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Does Company Size Moderating The Effect of Sustainability Report Disclosure on Performance?

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Abstract

This study intends to investigate and analyze the effect of sustainability report disclosure on financial performance, the effect of company size on financial performance, and the moderating influence of company size on the relationship between sustainability report disclosure and financial performance. The employed research design is descriptive and associative, with a sample of thirteen LQ 45 companies from 2017 to 2021 that meet the inclusion criteria, selected using purposive sampling. This study utilized secondary data collected from the Indonesia Stock Exchange's (IDX) website-accessible annual reports. According to the study's findings, sustainability report disclosure has a positive impact on financial performance, company size has a positive impact on financial performance, and company size moderates the relationship between sustainability report disclosure and financial performance.

Keywords: Sustainability Report Disclosure; Company Size; Financial Performance.

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Introduction

As a result of globalisation and technological advancements, business competition is intensifying in the current era. Therefore, business is becoming increasingly significant in contemporary human life, as its primary purpose is to introduce and market customer-beneficial products and services in order to generate future profits. To achieve this objective, companies must develop their businesses sustainably and continuously enhance their operations. Financial performance is an essential factor in achieving a company's objectives, as it reflects the management's success in operating the business. Investors, creditors, the government, and the general populace require financial performance data. The subjective measure of a company's capacity to generate income through its primary business model using its assets. In addition, financial performance can be used to assess a company's long-term financial health.

Financially and non-financially, each company stakeholder desires accurate and trustworthy information. Consequently, companies must provide information to aid investors in making appropriate and sufficient decisions. Financial statements must be disclosed objectively and transparently, with a focus on stakeholders' long-term interests.

The financial performance of the company's assets is indicative of management's ability to generate profits. Return on Assets (ROA) is a financial performance metric calculated by dividing a company's profit after taxes by its total assets. An increase in the ROA value indicates an enhancement of the company's financial performance (Dian, 2018). Known as the triple bottom line or 3P (Profit, People, and Planet) concept, companies should regard the disclosure of reports related to profits as not the only objective, but also incorporate people and planet factors into their business plans. This is necessary due to the fact that many environmental damages and social issues must be addressed as a result of profit-driven company activities (Suhardiyah, 2018). To be accountable for the company's environmental and social concerns, a sustainability report containing financial and non-financial information that reflects the company's overall activities is necessary (Jensen & Berg, 2012). All stakeholders, including investors and the general public, should comprehend and acknowledge the social and ecological responsibilities of businesses. Consequently, businesses are required to disclose information regarding their social and environmental performance via a Sustainability Report (Adams, 2016). Thus, the sustainability report asserts that businesses are accountable for all consumer, employee, shareholder, community, and environmental activities.

Company size is another factor that can enhance performance. The addition of firm size as a moderating variable distinguishes this study from others (Roberts & Dowling, 2002). Company size is characterised by the amount of capital used, the assets acquired, and the total sales (Wufron, 2017). The research of Wufron (2017) demonstrates that a company's size has a substantial positive impact on its financial performance.

The samples, which consist of companies enumerated in LQ-45, provide exhaustive information regarding the data used in this study, it is another feature that distinguishes it from previous research. We presume that the sustainability reports of companies included in the LQ-45 Index are more comprehensive than those of other companies because their financial conditions, trading volume, and growth prospects are strong. Some cases of environmental pollution impacts on businesses with LQ-45 indices in 2021 include: (1) the case of PT Bukit Asam (PTBA), which was given direct administrative sanctions by the Ministry of Environment and Forestry (KLHK) because its activities were deemed to have polluted the Kiahaan River; and (2) the case of PT Bukit Asam (PTBA), which was given direct administrative sanctions by the Ministry of Environment and Forestry (KLHK) because its activities were (2) the case of PT Indominco Mandiri (PT IMM), a subsidiary of PT Indo Tambangraya Megah Tbk (ITMG), which was sued for violating water and waste quality standards and allegations of polluting the Santan River in East Kalimantan; (3) the case of PT Aneka Tambang, which contaminated the river and coastal areas of Maba Pura Village, Kota Maba District, East Halmahera, North Maluku.

Several studies, including(Clarissa & Ketut, 2018), demonstrate that sustainability reports impact the financial performance of a company. However, other studies, such as(Iswati, 2020) and (Chairina, 2023; Hancock et al., 2010), discovered that sustainability reports have no significant impact on financial performance. The disparity in survey results may be attributable to companies' lack of initiative in disclosing sustainability reports, as they view doing so as an additional expense that must always be prepared. Companies are required to report on social responsibility as a form of accountability for their activities, but the government does not mandate sustainability reports. In the context of sustainable and responsible investment (SRI), sustainability reports can be utilised to monitor company performance and as a tool investors should consider. Other stakeholders, such as the media, government, consumers, and researchers, use sustainability reports to evaluate the company's commitment to sustainability(Aggarwal, 2013).

This study's objective is to assess and investigate the impact of sustainability report disclosure on financial performance, the impact of company size on financial performance, and the impact of sustainability report disclosure moderated by company size. The objective of a literature review is to gain a comprehensive understanding of the research topic, commencing with its definition, measurement, and conceptual framework.

Sustainability reporting encompasses financial and non-financial information on social and environmental activities that contribute to the company's sustainable performance and growth ((B. R. G. Eccles & Saltzman, 2011; R. G. Eccles et al., 2012). Sustainability reporting is a form of accountability aimed at internal and external stakeholders in achieving sustainability targets (GRI, 2013) by assessing responsibility for organisational practises, disclosures, and effectiveness.

Sustainability report disclosure is evaluated using the GRI G4 Index and the Sustainability Report Disclosure Index (SRDI).

Financial performance is crucial to the business process because the financial information obtained is one of the bases on which stakeholders base their decisions. Financial reports detail a company's financial performance, which can be compared to prior years to determine the company's condition. According to Jumingan (2006), financial performance defines a company's fundraising and fundraising direction during a specific period. Financial performance reports can be used to forecast future economic conditions and evaluate a company's solvency, liquidity, profitability, and ability to meet its financial obligations. The analysis of financial statements can also assess a company's capacity to carry out all of its operational functions.

