changes in corporate legitimacy in addition to also being a pressure for corporate legitimacy (Lindblom, 1994).

Lindblom(Lindblom, 1994) writes that 'Legitimacy is dynamic in that the relevant public loves evaluating corporate outputs, methods, and goals again an ever-evolving expectation. The legitimacy gap will fluctuate without any chages in action on the part of the corporation. Indeed, as expectation of the relevant pulics change the corpotation must make changes or the legitimacy gap will grow as the level of conflict increases and the levels of positive and passive support decreases'.

2.2. Stakeholder Theory

The company is not only responsible to the owners (Shareholders) as has happened so far, but shifted to a wider area, namely in the social sphere of society (stakeholders), hereinafter referred to as social responsibility. This phenomenon occurs, because of the demands of the community due to negative externalities that arise as well as social inequalities that occur (Harahap, 2002). (Hummels, 1998) states (stakeholders are) individuals and groups who have legitimate claims on the organization to participate in the decision making process simply because they are affected by the organization's practices, policies and actions." The aforementioned stakeholder limits indicate that the company should pay attention to stakeholders, because they are the parties that influence and are affected directly or indirectly on the activities and policies taken and carried out by the company. If the company does not pay attention to stakeholders it is not impossible to reap a protest and can eliminate stakeholder legitimacy.

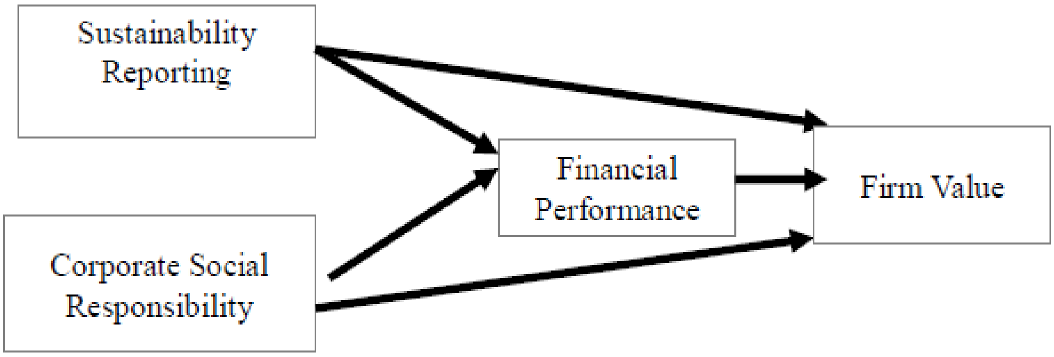
Based on the stakeholder theory's basic assumptions, the company cannot break away from the surrounding social environment. The company needs to maintain stakeholder legitimacy and put it within the framework of policy and decision making, so that it can support the achievement of company goals, namely business and going concern guarantee (Hadi, 2011: 95).

2.3. Previous Research

This research is based on the development of previous studies used. For further explanation these studies have been listed in the appendix to this study.

2.4. Conceptual Framework

The basis of this research theory is the theory of legitimacy stating that legitimacy experiences a shift in line with the shift in society and the environment, companies must be able to adjust these changes both products, methods and objectives. (Deegan et al., 2002) states that legitimacy can be obtained when there is a match between the existence of a company that is not disruptive or congruent with the existence of a value system that exists in society and the environment. Whereas in stakeholder theory, it is said that the company cannot break away with the surrounding social settings. The company needs to maintain stakeholder legitimacy and put it within the framework of policy and decision making, so that it can support the achievement of company goals. Based on this description, this study will examine the disclosure of corporate social responsibility and sustainability reporting on financial performance and firm value with the following conceptual framework:



2.5. Hypothesis Development

2.5.1. Effect of Sustainability Reports on Financial Performance

(Freeman et al., 2018) in stakeholder theory, the company is not just responsible to the owners (Shareholders) as has happened so far, but shifted to a wider area, namely in the social sphere of society (stakeholders), hereinafter referred to as social responsibility (social responsibility) . Company performance can be measured in terms of growth in size (total assets), profitability (return on assets, return on equity, earnings per share) and market-based proxies (market price per share). Research (Whetman, 2018) and (Uwuigbe et al., 2018) found that SR has a positive effect on corporate financial performance, because companies that make efforts in the field of social welfare and environmental protection, achieve higher operating results than other companies. Companies with high sustainability performance tend to attract the best quality employees. Therefore, these companies will attract higher quality applicants, who can add more competitive advantage to others. This shows that companies with high sustainability performance have better financial performance because investors feel they are getting better information from SR reports that are non-financial and also from financial statements of companies. The hypothesis is:

