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Sustainability Report and Financial Performance: Evidence from Mining Companies in Indonesia

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ABSTRACT

This study aims to determine the effect of disclosure of sustainability reports (SR) on economic performance aspects, environmental performance aspects, and social performance aspects of a company's financial performance by using the ratios of return on equity (ROE), return on sales (ROS), and return on assets (ROA). To mining companies listed on the Indonesia Stock Exchange (IDX). This study uses quantitative and secondary data. The data collection technique is to record data on the financial reports of companies listed on the Indonesia Stock Exchange for the 2018-2022 period. The research population consists of mining companies listed on the Indonesia Stock Exchange, using a purposive sampling technique with a sample of 50 companies. They use multiple linear regression methods with the help of SPSS software as an analysis method. The analysis results show that the economic aspect of the sustainability report (SR) variable has a significant effect on the company's financial performance using the return on asset (ROA) ratio. The SR variable in the economic aspect significantly affects financial performance using the return on equity (ROE) ratio. The economic aspect of the SR variable influences and is significant in financial performance using the return on sales (ROS) ratio. The environmental aspect of the SR variable has no effect and is not significant on financial performance using the ratio of return on assets (ROA). The environmental aspect The SR variable significantly influences financial performance using the return on equity ratio (ROE). Variable SR environmental aspects have no effect and are not significant on financial performance using the return on sales (ROS) ratio. The social aspect of the SR variable influences and is significant in financial performance using the ratio of return on assets (ROA). The social aspect (SR) variable has no effect and is not significant on financial performance using the return on equity ratio (ROE). The social aspect of the SR variable significantly influences financial performance using the return on sales (ROS) ratio.

Keywords: Sustainability Report, Economic Aspect, Environmental Aspect, Social Aspect
JEL Classifications: Q56, G32, M14

1. INTRODUCTION

In maintaining its business, the company must also continue to improve performance and achieve company goals; one of its goals is to get maximum profit. The company's financial performance is a company overview of the state of a company that is analyzed based on financial ratios so that the company can find out the state of the company and whether the financial condition is good or bad in a certain period (Angela and Yudianti, 2014; Putra et al., 2014). Several years ago, the financial performance of mining companies in Indonesia attracted public attention, especially in 2016, which experienced many losses in the coal sector, the oil and gas sector, metals and minerals, and the rock sector causing a decrease in financial performance from the previous year, where Indonesian mining companies listed on the Indonesia Stock Exchange fell from Two hundred fifty-five trillion rupiahs in 2015 to One hundred sixty-one trillion rupiahs in 2016, a decrease of 37% caused by falling prices in the coal sector and the oil and gas sector, metals, and minerals (Murdifin et al., 2019). In addition to struggling to overcome the problem of weak prices in the industry, Indonesian mining companies during these times were also accompanied by declining demand from China and other developing countries, which caused a decline in the financial performance of mining companies in Indonesia (Male et al., 2013; Dewi, 2015); (Subakti and Romli, 2019).

The impact of increasingly concerning environmental issues has attracted the attention of many parties. Companies are now increasingly involved in damaging the environment through irresponsible business practices. Stakeholders, such as consumers, investors, and the public, are increasingly concerned about the environmental impacts of these companies (Musavengane and Kloppers, 2020). They want to know what companies are doing to protect the environment and be responsible for their business practices. In the face of these demands, companies must consider their responsibilities to stakeholders and the environment. One way to demonstrate this responsibility is to publish or produce a sustainability report, known as a sustainability report. This report aims to provide transparency and accountability to stakeholders regarding the social, economic, and environmental impacts generated by the company. A sustainability report (SR) is a form of continuous communication between the company and its stakeholders. This report discloses information about the company's sustainability in three main working aspects: economic, environmental, and social (Sułkowski and Dobrowolski, 2021). The economic aspect involves the company's financial performance, including revenue growth, net profit, investment, and contribution to the overall economy (O'Neill et al., 2022). The sustainability report presents relevant data and information on the achievements and challenges faced by the company in this aspect.

Environmental aspects cover the company's environmental impact, including its use of natural resources, greenhouse gas emissions, waste, and environmental management efforts. Through sustainability reports, companies can disclose their efforts to reduce their environmental footprint and implement environmentally friendly business practices. Social aspects refer to the company's relationship with the community and employees and the social impacts generated by the company's business activities (Markowska et al., 2020). Sustainability reports include information on the company's social activity programs, compliance with fair work standards, diversity and inclusion, and the company's efforts to improve the quality of life in the surrounding community. By publishing a sustainability report, companies provide stakeholders with a comprehensive overview of their business practices (O'Neill et al., 2022). This report covers financial aspects and provides transparent information about the company's environmental and social impacts. Thus, companies can account for their actions to stakeholders and open a more open dialogue about sustainability in their business practices. First, on the economic aspect, the impact generated by the company on the creation of reports and the distribution of economic value at the local, national, and global levels (Roşoiu, 2015). Second, is the environmental aspect, where the disclosure of environmental conditions and the impact caused by the company on living things and other ecosystems such as water, air, and water (Schmitt et al., 2022). Third, on the social aspect, which discusses the social activities carried out by the company towards the social system in which the company operates, these social activities include employment, labour relations with management, occupational safety, and health (O'Neill et al., 2022). The disclosure of this sustainability report (SR) can provide positive information about these three aspects so that stakeholders' positive attitudes and information towards the company can impact improving company performance (Olaya-Restrepo et al., 2022).