The size of a company can be determined by the quantity of capital used, the assets owned, or the total sales revenue ((Wufron, 2017). The size of a company can be determined by its total assets, or its quantity of assets. The greater a company's number of assets, the larger it is. A company with a greater number of assets is more stable and can generate greater profits than one with fewer assets. This also demonstrates that the company is better equipped to meet the requirements of its stakeholders and is more engaged in environmental and social activities in order to gain public legitimacy. More information is disclosed in the sustainability report the greater the number of environmental and social activities a company engages in.

The research framework can be described as follows, based on prior theory and research connecting variables: According to (Yasser, 2017), businesses use sustainability to maintain their survival by managing relationships with stakeholders. Customers, investors, the government, and employees are the primary constituents who contribute to the interest in social responsibility (Schwartz & Carroll, 2017). In this instance, stakeholders and academicians have focused a great deal of attention on sustainability issues, and the demand for social responsibility considerations in business operations is growing (Nabil Tamimi, 2017). Under the framework of stakeholder theory, businesses must consider the requirements of all stakeholders involved in their business operations.

When investing capital, investors assess the size of the business. The larger the company, the better the regulations applied, the higher the production, the better the marketing, the better the reputation, and the easier it is to obtain funding as compared to smaller companies; they also typically have more extensive loan guarantees, which will enhance their financial performance. (Arifa Nur Azizah, Riana R Dewi, 2020) found that company size has a positive and statistically significant effect on the financial performance of LQ 45 firms. This is because the larger company has greater access to resources and capital markets. Moreover, Yuningsih and Mardiyati (2019) found that firm size has a positive and statistically significant impact on the financial performance of companies listed on the Indonesia Stock Exchange, including LQ 45 companies. Additionally, the results indicate that neither the ownership structure nor the capital structure has a significant impact on financial performance. Similarly,(Widasari, 2019) discovered that firm size has a statistically significant and positive effect on the financial performance of LQ 45 firms. In addition, leverage and company age have a substantial effect on financial performance. This indicates that these factors must be considered when evaluating a company's financial performance. Therefore, the second hypothesis asserts that firm size influences financial performance.

In this study, it is demonstrated that the relationship between sustainability report disclosure and financial performance is moderated by firm size. Depending on the firm's size, sustainability report disclosure can affect a company's financial performance, which impacts the efficacy of asset management and sustainability disclosure. Sustainability report disclosure can have an impact on a company's financial performance, according to (Steyn & Steyn, 2014). Investors will be intrigued in investing in the company in this situation. Additionally, an increase in a company's balance sheet indicates that the company can engage in more environmental and social activities in an effort to acquire public legitimacy. The more environmental and social activities a company engages in, the more detailed information is provided in the sustainability report, thereby enhancing public confidence and company performance. Large companies with comprehensive sustainability report disclosures can demonstrate their effectiveness in managing their assets and increase investor confidence. In addition, large companies can increase their involvement in environmental and social activities to obtain public legitimacy, which can have a positive effect on their bottom line. Therefore, the third hypothesis is that firm size moderates the relationship between sustainability report disclosure and financial performance.

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Research Method

As descriptive and associative research, the concentration of this study is on revealing sustainability reports, company size, and financial performance as research objects. Financial and sustainability reports obtained from the Indonesia Stock Exchange and company websites provide the secondary data for this study. The research population comprises of companies listed on the Indonesia Stock Exchange's LQ-45 index between 2017 and 2021. Purposive sampling is used to obtain samples, with the stipulation that the company must publish a complete annual financial report and a sustainability report or disclose other social responsibilities in accordance with the Global Reporting Initiative (GRI) G4 guidelines within the same time frame, as well as possessing comprehensive information on the variables.

This study's independent variable is the Sustainability Report's disclosure, as measured by the content analysis method, which is calculated by dividing the disclosure values made by companies in all sustainability dimensions, including economic, environmental, and social dimensions, by the expected total disclosure size. The GRI G4 disclosure indicators for sustainability reports comprise of 91 parts. The dependent variable measured by the proxy return on assets (ROA) is financial performance. Moreover, company scale, as measured by total assets (Roberts & Dowling, 2002), is a moderating variable.

This study employs parametric statistics with panel data and makes use of e-views software. Before conducting hypothesis tests, standard assumption tests consisting of normality, heteroscedasticity, and multicollinearity are conducted. In addition, three alternative processing method approaches are used to select the model to be applied: (1) Common Effect Model (CEM), (2) Fixed Effect Model (FEM), and (3) Random Effect Model (REM). Using (1) F Test (Chow Test), (2) Hausman Test, and (3) Lagrange Multiplier Test (LM Test), the most suitable panel data regression model will be selected based on the estimation of these three models

Results & Discussion

Descriptive Statistical Analysis

The descriptive analysis found that only 13 companies met the criteria in the LQ 45 index registered in the Indonesia Stock Exchange during the period of 2017-2021. Therefore, only these 13 companies were used as samples in this study for five years, with 65 observation data obtained.

Table 1
Statistik Deskriptif

	KK	SUST	LN_SIZE
Mean	0.047246	0.240251	21.87004
Median	0.034000	0.234333	20.98324
Maximum	0.164000	0.405333	31.71136
Minimum	0.003000	0.096667	11.33313
Std. Dev.	0.038471	0.077106	5.127154
Skewness	1.222197	0.412915	0.339590
Kurtosis	3.834466	2.437782	2.749579
Jarque-Bera	18.06836	2.703146	1.419155
Probability	0.000119	0.258833	0.491852
Sum	3.071000	15.61633	1421.553
Sum Sq. Dev.	0.094720	0.380497	1682.413
Observations	**65**	**65**	**65**

The average value of variable financial performance is 0.047246 with a standard deviation of 0.038471. The mean value is greater than the standard deviation, indicating that the data are distributed well. The lowest value of 0.003000 was achieved by WIKA in 2021, and the greatest value of 0.164000 was achieved by ASII in 2018.

The average value of the variable sustainability report disclosure is 0.240251, with a standard deviation of 0.077106. The mean value is greater than the standard deviation, indicating that the data are distributed well. In 2021, KLBF company obtained the lowest value of 0.096667, whereas ASII company obtained the highest value of 0.405333.

The average value of the variable company size (Ln_Size) is 21.87004 with a standard deviation of 5.127154. The mean value is greater than the standard deviation, indicating that the data are distributed well. In 2018, ASII company obtained the lowest value of 11.33313 (83.544), while PTPP company obtained the highest value of 31.71136 (59,165,548,433,821) in 2019.