H1. Disclosure of sustainability reporting has a positive impact on financial performance

2.5.2. Effects of Disclosure of Social Responsibility on Financial Performance

Jensen and Meckling (1976) in agency theory states that the company is very close to stakeholders relating to stakeholder relations positively related to the persistence of superior financial performance because the company's commitment to its stakeholders has a relationship for better financial results. The main objectives in financial performance are cost optimization and risk reduction, gaining competitive advantage, developing reputation and legitimacy, and finding win-win solutions through synergistic value creation. CSR usually starts with the belief that business, in its long-term interests, must be socially responsible. CSR is a proactive strategy, so businesses must be involved in CSR, because the community strongly believes that in addition to pursuing profits, businesses must be socially responsible. Furthermore, CSR will reduce business risk. This research is supported by Sandaruwan (2018) and Elouidani (2018) states that there is a significant positive relationship between CSR and financial performance, where companies show a social commitment to be responsible and perform. The hypothesis is:

H2. Disclosure of social responsibility has a positive effect on financial performance

2.5.3. Effects of Disclosure of Sustainability Reports on Company Value

According to agency theory put forward by Jensen and Meckling (1976), voluntary disclosure of companies, especially on social and environmental aspects, is a means to reduce agency costs or future agency costs that may occur in the form of laws and regulations. Reduction in these costs will affect the risk profile and profitability of the company and thus affect market value. Signal theory, in addition, suggests that companies disclosing environmental problems send a signal that they are involved in a proactive environmental strategy because they are given incentives to inform shareholders and other stakeholders to voluntarily disclose more.

Viewed from the perspective of legitimacy theory, corporate social reporting provides information that legitimizes corporate behavior with the aim of influencing stakeholders and ultimately community perceptions about the company resulting in higher corporate value. Research (Garg, 2015) found that the practice of corporate sustainability reporting has increased over time. Furthermore, research reveals that the practice of reporting sustainability from an impact has a negative impact on its performance in the short term and positive in the long term. It has to be one of the most cited theories when it comes to social and environmental accounting. The hypothesis is:

H3. Disclosure of sustainability reports has a positive effect on company value

2.5.4. Effects of Disclosure of Social Responsibility on Company Values

Company value will be guaranteed sustainable growth and survival of the company (going concern) if the company is able to pay attention to aspects that affect social, economic, and the environment in a balanced manner, because with these capabilities between the interests of society, economy, and the environment can be created good relations and mutual benefit. This aspect is reflected in the disclosure of social responsibility carried out by a company as a form of corporate concern and also the form of corporate responsibility for activities and also the impact on the environment around the company. Many benefits can be obtained by the company by disclosing social responsibility, including the consumer will increasingly like the products produced and the company will be interested by investors. Companies that carry out social responsibility are considered capable of making a good contribution to the general public and are able to take responsibility for the activities and impacts caused to the surrounding environment. Implementing CSR practices will convince investors that the company will be able to guarantee the survival of the company in the future which will also increase the value of the company. Companies that have good environmental and social performance will be responded positively by investors through an increase in stock prices and company profits (earnings). This research is based on research (Lima Crisóstomo et al., 2011), (Gregory, Tharyan, & Whittaker, 2014) and (Hafez, 2016) that examines the effect of CSR on firm value and shows positive results, meaning that there are companies that are more concerned with responsibility social responsibility than others. On the basis of the explanation, the hypothesis is:

H4. Disclosure of social responsibility has a positive effect on company value

2.5.5. Effect of Financial Performance on Company Value

According to (Weston, 2010) that financial performance can be seen from the profitability of the company. The profits generated by the company are the results expected by managers and investors of the company. Companies that have a high level of profitability tend to disclose more information about profitability because they want to show the public and stakeholders that the company has a high level of profitability compared to other companies in the same industry, so that stakeholders can assess the company's competitive position. The higher the profitability of a company can be a positive signal for investors in Indonesia to invest to get a return.

One of the main reasons the company operates is to generate profits for shareholders. Companies that have high profitability will disclose financial information through IFR as good news to investors. A positive signal is expected to attract investors to invest their capital in the company, so that the company's value can be increased. This research is based on financial performance which has a positive effect on firm value with the support of internet reporting to transfer positive signals to investors, and they respond positively by investing in companies, so the effect of financial performance on firm value becomes stronger. Based on this explanation, the hypothesis is:

H5. Financial performance has a positive effect on firm value.