Normality Test

The normality test of the data is obtained based on the Jarque-Bera probability value presented in the following figure:

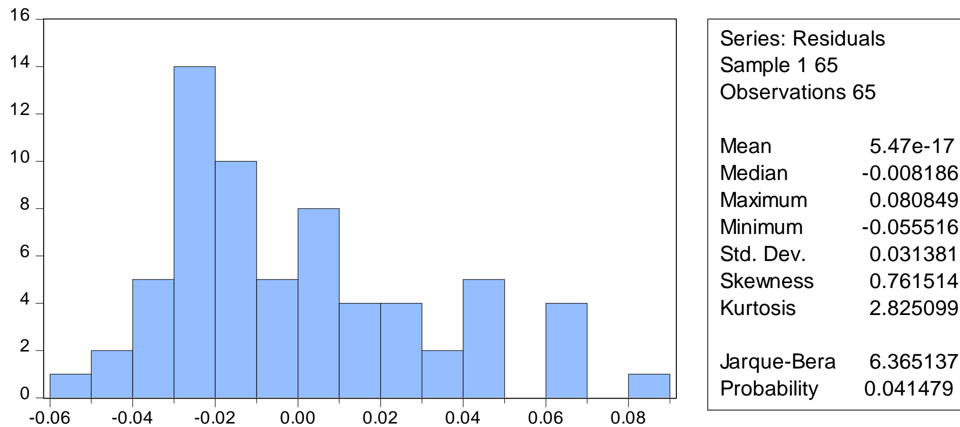

Figure 1. Normality Test

The output from the normality test indicates that the Jarque-Bera probability value is 0.0000, which is less than the significance threshold of 0.05. This indicates that the data are not distributed typically. Nevertheless, according to the Central Limit Theorem, enormous sample sizes (n 30) tend to follow a normal distribution. In addition, the higher mean value of the data in comparison to the standard deviation value suggests that the data tend to be homogeneous. Even though the results of the normality test indicate that the data is not normally distributed, it is also conclude that the data has a sufficiently symmetric and nearly normal distribution, particularly if the sample size is large. The data's mean value is greater than its standard deviation.

Multicollinearity Test

The test for multicollinearity is indicated by the tolerance value and the variance inflation factor (VIF) value presented in the following table:

Table 2
Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.002997	188.5463	NA
SUST	0.046747	186.9701	17.21580
LN_SIZE	6.18E-06	196.0154	10.06288
SUST_SIZE	0.000103	195.3951	21.59580

According to the preceding table, each independent variable has a centred VIF value greater than 10, indicating the presence of multicollinearity between each independent variable. This is due to the interaction between independent variables and the moderating variable. Although the regression model is shown to have multicollinearity, its estimator is still BLUE, so it can still be further tested.

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Heteroskedasticity Test

Heteroskedasticity testing was detected using the Glejser Test presented in the table below:

Table 3.
Heteroskedasticity Test

F-statistic	0.532787	Prob. F(3,61)	0.6615
Obs*R-squared	1.659684	Prob. Chi-Square(3)	0.6459
Scaled explained SS	1.485524	Prob. Chi-Square(3)	0.6856

Based on the output table above, it can be seen that the acquisition of Obs * R_Squared probability is 0.6459 > 0.05, indicating that there is no heteroscedasticity in the regression model.

Autocorrelation Test The autocorrelation test based on the Durbin-Watson statistical test is presented in the following table:

Table 4.
Autocorrelation Test

R-squared	0.272016	Mean dependent var	0.047246
Adjusted R-squared	0.182614	S.D. dependent var	0.017995
S.E. of regression	0.016269	Sum squared resid	0.015087
F-statistic	3.042632	Durbin-Watson stat	1.809382
Prob(F-statistic)	0.008641		

The provided table yielded a Durbin-Watson (DW) value of 1.809382. On the basis of the Durbin-Watson criteria, if the DW value falls between the upper limit (dU) and the lower limit (4-dU), it can be concluded that the model's residuals do not exhibit autocorrelation. In this situation, dU equals 1.6960 and 4-dU equals 2.3040. Since the DW value lies between these two limits, 1.6960 1.809382 2.3040, it can be concluded that the model's residuals are not autocorrelated.

Regression Model Selection for Panel Data

Chow Test

The result of the Chow Test is presented in the following table:

Table 5.
Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	13.751140	(12,49)	0.0000
Cross-section Chi-square	95.824277	12	0.0000

Based on the above output table, the chi-square probability value for the Chow test estimation result appears to be 0.00000. Since the chi-square probability value < 0.05, it can be concluded that the model used is a fixed effect model.

Hausman Test

The result of the Hausman test is presented in the following table:

Table 6.
Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.479713	3	0.3234

On the basis of the output table, it can be concluded that the Random Effect model is more applicable. The chi-square probability value of 0.3234, which is greater than the significance threshold of 0.05, demonstrates this. Therefore, there is no statistically significant difference between the two models, and the Random Effect method can be chosen for data analysis.

Panel Data Regression Analysis

Based on the test results using E-views software, the following panel data regression results were obtained.

Table 7.
Panel Data Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.022346	0.044848	-0.498269	0.6202
SUST?	0.436688	0.209816	2.081294	0.0419
LN_SIZE?	0.003923	0.001931	2.031171	0.0469
SUST_SIZE?	-0.023382	0.008831	-2.647743	0.0105

Based on the calculation results in Table 7, the regression equation is obtained as follows: KK = -0.022346 + 0.436688 SUST + 0.003923 SIZE - 0.023382 SUST*SIZE.

The constanta value derived from the regression equation presented above is -0.022346. This indicates that the performance value is -0.022346 if all three independent variables are zero. The sustainability report variable's regression coefficient is 0.436688, which indicates that for every one-unit increase in the sustainability report, performance increases by 0.436688. The regression coefficient for the SIZE variable is 0.003923, which indicates that for each unit increase in SIZE, performance increases by 0.003923. The regression coefficient for the SUSTSIZE variable is -0.023382, which indicates that an increase of one unit in SUSTSIZE decreases performance by 0.023382.

Test for Coefficient of Determination The measurement for the coefficient of determination (R2) can be seen in Table 4; based on the output results in Table 4, the value of Adjusted R-squared is 0.182614. This indicates that sustainability moderated by the company's size has an 18.26% effect on performance. Other untested variables can account for the remaining 81.74 percent of the performance variable's variance.