2.5.6. Effects of Sustainability Reporting Disclosures and Social Responsibility Disclosures on Financial Performance

According to Freeman (Freeman et al., 2018) in stakeholder theory, the company is not only responsible to the owners (Shareholders) as has happened so far, but shifted to a wider area, namely in the social sphere of society (stakeholders), hereinafter referred to as social responsibility (social responsibility). Company performance can be measured in terms of growth in size (total assets), profitability (return on assets, return on equity, earnings per share) and market-based proxies (market price per share). The company can also be influenced by the level of information disclosure by the company. Large companies tend to disclose additional information in others to reduce agency costs, increase their reputation, win public support and attract investors. This shows that companies that are more profitable and large companies tend to disclose additional information as a result of their ability to invest more in environmental and social activities, thus taking advantage of the benefits of disclosing that information.

Research (Whetman, 2018) and (Uwuigbe et al., 2018) found that SR has a positive effect on corporate financial performance, because companies that make efforts in the field of social welfare and environmental protection, achieve higher operating results than other companies. Companies with high sustainability performance tend to attract the best quality employees. Therefore, these companies will attract more qualified applicants, which can add to their financial competitiveness more than others. This shows that companies with high sustainability performance have better financial performance because investors feel they are getting better information from SR reports that are non-financial and also from financial statements of companies.

The hypothesis is:

H6: Disclosure of Sustainability Reporting and disclosure of social responsibility has positive impact on Financial Performance

2.5.7. Effects of Disclosure of Sustainability Reporting and Disclosure of Social Responsibility to Company Value through Financial Performance

Research (Whetman, 2018) and (Uwuigbe et al., 2018) found that a positive effect on company financial performance, because companies that make efforts in the field of social welfare and environmental protection, achieve higher operating results than other companies. Companies with high sustainability performance tend to attract the best quality employees. Therefore, these companies will attract more qualified applicants, which can add to their financial competitiveness more than others. This shows that companies with high sustainability performance have better financial performance because investors feel they are getting better information from SR reports that are non-financial and also from financial statements of companies. As for the hypothesis:

H7: Disclosure of sustainability reports and disclosure of social responsibility have a positive effect on Company Value through Financial Performance

3. RESEARCH METHOD

3.1. Type of Research

The research method is basically a scientific way to obtain information with specific goals and uses with rational, empirical, and systematic features. The research uses a quantitative approach by testing hypotheses. The purpose of this study was to determine the effect of SR disclosure and CSR disclosure on financial performance and firm value.

3.2. Operational Definition and Variable Measurement

To provide an overview and elaboration of the variables related to this research, this section will briefly explain the operational definition. In addition, this section will also explain the measurement of the value of each variable used in this study.

3.2.1. Company Value

Company value is investor perception of companies that are often associated with stock prices (Fakhruddin & Hadianto, 2001). Enterprise value uses Tobin's Q proxy, which is measured by:

$$q = \frac{(\mathrm{EMV} + \mathrm{DEBT})}{(EBV + \mathrm{DEBT})}$$

Information :

q = Company Value

EMV = Equity market value, obtained from the end of year stock price multiplication and closing price with the number of shares outstanding at the end of the year.

DEBT = Default value of total debt

EBV = The book value of equity, obtained from the difference in the total assets of the company with its total liabilities.

3.2.2. Disclosure of Sustainability Reports

Disclosure of sustainability reports is the disclosure of voluntary information consisting of three aspects, namely disclosure of economic performance, environmental performance, and social performance consisting of human rights, social rights, product responsibilities, and labor and decent work (source ...). Disclosure of this sustainability report is based on the global reporting Initiative (GRI) Guidelines-4 in Indonesia (attached). Disclosure of this sustainability report is measured using a dummy variable, ie if the company discloses an item that has been determined it will be given a code "1", and given a code "0" if otherwise. Then the index number for the disclosure of the sustainability report will be calculated using the following formula:

$$SR = \frac{\text{jumlah item pengungkapan laporan berkelanjutan}}{\text{jumlah indeks pengungkapan}} \text{ x } 100\%$$