Hypothesis Testing Simultaneous

The simultaneous testing or F statistic test can be seen in Table 4, where the F-statistic value is 3.042632 and the Prob (F-statistic) value is 0.008641 based on the above output. The value of the probability statistic (F-statistic) is 0.008641 0.05, so the null hypothesis (H0) is rejected. This suggests that sustainability, size, and sustainability moderated by size significantly influence performance simultaneously.

Partial Hypothesis Testing (t-Test)

Partial hypothesis testing is presented in the table below:

Table 8.
Partial Hypothesis Testing

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.022346	0.044848	-0.498269	0.6202
SUST?	0.436688	0.209816	2.081294	0.0419
LN_SIZE?	0.003923	0.001931	2.031171	0.0469
SUST_SIZE?	-0.023382	0.008831	-2.647743	0.0105

Based on the partial output test (t-test) above, the following results were obtained:

Hypothesis 1 : The Effect of Sustainability Report Disclosure on Financial Performance

The calculated t-value for the Sustainability variable was 2.081294 with a probability of 0.0419. With a significance level of 5% (two-tailed) and a probability value of 0.0419 0.05, H1 is accepted and H0 is rejected. This indicates that sustainability has a substantial impact on financial performance.

Hypothesis 2 : The Effect of company size on Financial Performance

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The calculated t-value for the SIZE variable was 2.031171 with a probability of 0.0469. Since the probability value of 0.0469 is greater than 0.05 at a two-tailed significance level of 5%, H2 is accepted and H0 is rejected. This indicates that Size has a significant impact on financial performance.

Hypotesis 3 : The Effect of Sustainability Report Disclosure on Financial Performance Moderated by Company Size

The calculated t-value for the SUST*SIZE variable was -2.647743 with a probability of 0.0105. Since the probability value of 0.0105 is greater than 0.05 at a two-tailed significance level of 5%, H3 is accepted and H0 is rejected. This indicates that size-modified sustainability has a significant impact on financial performance. Due to the fact that size is related to the criterion and interacts with the predictor variable, it can be concluded that the Size variable is a Quasi Moderator, in which it serves as both a predictor and a moderator.

The Effect of Sustainability Report Disclosure on Financial Performance

Disclosure of sustainability reports has a positive impact on a company's financial performance, as demonstrated by the analysis of the hypothesis. And vice versa: the greater the visibility of sustainability reports, the better the company's financial performance. In other words, the disclosure of sustainability reports can improve a company's financial performance because investors are more likely to invest in businesses that employ sustainable practices. This will increase the company's funding sources (Brown et al., 2015); Gardberg, 2006); Simnett et al., 2009). Companies that disclose sustainability reports can inspire support and collaboration from stakeholders, thereby boosting productivity, influencing net profit levels, and improving financial performance. Although LQ 45 companies' sustainability report disclosures are not always consistent, investors and stakeholders view such disclosures favorably. Sustainability report disclosures positively influence financial performance, as discovered by (Bukhori, 2017; Manisa et al., 2017).

The Effect of company size on Financial Performance

The results of the hypothesis test indicate that a company's size positively affects its financial performance. The larger a business is, the better its financial performance. When making financial investments, investors take a company's size into account. The larger a company is, the better its rules, production, and marketing; due to its superior reputation, it has simpler access to capital and typically has larger loan guarantees, which impacts its financial performance. Additionally, the size of a company can impact its access to capital markets and financial resources. Larger and better-known firms have a stronger reputation on the capital market, which makes it easier for them to issue equities and bonds to raise capital. Larger businesses possess a greater quantity of assets that can be used to secure loans from financial institutions. In addition, larger company size offers benefits in terms of business diversification and risk management.

Business diversification can aid organizations in mitigating the risk of losses associated with a particular operation or the same industry. Smaller businesses, on the other hand, may be more susceptible to market or regulatory shifts that negatively impact their financial performance. Additionally, numerous studies demonstrate a positive correlation between company size and financial performance. The scale of a company has a positive effect on its profitability on the Chinese stock market, according to a study by Cheng & Li, (2019) study found that firm size has a substantial and positive effect on financial performance in Pakistan.

The Effect of Sustainability Report Disclosure on Financial Performance Moderated by Company Size

The results of hypothesis testing indicate that company size moderates the influence of Sustainability Report disclosure on financial performance. This suggests that company size can moderate the impact of Sustainability Report disclosure on financial performance in LQ 45 companies because company size can affect the capacity and ability of companies to practice sustainability in their operations.

Larger companies may have more resources, including human and financial resources, to implement more comprehensive sustainability practices and disclose complete information about these practices. Therefore, Sustainability Report disclosure in larger companies has a more significant impact on financial performance than smaller companies. However, smaller companies may not have sufficient resources to implement the same sustainability practices as larger companies. Thus, the impact of the Sustainability Report disclosure on smaller companies' financial performance will be smaller than larger companies. Hence, the influence of Sustainability Report disclosure on the financial performance of LQ 45 companies can be influenced by company size because company size can

moderate the capacity and ability of companies to implement sustainability practices and disclose information about these practices. This is consistent with previous studies by(Kusuma & Shulthoni, 2021; Prasetyo, 2021), which found that the relationship between Sustainability Report disclosure and financial performance is more significant in larger companies compared to smaller companies. This suggests that company size affects the relationship between Sustainability Report disclosure and financial performance.

Conclusions

Based on the results of data processing, the testing of hypotheses, and the discussion in this study, it can be concluded that (1) the disclosure of sustainability report information affects financial performance. This study provides evidence that issuing a government-recommended sustainability report by disclosing economic, social, and environmental performance will benefit the company. Thus, the research findings indicate that a company's financial performance will improve if it discloses a sustainability report; (2) Company size influences financial performance. The greater the company size, the greater the financial performance; (3) The impact of sustainability report disclosure on financial performance is moderated by company size. This suggests that the relationship between sustainability report disclosure and financial performance is stronger in larger firms than in smaller ones.

Based on the previously described conclusions, the following recommendations are provided: (1) Companies must pay close attention to sustainability report disclosure in order to develop investors' and stakeholders' trust, thereby increasing their likelihood of securing additional funding and investment. (2) Large and well-known businesses must leverage their reputations to gain access to capital markets and financial resources by considering the issuance of stocks or bonds as a source of financing and using assets as collateral to obtain loans from financial institutions. In addition to company size, additional research can investigate other variables that may moderate the relationship between sustainability report disclosure and financial performance. For instance, industry factors, institutional ownership, and company manager characteristics.