3.2.3. Disclosure of Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a commitment of the company or the business world to contribute to sustainable economic development by paying attention to corporate social responsibility and emphasizes the balance between attention to economic, social and environmental aspects (Fortunately). CSR is measured using a dichotomous approach, ie if CSR items are disclosed in research instruments, they will be given a value of 1, and if not disclosed they will be given a value of 0. Furthermore, the overall value of each CSR item will be added to get the results of the overall assessment of each company. Based on regulations issued by BAPEPAM on annual reports and the suitability of items that can be applied in Indonesia, there are 78 items of CSR disclosure according to GRI. The formula for calculating CSR is as follows, adopted in research (Rustiarini, 2010):

$$CSRi = \frac{\sum X_{ij}}{n_j} \text{ ....} (3.3)$$

Information :

CSRi: Corporate Corporate Responsibility Disclosure Index i (Thus $0 \leq CSRIj \leq 1$)

nj: Number of items disclosed by manufacturing companies j, nj = 79

Xij: dummy variable:

1 = if item i disclosed

0 = if item i was not disclosed

3.2.4. Financial Performance

Return on Assets or also called economic profitability is operating profit with own capital and foreign capital used to generate profits and expressed as a percentage. Return on Assets are formulated as follows:

$$ROA = \frac{Laba\ bersih}{Total\ aset} x\ 100\%$$

3.3. Types and Data Sources

The type of data used in this study is secondary data in the form of quantitative data obtained from the website www.idx.co.id or obtained directly on the Indonesia Stock Exchange and Indonesian Capital Market Directory (ICMD) data. The data used are time series data and the used are financial statements and annual reports of manufacturing companies listed on the Indonesia Stock Exchange in 2017-2018.

3.4. Population and Samples

According to Sugiyono (2006: 215), population is a generalization area that consists of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then conclusions drawn. In this study the population used is manufacturing companies that are consistently listed on the Indonesia Stock Exchange (IDX) during the study period, namely the period 2017-2018.

3.5. Data Collection Methods

Data collection procedures used in this study are:

3.5.1. Preliminary survey

A preliminary survey was conducted to find and evaluate what data was needed in this study. In addition, by conducting a documentation study conducted by collecting secondary data obtained from the site www.idx.co.id

3.5.2. Literature study

Literature study is carried out to look for literature or sources in the form of articles, journals, books and thesis related to this research topic so that it can be used as a reference or basis for theory and studies in previous studies.

3.6. Data Analysis Techniques

The analysis technique used in this study is a quantitative analysis that examines a particular population or sample, certain sampling techniques, data collection using research instruments, quantitative or statistical data analysis with the aim of testing a predetermined hypothesis. To test multiple regression, the following model is used:

$$KEU = \alpha 1 + \beta 1SR + \beta 2CSR + e1$$

$$NP = \alpha 2 + \beta 3SR + \beta 4CSR + \beta 5KEU + e2$$

Information:

KEU = Financial Performance

NP = company value

SR = Disclosure of sustainability report

CSR = Disclosure of social responsibility

α = Constant

β = coefficient of the independent variable

e = Error Term

The stages in this analysis technique include:

3.6.1. Descriptive statistical analysis

Descriptive statistical analysis provides a description or descriptive of the data seen from the mean (standard), standard deviation, and variance of each variable. This analysis is used to analyze quantitative data that is processed according to calculations in the research variables so that they can provide an explanation or an idea to know the condition of the company during the observation.

3.6.2. Classical Assumption Test Analysis

The classic assumption test is done so that the regression analysis model in this study is significant and representative. The classic assumption tests include multicollinearity, heteroxdacity, normality and autocorrelation tests.

4. BAB 4

4.1. General Overview of Research Objects

The companies examined in this study were manufacturing companies listed on the Indonesia Stock Exchange in 2017 and 2018. The total manufacturing companies listed on the IDX for the period 2017 and 2018 were 87 companies spread across various sectors. The population in this study are companies that are included in the manufacturing industry. There are 107 companies included in the manufacturing industry listed on the IDX in the 2017-2018 period, which can be seen in the appendix, with a total sample of 214 research data.

Table4.1: *Number of Samples*

No	Criteria	Amount
1	Manufacturing companies listed on the IDX period 2017-2018	396
2	Manufacturing Companies which did not have information according to the research variables the observation period as of Dec 31 2017 dan 2018.	182
	Number of Research samples	174
	Outlier Data	115
	Number of Research samples used	59

Sumber: Processed Researcher, 2019.

4.2. Description of Research Results

This descriptive statistical test illustrates the overall mean, minimum and maximum values of the company's value (TOBIN), return to total assets, sustainability reporting and corporate social responsibility. The following are descriptive statistical test results from research data:

Table4.2: *Uji Statistik Deskriptif*

Variable	Amount of samples	Minimum	Maximal	Average
Firm Value (TOBIN)	58	0,2481	1,6935	0,836333
Return to Total Assets (ROA)	58	0,0000	0,0774	0,023370
Sustainability reporting (SR)	58	0,2405	0,3544	0,286774
Corporate Social Responsibility (CSR)	58	0,6026	0,6538	0,629089

Source: processed, 2019.

4.3. Path Analysis

This research was conducted to examine the effect of sustainability reporting, corporate social responsibility, financial performance on firm value. Next to test the indirect effect of sustainability reporting (X1), corporate social responsibility (X2) on firm value (Y) through financial performance (Z). The statistical method used is path analysis and the results obtained as described below.

1. Relationship between X1 and X2 to Z

The following table is the result of the analysis for the unidirectional relationship between the variables X1 and X2 to the intervening variable Z. In Table 4.14 it can be seen how much beta, significant, and R Square.

Table4.14: *Model One Path Analysis Results*

Parameter	Koefisien Path (Beta)	Signifikan
Sustainability Reporting (X1)	0,003	0,984
Corporate Social Responsibility (X2)	-0,027	0,845
R Square = 0,001		

Source: Attachment

Then based on table 4.14 which shows the regression results above obtained the following structural equation.

Z = 0.003 X1 - 0.027 X2 .... (16)

1. Relationship of X1, X2, and Z with Y

The following table is the result of analysis for the direct relationship between variables X1, X2, and Z with respect to Y. In Table 4.15 we can find out how much beta, significant, and R Square. Model Two Path Analysis Results

Table4.15: *Model Two Path Analysis Result*

Parameter	Koefisien Path (beta)	Signifikan
Sustainability Reporting (X1)	0,015	0,908
Corporate Social Responsibility (X2)	-0,046	0,727
Financial performance	0,330	0,013
R Square = 0,112		

Resourse: *Attachmnet 13*

Then based on table 4.15 which shows the regression results above obtained the following structural equation.

Y = 0.015 X1 - 0.046 X2 + 0.330 Z .... (17)

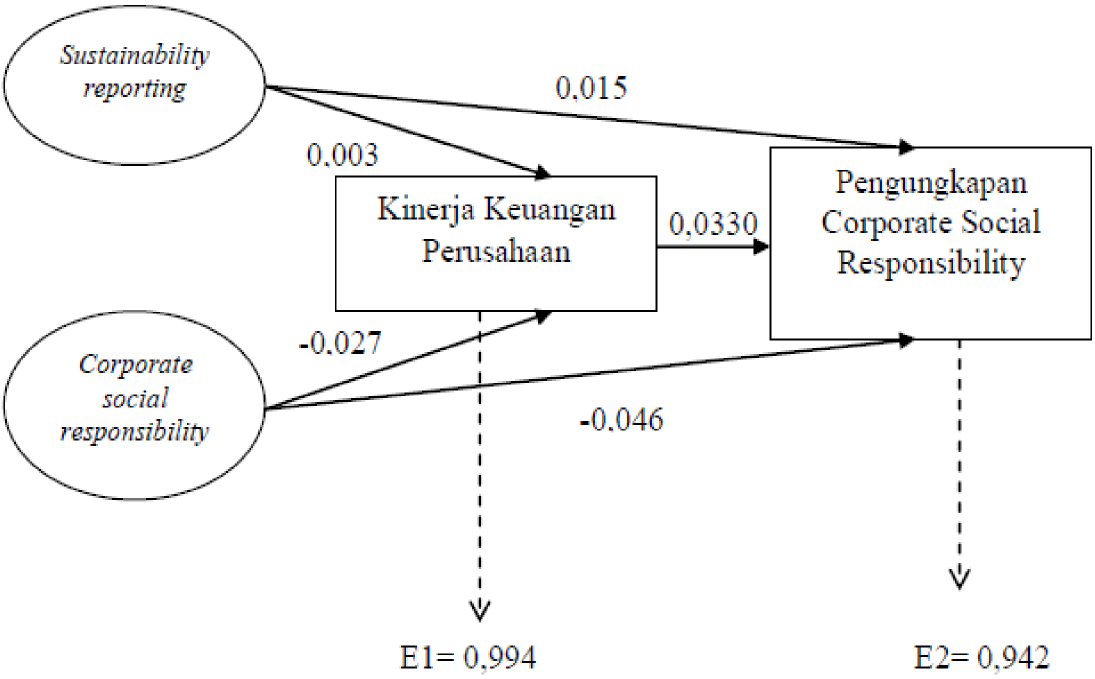
After obtaining the two influence models above, a path or trajectory model can then be arranged, with the effect of the error determined as follows.