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Does Company Size Moderating The Effect of Sustainability Report Disclosure on Performance

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Does Company Size Moderating The Effect of Sustainability Report Disclosure on Performance?

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A b s t r a c t

This study intends to investigate and analyze the effect of sustainability report disclosure on financial performance, the effect of company size on financial performance, and the moderating influence of company size on the relationship between sustainability report disclosure and financial performance. The employed research design is descriptive and associative, with a sample of thirteen LQ 45 companies from 2017 to 2021 that meet the inclusion criteria, selected using purposive sampling. This study utilized secondary data collected from the Indonesia Stock Exchange's (IDX) website-accessible annual reports. According to the study's findings, sustainability report disclosure has a positive impact on financial performance, company size has a positive impact on financial performance, and company size moderates the relationship between sustainability report disclosure and financial performance.

Keywords: Sustainability Report Disclosure; Company Size; Financial Performance.

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Introduction

As a result of globalisation and technological advancements, business competition is intensifying in the current era. Therefore, business is becoming increasingly significant in contemporary human life, as its primary purpose is to introduce and market customer-beneficial products and services in order to generate future profits. To achieve this objective, companies must develop their businesses sustainably and continuously enhance their operations. Financial performance is an essential factor in achieving a company's objectives, as it reflects the management's success in operating the business. Investors, creditors, the government, and the general populace require financial performance data. The subjective measure of a company's capacity to generate income through its primary business model using its assets. In addition, financial performance can be used to assess a company's long-term financial health.

Financially and non-financially, each company stakeholder desires accurate and trustworthy information. Consequently, companies must provide information to aid investors in making appropriate and sufficient decisions. Financial statements must be disclosed objectively and transparently, with a focus on stakeholders' long-term interests.

The financial performance of the company's assets is indicative of management's ability to generate profits. Return on Assets (ROA) is a financial performance metric calculated by dividing a company's profit after taxes by its total assets. An increase in the ROA value indicates an enhancement of the company's financial performance (Dian, 2018). Known as the triple bottom line or 3P (Profit, People, and Planet) concept, companies should regard the disclosure of reports related to profits as not the only objective, but also incorporate people and planet factors into their business plans. This is necessary due to the fact that many environmental damages and social issues must be addressed as a result of profit-driven company activities (Suhardiyah, 2018). To be accountable for the company's environmental and social concerns, a sustainability report containing financial and non-financial information that reflects the company's overall activities is necessary (Jensen & Berg, 2012). All stakeholders, including investors and the general public, should comprehend and acknowledge the social and ecological responsibilities of businesses. Consequently, businesses are required to disclose information regarding their social and environmental performance via a Sustainability Report (Adams, 2016). Thus, the sustainability report asserts that businesses are accountable for all consumer, employee, shareholder, community, and environmental activities.

Company size is another factor that can enhance performance. The addition of firm size as a moderating variable distinguishes this study from others (Roberts & Dowling, 2002). Company size is characterised by the amount of capital used, the assets acquired, and the total sales (Wufron, 2017). The research of Wufron (2017) demonstrates that a company's size has a substantial positive impact on its financial performance.

The samples, which consist of companies enumerated in LQ-45, provide exhaustive information regarding the data used in this study, it is another feature that distinguishes it from previous research. We presume that the sustainability reports of companies included in the LQ-45 Index are more comprehensive than those of other companies because their financial conditions, trading volume, and growth prospects are strong. Some cases of environmental pollution impacts on businesses with LQ-45 indices in 2021 include: (1) the case of PT Bukit Asam (PTBA), which was given direct administrative sanctions by the Ministry of Environment and Forestry (KLHK) because its activities were deemed to have polluted the Kiahaan River; and (2) the case of PT Bukit Asam (PTBA), which was given direct administrative sanctions by the Ministry of Environment and Forestry (KLHK) because its activities were (2) the case of PT Indominco Mandiri (PT IMM), a subsidiary of PT Indo Tambangraya Megah Tbk (ITMG), which was sued for violating water and waste quality standards and allegations of polluting the Santan River in East Kalimantan; (3) the case of PT Aneka Tambang, which contaminated the river and coastal areas of Maba Pura Village, Kota Maba District, East Halmahera, North Maluku.

Several studies, including(Clarissa & Ketut, 2018), demonstrate that sustainability reports impact the financial performance of a company. However, other studies, such as(Iswati, 2020) and (Chairina, 2023; Hancock et al., 2010), discovered that sustainability reports have no significant impact on financial performance. The disparity in survey results may be attributable to companies' lack of initiative in disclosing sustainability reports, as they view doing so as an additional expense that must always be prepared. Companies are required to report on social responsibility as a form of accountability for their activities, but the government does not mandate sustainability reports. In the context of sustainable and responsible investment (SRI), sustainability reports can be utilised to monitor company performance and as a tool investors should consider. Other stakeholders, such as the media, government, consumers, and researchers, use sustainability reports to evaluate the company's commitment to sustainability(Aggarwal, 2013).

This study's objective is to assess and investigate the impact of sustainability report disclosure on financial performance, the impact of company size on financial performance, and the impact of sustainability report disclosure moderated by company size. The objective of a literature review is to gain a comprehensive understanding of the research topic, commencing with its definition, measurement, and conceptual framework.

Sustainability reporting encompasses financial and non-financial information on social and environmental activities that contribute to the company's sustainable performance and growth ((B. R. G. Eccles & Saltzman, 2011; R. G. Eccles et al., 2012). Sustainability reporting is a form of accountability aimed at internal and external stakeholders in achieving sustainability targets (GRI, 2013) by assessing responsibility for organisational practises, disclosures, and effectiveness.

Sustainability report disclosure is evaluated using the GRI G4 Index and the Sustainability Report Disclosure Index (SRDI).

Financial performance is crucial to the business process because the financial information obtained is one of the bases on which stakeholders base their decisions. Financial reports detail a company's financial performance, which can be compared to prior years to determine the company's condition. According to Jumingan (2006), financial performance defines a company's fundraising and fundraising direction during a specific period. Financial performance reports can be used to forecast future economic conditions and evaluate a company's solvency, liquidity, profitability, and ability to meet its financial obligations. The analysis of financial statements can also assess a company's capacity to carry out all of its operational functions.

The size of a company can be determined by the quantity of capital used, the assets owned, or the total sales revenue ((Wufron, 2017). The size of a company can be determined by its total assets, or its quantity of assets. The greater a company's number of assets, the larger it is. A company with a greater number of assets is more stable and can generate greater profits than one with fewer assets. This also demonstrates that the company is better equipped to meet the requirements of its stakeholders and is more engaged in environmental and social activities in order to gain public legitimacy. More information is disclosed in the sustainability report the greater the number of environmental and social activities a company engages in.

The research framework can be described as follows, based on prior theory and research connecting variables: According to (Yasser, 2017), businesses use sustainability to maintain their survival by managing relationships with stakeholders. Customers, investors, the government, and employees are the primary constituents who contribute to the interest in social responsibility (Schwartz & Carroll, 2017). In this instance, stakeholders and academicians have focused a great deal of attention on sustainability issues, and the demand for social responsibility considerations in business operations is growing (Nabil Tamimi, 2017). Under the framework of stakeholder theory, businesses must consider the requirements of all stakeholders involved in their business operations.

When investing capital, investors assess the size of the business. The larger the company, the better the regulations applied, the higher the production, the better the marketing, the better the reputation, and the easier it is to obtain funding as compared to smaller companies; they also typically have more extensive loan guarantees, which will enhance their financial performance. (Arifa Nur Azizah, Riana R Dewi, 2020) found that company size has a positive and statistically significant effect on the financial performance of LQ 45 firms. This is because the larger company has greater access to resources and capital markets. Moreover, Yuningsih and Mardiyati (2019) found that firm size has a positive and statistically significant impact on the financial performance of companies listed on the Indonesia Stock Exchange, including LQ 45 companies. Additionally, the results indicate that neither the ownership structure nor the capital structure has a significant impact on financial performance. Similarly,(Widasari, 2019) discovered that firm size has a statistically significant and positive effect on the financial performance of LQ 45 firms. In addition, leverage and company age have a substantial effect on financial performance. This indicates that these factors must be considered when evaluating a company's financial performance. Therefore, the second hypothesis asserts that firm size influences financial performance.

In this study, it is demonstrated that the relationship between sustainability report disclosure and financial performance is moderated by firm size. Depending on the firm's size, sustainability report disclosure can affect a company's financial performance, which impacts the efficacy of asset management and sustainability disclosure. Sustainability report disclosure can have an impact on a company's financial performance, according to (Steyn & Steyn, 2014). Investors will be intrigued in investing in the company in this situation. Additionally, an increase in a company's balance sheet indicates that the company can engage in more environmental and social activities in an effort to acquire public legitimacy. The more environmental and social activities a company engages in, the more detailed information is provided in the sustainability report, thereby enhancing public confidence and company performance. Large companies with comprehensive sustainability report disclosures can demonstrate their effectiveness in managing their assets and increase investor confidence. In addition, large companies can increase their involvement in environmental and social activities to obtain public legitimacy, which can have a positive effect on their bottom line. Therefore, the third hypothesis is that firm size moderates the relationship between sustainability report disclosure and financial performance.

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Research Method

As descriptive and associative research, the concentration of this study is on revealing sustainability reports, company size, and financial performance as research objects. Financial and sustainability reports obtained from the Indonesia Stock Exchange and company websites provide the secondary data for this study. The research population comprises of companies listed on the Indonesia Stock Exchange's LQ-45 index between 2017 and 2021. Purposive sampling is used to obtain samples, with the stipulation that the company must publish a complete annual financial report and a sustainability report or disclose other social responsibilities in accordance with the Global Reporting Initiative (GRI) G4 guidelines within the same time frame, as well as possessing comprehensive information on the variables.

This study's independent variable is the Sustainability Report's disclosure, as measured by the content analysis method, which is calculated by dividing the disclosure values made by companies in all sustainability dimensions, including economic, environmental, and social dimensions, by the expected total disclosure size. The GRI G4 disclosure indicators for sustainability reports comprise of 91 parts. The dependent variable measured by the proxy return on assets (ROA) is financial performance. Moreover, company scale, as measured by total assets (Roberts & Dowling, 2002), is a moderating variable.

This study employs parametric statistics with panel data and makes use of e-views software. Before conducting hypothesis tests, standard assumption tests consisting of normality, heteroscedasticity, and multicollinearity are conducted. In addition, three alternative processing method approaches are used to select the model to be applied: (1) Common Effect Model (CEM), (2) Fixed Effect Model (FEM), and (3) Random Effect Model (REM). Using (1) F Test (Chow Test), (2) Hausman Test, and (3) Lagrange Multiplier Test (LM Test), the most suitable panel data regression model will be selected based on the estimation of these three models

Results & Discussion

Descriptive Statistical Analysis

The descriptive analysis found that only 13 companies met the criteria in the LQ 45 index registered in the Indonesia Stock Exchange during the period of 2017-2021. Therefore, only these 13 companies were used as samples in this study for five years, with 65 observation data obtained.

Table 1
Statistik Deskriptif

	KK	SUST	LN_SIZE
Mean	0.047246	0.240251	21.87004
Median	0.034000	0.234333	20.98324
Maximum	0.164000	0.405333	31.71136
Minimum	0.003000	0.096667	11.33313
Std. Dev.	0.038471	0.077106	5.127154
Skewness	1.222197	0.412915	0.339590
Kurtosis	3.834466	2.437782	2.749579
Jarque-Bera	18.06836	2.703146	1.419155
Probability	0.000119	0.258833	0.491852
Sum	3.071000	15.61633	1421.553
Sum Sq. Dev.	0.094720	0.380497	1682.413
Observations	**65**	**65**	**65**

The average value of variable financial performance is 0.047246 with a standard deviation of 0.038471. The mean value is greater than the standard deviation, indicating that the data are distributed well. The lowest value of 0.003000 was achieved by WIKA in 2021, and the greatest value of 0.164000 was achieved by ASII in 2018.

The average value of the variable sustainability report disclosure is 0.240251, with a standard deviation of 0.077106. The mean value is greater than the standard deviation, indicating that the data are distributed well. In 2021, KLBF company obtained the lowest value of 0.096667, whereas ASII company obtained the highest value of 0.405333.