Pei = √1-R_i ^ 2 .... (18)

Where: Pe1 = √1- 〖0.011〗 _ ^ = 0.99445

Pe2 = √1- 〖0,112〗 _ ^ = 0,94234

Thus the path diagram can be made as follows



Gambar4.1: *Diagram Path dengan Koefisien Path*

After getting the model as presented in the picture above, then the coefficient of total determination will be calculated. The coefficient of total determination is the total diversity that can be explained by the model. The total diversity can be calculated by the following formula.

R ^ 2 = 1- (1 〖Pe1〗 ^ (2) X 〖Pe2〗 ^ 2) .... (19)

R ^ 2 = 1- (〖0,994〗 ^ (2) X 〖0,942〗 ^ 2) = 0,1232 = 12,32% .... (20)

Based on the above calculation, a total determination coefficient of 12.32% is obtained, meaning that the diversity of data that can be explained by the model in this study is 12.32% or in other words the information contained in the data, 12.32% can be explained by the model while the remaining 87.68% is explained by other variables not yet included in this research model and error.

4.3.1. Hypothesis Testing

- Direct Influence

To find out the relationship between the four research variables, seven hypotheses will be tested using path analysis based on the results of managing the research model. Before you can find out the magnitude of the indirect effect generated by financial performance on the relationship between elements of sustainability reporting and corporate social responsibility on company value, a direct effect of sustainability reporting and corporate social responsibility is tested on the intervening financial performance variables and the dependent variable of the company value.

A summary of the hypothesis test, both trajectories that have a significant influence and trajectories that have no significant effect are as follows.

Table4.16: *Pengujian Pengaruh Langsung*

Hipotesis	Lintasan (Path)	Koefisien (Path)	Signifikan	Keterangan
H1	SR → ROA	0,003	0,984	Tidak signifikan
H2	CSR → ROA	-0,027	0,845	Tidak signifikan
H3	SR → TOBIN	0,015	0,908	Tidak signifikan
H4	CSR → TOBIN	-0,046	0,727	Tidak signifikan
H5	ROA → TOBIN	0,330	0,013	Signifikan

Source: *Attachment.*

From Table 4.16 above we can provide an explanation of the hypothesis H1, H2, H3, H4 and H5 who want to know the direct influence of sustainability reporting and corporate social responsibility on financial performance, the effect of financial performance on firm value, and the effect of sustainability reporting, corporate social responsibility and financial performance for disclosure of firm value that will be explained as follows.

1. Effect of sustainability reporting on financial performance (H1 Rejected)

The effect of sustainability reporting (X1) on financial performance (Z) has a beta coefficient of 0.003, meaning that the higher the company makes disclosure of sustainability reporting, the better the company's financial performance. The significance of sustainability reporting to the company's financial performance is 0.984, because the significance is> 0.05, the path is not significant. Thus the first hypothesis (H1) of research that suspects that sustainability reporting has no significant effect on the company's financial performance, is not proven true.

2. Effect of Corporate Social Responsibility on financial performance (H2 Rejected)

The effect of corporate social responsibility (X2) on financial performance (Z) has a beta coefficient of -0.027, meaning that the higher the company discloses its corporate social responsibility, the lower the financial performance of the company. The significance of corporate social responsibility to the company's financial performance is 0.845, because the significance is> 0.05 then the path is not significant. Thus the second hypothesis (H2) of research which suspects that corporate social responsibility has a significant influence on a company's financial performance, is not proven true.

3. Effect of Sustainability Reporting on Firm Value (H3 Rejected)

The effect of sustainability reporting (X1) on firm value (Y) has a beta coefficient of 0.015, meaning that the higher the company makes disclosure of sustainability reporting, the better the firm value. The significance of sustainability reporting to the firm value is 0.908, because the significance is> 0.05 then the path is not significant. Thus the third hypothesis (H3) of research that suggests that sustainability reporting has a significant effect on firm value, is not proven true.