The average value of the variable company size (Ln_Size) is 21.87004 with a standard deviation of 5.127154. The mean value is greater than the standard deviation, indicating that the data are distributed well. In 2018, ASII company obtained the lowest value of 11.33313 (83.544), while PTPP company obtained the highest value of 31.71136 (59,165,548,433,821) in 2019.

Normality Test

The normality test of the data is obtained based on the Jarque-Bera probability value presented in the following figure:

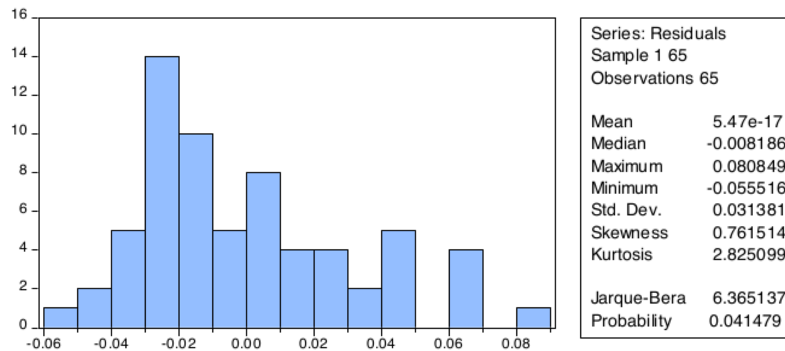

Figure 1. Normality Test

The output from the normality test indicates that the Jarque-Bera probability value is 0.0000, which is less than the significance threshold of 0.05. This indicates that the data are not distributed typically. Nevertheless, according to the Central Limit Theorem, enormous sample sizes (n 30) tend to follow a normal distribution. In addition, the higher mean value of the data in comparison to the standard deviation value suggests that the data tend to be homogeneous. Even though the results of the normality test indicate that the data is not normally distributed, it is also conclude that the data has a sufficiently symmetric and nearly normal distribution, particularly if the sample size is large. The data's mean value is greater than its standard deviation.

Multicollinearity Test

The test for multicollinearity is indicated by the tolerance value and the variance inflation factor (VIF) value presented in the following table:

Table 2
Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.002997	188.5463	NA
SUST	0.046747	186.9701	17.21580
LN_SIZE	6.18E-06	196.0154	10.06288
SUST_SIZE	0.000103	195.3951	21.59580

According to the preceding table, each independent variable has a centred VIF value greater than 10, indicating the presence of multicollinearity between each independent variable. This is due to the interaction between independent variables and the moderating variable. Although the regression model is shown to have multicollinearity, its estimator is still BLUE, so it can still be further tested.

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Heteroskedasticity Test

Heteroskedasticity testing was detected using the Glejser Test presented in the table below:

Table 3.
Heteroskedasticity Test

F-statistic	0.532787	Prob. F(3,61)	0.6615
Obs*R-squared	1.659684	Prob. Chi-Square(3)	0.6459
Scaled explained SS	1.485524	Prob. Chi-Square(3)	0.6856

Based on the output table above, it can be seen that the acquisition of Obs * R_Squared probability is 0.6459 > 0.05, indicating that there is no heteroscedasticity in the regression model.

Autocorrelation Test The autocorrelation test based on the Durbin-Watson statistical test is presented in the following table:

Table 4.
Autocorrelation Test

R-squared	0.272016	Mean dependent var	0.047246
Adjusted R-squared	0.182614	S.D. dependent var	0.017995
S.E. of regression	0.016269	Sum squared resid	0.015087
F-statistic	3.042632	Durbin-Watson stat	1.809382
Prob(F-statistic)	0.008641		

The provided table yielded a Durbin-Watson (DW) value of 1.809382. On the basis of the Durbin-Watson criteria, if the DW value falls between the upper limit (dU) and the lower limit (4-dU), it can be concluded that the model's residuals do not exhibit autocorrelation. In this situation, dU equals 1.6960 and 4-dU equals 2.3040. Since the DW value lies between these two limits, 1.6960 1.809382 2.3040, it can be concluded that the model's residuals are not autocorrelated.

Regression Model Selection for Panel Data

Chow Test

The result of the Chow Test is presented in the following table:

Table 5.
Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	13.751140	(12,49)	0.0000
Cross-section Chi-square	95.824277	12	0.0000

Based on the above output table, the chi-square probability value for the Chow test estimation result appears to be 0.00000. Since the chi-square probability value < 0.05, it can be concluded that the model used is a fixed effect model.

Hausman Test

The result of the Hausman test is presented in the following table:

Table 6.
Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.479713	3	0.3234

On the basis of the output table, it can be concluded that the Random Effect model is more applicable. The chi-square probability value of 0.3234, which is greater than the significance threshold of 0.05, demonstrates this. Therefore, there is no statistically significant difference between the two models, and the Random Effect method can be chosen for data analysis.

Panel Data Regression Analysis

Based on the test results using E-views software, the following panel data regression results were obtained.

Table 7.
Panel Data Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.022346	0.044848	-0.498269	0.6202
SUST?	0.436688	0.209816	2.081294	0.0419
LN_SIZE?	0.003923	0.001931	2.031171	0.0469
SUST_SIZE?	-0.023382	0.008831	-2.647743	0.0105

Based on the calculation results in Table 7, the regression equation is obtained as follows: KK = -0.022346 + 0.436688 SUST + 0.003923 SIZE - 0.023382 SUST*SIZE.

The constanta value derived from the regression equation presented above is -0.022346. This indicates that the performance value is -0.022346 if all three independent variables are zero. The sustainability report variable's regression coefficient is 0.436688, which indicates that for every one-unit increase in the sustainability report, performance increases by 0.436688. The regression coefficient for the SIZE variable is 0.003923, which indicates that for each unit increase in SIZE, performance increases by 0.003923. The regression coefficient for the SUSTSIZE variable is -0.023382, which indicates that an increase of one unit in SUSTSIZE decreases performance by 0.023382.

Test for Coefficient of Determination The measurement for the coefficient of determination (R2) can be seen in Table 4; based on the output results in Table 4, the value of Adjusted R-squared is 0.182614. This indicates that sustainability moderated by the company's size has an 18.26% effect on performance. Other untested variables can account for the remaining 81.74 percent of the performance variable's variance.