4. Effect of Corporate Social Responsibility Against Firm Value (H3 Rejected)

The effect of corporate social responsibility (X1) on firm value (Y) has a beta coefficient of -0.046, meaning that the higher the company discloses corporate social responsibility, the better the firm value. The significance of corporate social responsibility to firm value is 0.727, because the significance is> 0.05 then the path is not significant. Thus the fourth hypothesis (H4) of research that suggests that corporate social responsibility has a significant influence on firm value, is not proven true.

5. Effect of Financial Performance on Firm Value (H3 Rejected)

The effect of financial performance (Z) on firm value (Y) has a beta coefficient of 0.330, meaning that the higher the company's financial performance, the better the firm value. The significance of financial performance to the firm value is 0.013, because the significance is> 0.05, the path is significant. Thus the fifth hypothesis (H5) of research that suspects that financial performance has a significant influence on firm value, is proven true.

Table4.17: *Testing for Indirect effects*

Hipotesis	Path	Koefisien Jalur (Pengaruh Tidak Langsung)	Koefisien Path (Pengaruh Langsung)	Total Pengaruh
H6	X1 → Z → Y	0,00099	0,015	0,01599
H7	X2 → Z → Y	0,00891	-0,046	0,05491

From table 4.17 above can be given an explanation of the hypothesis proving H6 and H7 who want to know the magnitude of the indirect effect of direct sustainability reporting and corporate social responsibility on firm value through financial performance.
1. Sustainability reporting affects firm value through the company's financial performance (H6 Rejected)

The amount of sustainability reporting (X1) to the company's financial performance (Z) is 0.003 where the significance value of sustainability reporting to the company's financial performance is 0.984, because the significance is> 0.05 then the path is not significant. However, the effect of the company's financial performance (Z) on firm value (Y) of 0.330 with a significance of 0.013 which is smaller than 0.05 so that the path is significant. The value of the path coefficient of the indirect effect is greater than the direct effect (0.015> 0.00099), so thus the sixth hypothesis (H6) which suggests that sustainability reporting influences firm value through financial performance is not proven true.

2. Corporate social responsibility influences firm value through the company's financial performance (H7 Denied)

The amount of corporate social responsibility (X1) to the company's financial performance (Z) is -0.046 where the significance value of corporate social responsibility to the company's financial performance is 0.727, because the significance is> 0.05 then the path is not significant. However, the effect of the company's financial performance (Z) on firm value (Y) of 0.330 with a significance of 0.013 which is smaller than 0.05 so that the path is significant. The value of the path coefficient of the indirect effect is greater than the direct effect (0.046> 0.00891), so that the seventh hypothesis (H7) which suspects that corporate social responsibility influences firm value through financial performance is not proven true.

4.4. Discussion

4.4.1. Effect of Sustainability Reporting on Financial Performance

This research results that sustainability reporting has no effect on financial performance. Large companies tend to disclose other additional information to reduce agency costs, enhance their reputation, win public support and attract investors. This shows that companies that are more profitable and large companies tend to disclose additional information as a result of their ability to invest more in environmental and social activities, thus taking advantage of the benefits of disclosing that information. However, in this study disclosure of sustainability reporting has no effect on firm value, because investors do not feel they are getting better information from SR reports that are non-financial in nature.

4.4.2. Effects of Corporate Social Responsibility on Financial Performance

This research results that sustainability reporting has no effect on financial performance. The main objectives in financial performance are cost optimization and risk reduction, gaining competitive advantage, developing reputation and legitimacy, and finding win-win solutions through synergistic value creation. CSR disclosure usually begins with the belief that business, in its long-term interests, must be socially responsible. CSR is a proactive strategy, so businesses must be involved in CSR, because the community strongly believes that in addition to pursuing profits, businesses must be socially responsible. But CSR disclosure does not affect financial performance, because investors are more focused on financial statements for investment decision making. And the company's financial performance is thought to be influenced by financial motivating factors, not non-financial things such as CSR disclosures.

4.4.3. Effect of Sustainability Reporting on Firm Value

This research results that sustainability reporting has no effect on firm value. This is contrary to agency theory proposed by Jensen and Meckling (1976), voluntary disclosure of companies, especially on social and environmental aspects, is a means to reduce agency costs or future agency costs that may occur in the form of laws and regulations. From the investor side, the company revealed that environmental problems sent a signal that they were involved in a proactive environmental strategy because they were given incentives to inform shareholders and other stakeholders to voluntarily disclose more. But this has not been responded to by investors, because investment decisions for investors still look at the company's financial performance.