Hypothesis Testing Simultaneous

The simultaneous testing or F statistic test can be seen in Table 4, where the F-statistic value is 3.042632 and the Prob (F-statistic) value is 0.008641 based on the above output. The value of the probability statistic (F-statistic) is 0.008641 0.05, so the null hypothesis (H0) is rejected. This suggests that sustainability, size, and sustainability moderated by size significantly influence performance simultaneously.

Partial Hypothesis Testing (t-Test)

Partial hypothesis testing is presented in the table below:

Table 8.
Partial Hypothesis Testing

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.022346	0.044848	-0.498269	0.6202
SUST?	0.436688	0.209816	2.081294	0.0419
LN_SIZE?	0.003923	0.001931	2.031171	0.0469
SUST_SIZE?	-0.023382	0.008831	-2.647743	0.0105

Based on the partial output test (t-test) above, the following results were obtained:

Hypothesis 1 : The Effect of Sustainability Report Disclosure on Financial Performance

The calculated t-value for the Sustainability variable was 2.081294 with a probability of 0.0419. With a significance level of 5% (two-tailed) and a probability value of 0.0419 0.05, H1 is accepted and H0 is rejected. This indicates that sustainability has a substantial impact on financial performance.

Hypothesis 2 : The Effect of company size on Financial Performance

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The calculated t-value for the SIZE variable was 2.031171 with a probability of 0.0469. Since the probability value of 0.0469 is greater than 0.05 at a two-tailed significance level of 5%, H2 is accepted and H0 is rejected. This indicates that Size has a significant impact on financial performance.

Hypotesis 3 : The Effect of Sustainability Report Disclosure on Financial Performance Moderated by Company Size

The calculated t-value for the SUST*SIZE variable was -2.647743 with a probability of 0.0105. Since the probability value of 0.0105 is greater than 0.05 at a two-tailed significance level of 5%, H3 is accepted and H0 is rejected. This indicates that size-modified sustainability has a significant impact on financial performance. Due to the fact that size is related to the criterion and interacts with the predictor variable, it can be concluded that the Size variable is a Quasi Moderator, in which it serves as both a predictor and a moderator.

The Effect of Sustainability Report Disclosure on Financial Performance

Disclosure of sustainability reports has a positive impact on a company's financial performance, as demonstrated by the analysis of the hypothesis. And vice versa: the greater the visibility of sustainability reports, the better the company's financial performance. In other words, the disclosure of sustainability reports can improve a company's financial performance because investors are more likely to invest in businesses that employ sustainable practices. This will increase the company's funding sources (Brown et al., 2015); Gardberg, 2006); Simnett et al., 2009). Companies that disclose sustainability reports can inspire support and collaboration from stakeholders, thereby boosting productivity, influencing net profit levels, and improving financial performance. Although LQ 45 companies' sustainability report disclosures are not always consistent, investors and stakeholders view such disclosures favorably. Sustainability report disclosures positively influence financial performance, as discovered by (Bukhori, 2017; Manisa et al., 2017).

The Effect of company size on Financial Performance

The results of the hypothesis test indicate that a company's size positively affects its financial performance. The larger a business is, the better its financial performance. When making financial investments, investors take a company's size into account. The larger a company is, the better its rules, production, and marketing; due to its superior reputation, it has simpler access to capital and typically has larger loan guarantees, which impacts its financial performance. Additionally, the size of a company can impact its access to capital markets and financial resources. Larger and better-known firms have a stronger reputation on the capital market, which makes it easier for them to issue equities and bonds to raise capital. Larger businesses possess a greater quantity of assets that can be used to secure loans from financial institutions. In addition, larger company size offers benefits in terms of business diversification and risk management.

Business diversification can aid organizations in mitigating the risk of losses associated with a particular operation or the same industry. Smaller businesses, on the other hand, may be more susceptible to market or regulatory shifts that negatively impact their financial performance. Additionally, numerous studies demonstrate a positive correlation between company size and financial performance. The scale of a company has a positive effect on its profitability on the Chinese stock market, according to a study by Cheng & Li, (2019) study found that firm size has a substantial and positive effect on financial performance in Pakistan.

The Effect of Sustainability Report Disclosure on Financial Performance Moderated by Company Size

The results of hypothesis testing indicate that company size moderates the influence of Sustainability Report disclosure on financial performance. This suggests that company size can moderate the impact of Sustainability Report disclosure on financial performance in LQ 45 companies because company size can affect the capacity and ability of companies to practice sustainability in their operations.

Larger companies may have more resources, including human and financial resources, to implement more comprehensive sustainability practices and disclose complete information about these practices. Therefore, Sustainability Report disclosure in larger companies has a more significant impact on financial performance than smaller companies. However, smaller companies may not have sufficient resources to implement the same sustainability practices as larger companies. Thus, the impact of the Sustainability Report disclosure on smaller companies' financial performance will be smaller than larger companies. Hence, the influence of Sustainability Report disclosure on the financial performance of LQ 45 companies can be influenced by company size because company size can

moderate the capacity and ability of companies to implement sustainability practices and disclose information about these practices. This is consistent with previous studies by(Kusuma & Shulthoni, 2021; Prasetyo, 2021), which found that the relationship between Sustainability Report disclosure and financial performance is more significant in larger companies compared to smaller companies. This suggests that company size affects the relationship between Sustainability Report disclosure and financial performance.

Conclusions

Based on the results of data processing, the testing of hypotheses, and the discussion in this study, it can be concluded that (1) the disclosure of sustainability report information affects financial performance. This study provides evidence that issuing a government-recommended sustainability report by disclosing economic, social, and environmental performance will benefit the company. Thus, the research findings indicate that a company's financial performance will improve if it discloses a sustainability report; (2) Company size influences financial performance. The greater the company size, the greater the financial performance; (3) The impact of sustainability report disclosure on financial performance is moderated by company size. This suggests that the relationship between sustainability report disclosure and financial performance is stronger in larger firms than in smaller ones.

Based on the previously described conclusions, the following recommendations are provided: (1) Companies must pay close attention to sustainability report disclosure in order to develop investors' and stakeholders' trust, thereby increasing their likelihood of securing additional funding and investment. (2) Large and well-known businesses must leverage their reputations to gain access to capital markets and financial resources by considering the issuance of stocks or bonds as a source of financing and using assets as collateral to obtain loans from financial institutions. In addition to company size, additional research can investigate other variables that may moderate the relationship between sustainability report disclosure and financial performance. For instance, industry factors, institutional ownership, and company manager characteristics.

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