4.4.4. Effects of Corporate Social Responsibility on Firm Value

This study results that corporate social responsibility does not affect firm value. Company value will be guaranteed sustainable growth and survival of the company (going concern) if the company is able to pay attention to aspects that affect social, economic, and environment in a balanced manner, because with these capabilities between the interests of society, economy, and the environment can be created good relations and mutual benefit. This aspect is reflected in the disclosure of social responsibility carried out by a company as a form of corporate concern and also a form of corporate responsibility for its activities and also the impact on the environment around the company. Companies that carry out social responsibility have not made a good contribution to the general public and are able to take responsibility for the activities and impacts on the surrounding environment. Implementing CSR practices has not convinced investors that the company will be able to guarantee the survival of the company going forward in increasing the value of the company.

4.4.5. Effect of Firm Performance on Firm Value

This research results that firm performance influences firm value. Companies that have a high level of profitability tend to disclose more information about profitability because they want to show the public and stakeholders that the company has a high level of profitability compared to other companies in the same industry, so that stakeholders can assess the company's competitive position. The higher the profitability of a company can be a positive signal for investors in Indonesia to invest to obtain certain returns.

One of the main reasons the company operates is to generate profits for shareholders. A positive signal is expected to attract investors to invest their capital in the company, so that the company's value can be increased. This study supports the research of Agustina and Suryandari (2017) that financial performance has a positive effect on firm value with the support of internet finance reporting to transfer positive signals to investors, and they respond positively by investing in companies, so the effect of financial performance on firm value becomes stronger .

4.4.6. The Effect of Corporate Social Responsibility On Firm Value Through Firm Performance

This research results that corporate social responsibility towards firm value without going through firm performance. The company's value will be able to grow sustainably if the company can pay attention to economic, social and environmental dimensions. These three dimensions can be achieved through the implementation of corporate social responsibility as a form of corporate responsibility for the balance of the surrounding environment and the improvement of stakeholder welfare. The better the performance of the company in improving its environment (economic, environmental and social performance), the value of the company increases as a result of investors who invest their shares in the company, without looking at its financial performance.

4.4.7. Effect of Sustainability Reporting on Firm Value Through Firm Performance

This research results that sustainability reporting on firm value without going through firm performance. Companies that have high profitability are not able to increase the disclosure of

Sustainability Report (SR), so that the value of the company also does not increase. As such, profitability cannot mediate the relationship between sustainability report disclosure (SR) and Company Value. Increasing company profitability will cause companies to be more careful in using company wealth. This happens because of the risks that must be borne by the company. Based on the results of the study, the level of profitability of the company is not able to increase corporate activities in terms of social responsibility. This is indicated by the number of companies that publish sustainability reports that are still relatively low. In addition, the disclosure of social responsibility activities that are still below the standard and the issuance of reports that are not consistent every year. As such, profitability is not able to mediate the effect of the Sustainability Report (SR) disclosure on Company Value.

5. Conclusion and Recommendation

5.1. Conclusions

This study is intended to determine the effect of corporate social responsibility and sustainability reporting on firm value through firm performance. Based on the results of the analysis conducted, the following conclusions can be drawn

- Disclosure of corporate social responsibility does not affect financial performance.
- Disclosure of sustainability reporting has no effect on financial performance.
- Disclosure of corporate social responsibility does not affect firm value.
- Disclosure of sustainability reporting has no effect on firm value.
- Firm performance affects firm value
- Firm performance does not mediate the relationship of corporate social responsibility disclosure to firm value.
- Firm performance does not mediate the relationship of disclosure of sustainability reporting to firm value.

5.2. Research Limitations

This study has several limitations, including the following.

- The company's financial performance is only proxied through ROA, so it cannot represent the company's financial performance in general.
- Low R square shows that this research still does not conclusively prove the theoretical arguments that have been presented.

5.3. Suggestions

Based on the results and discussion explained in the previous chapter and drawing conclusions from this study, the advice given is as follows.

- In further research, it is expected that researchers use other companies' financial performance proxies, to prove whether the company's financial performance is not able to mediate the effect of sustainability rerting and corporate social responsibility on firm value.
- Low R square shows that this research still does not concretely prove the theoretical arguments that have been presented so that future research is needed by improving all the limitations of the research, whether or not it has been disclosed. There are still other factors besides the independent variables that are not explained in the regression model. The addition of independent variables not explained in the regression model is a suggestion for further research.

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