The results of previous studies, such as those conducted by (Pratama et al., 2020), revealed that the economic aspects of the sustainability report (SR) have a significant relationship to the company's financial performance, which will increase the transparency of the company and increase the trust of stakeholders and investors so that it will also improve the company's image. The better the disclosure of the economic aspects of the sustainability report (SR) to the company, the better the company's profit, trust, and income will also increase.

The similar research results by (Clarkson et al., 2008) show a relationship between the sustainability report (SR) on environmental performance and the company's financial performance. The company's environmental performance has an impact on the company's financial performance, which is reflected in the company's annual return rate, which increases, which will have an impact on the company's image, which is reflected in the company's value, which can also affect the company's profitability. The results of research conducted by (Aggarwal and Singh, 2019) state that social aspects in the sustainability report (SR) significantly positively affect the company's financial performance. So, stakeholders such as employees, suppliers, governments, groups, activists, investors, and communities around the business are critical to consider. The business can only be run properly with the credibility and trust they give. From the explanation above, this study aims to determine the effect of disclosure of sustainability report (SR) aspects of economic performance, environmental and social performance on corporate financial performance in mining companies listed on the Indonesia Stock Exchange (IDX) in 2018-2022.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Sustainability report (SR) disclosure is closely related to several relevant theories in the business context. One is the signalling theory, which explains why companies are urged to provide financial reports to external parties. Signalling theory highlights the information asymmetry between company management and outsiders, such as investors (Simaens and Koster, 2013). In this case, companies are considered to have more complete information about their business performance and prospects than investors. Signalling theory suggests that companies that provide more detailed and transparent information through financial reports can increase company value (Mahmood et al., 2019); (Lakhani and Herbert, 2022). In the context of sustainability reports, companies that openly disclose information about their environmental and social performance have the potential to improve their reputation and are perceived as better than those that do not make additional disclosures. Thus, companies are incentivised to provide sustainability reports to signal stakeholders that they are committed to sustainable business practices (Moratis, 2018). In addition to the signalling theory, the legitimacy theory is relevant in sustainability report disclosure. Legitimacy theory emphasises that companies strive to follow the norms and frames in their society or environment (Deegan, 2014). This is done so that the company's activities and performance can be accepted and considered legitimate by outsiders, including the public and other stakeholders.

In sustainability reporting companies use sustainability reports to prove that they have carried out their social and environmental responsibilities following applicable norms. By disclosing information about their social and environmental responsibility activities, companies seek to convince society that they operate responsibly and follow the values respected by society (Abdelaal, 2019). In this sense, sustainability reports serve as a tool to gain legitimacy from society, an essential operational resource for companies. By combining signalling theory and legitimacy theory, companies are motivated to disclose sustainability reports. They want to signal to stakeholders that they are performing better than companies that do not disclose additional reports and prove that they are operating within legitimate boundaries and following norms accepted by society to maintain their sustainability and reputation, companies seek to gain social support and recognition through sustainability reports (Fernando and Lawrence, 2014); (Tilling, 2004).

2.1. Sustainability Report (SR) Economic Aspects on Financial Performance Using ROA Ratio

The Sustainability Report (SR) has become essential in showcasing a company's sustainability performance. One of the aspects commonly covered in SR is the economic aspect, which includes information on the company's financial performance (Kartini et al., 2021). This study explores the relationship between the disclosure of economic aspects in SR and the company's financial performance measured using the Return on Assets (ROA) ratio (Tangngisalu, 2022). ROA ratio indicates financial performance because it reflects the company's ability to generate profits using its assets. Disclosure of economic aspects in the SR can increase transparency and accountability of the company to stakeholders (O'Neill et al., 2022). By presenting clear information about the company's financial performance, including revenue, net profit, and investment, the company can build trust with investors, customers, and the public. Disclosure of economic aspects in the SR can affect investor interest in investing in the company (Nor et al., 2016).

Investors are increasingly paying attention to the company's financial performance as an indicator of potential profits (Malikah, 2021). By providing information related to financial performance in SR, companies can attract investors who are concerned about sustainability factors. Disclosure of economic aspects in the SR can have an impact on increasing the value of the company. According to signalling theory, companies that provide more complete and transparent information to stakeholders can increase their perception of the company's value. Disclosure of positive financial performance in SR can signal to the market that the company is performing well, thereby increasing the company's trust and reputation in the investors' eyes (Susanto and Rambano, 2022). Disclosure of economic aspects in SR can help companies maintain the sustainability of their business. Companies can identify challenges and opportunities by monitoring and reporting financial performance regularly. This information can help companies make the right decisions to improve efficiency, manage risks and optimize the use of resources. The disclosure of economic aspects in SR is also related to corporate social responsibility. By disclosing financial performance, companies demonstrate their commitment to socially and economically responsible business practices. This can strengthen the company's image as a responsible stakeholder and improve relationships with customers, suppliers, and business partners.

H1: Sustainability Report (SR) economic aspects positively and significantly affect financial performance disclosure using the ROA ratio.

2.2. Sustainability Report (SR) Economic Aspects on Financial Performance Using ROE Ratio

The Sustainability Report (SR) has become essential in disclosing a company's sustainability performance. One aspect often covered in SR is the economic aspect, which includes information about the company's financial performance (Angelia and Suryaningsih, 2015). This study explores the relationship between the disclosure of economic aspects in SR and the company's financial performance measured using the Return on Equity (ROE) ratio (Tangngisalu, 2022). ROE ratio is chosen as an indicator of financial performance because it reflects the return on investment for the company's shareholders (Olaya-Restrepo et al., 2022). Disclosure of economic aspects in SR using the ROE ratio can help shareholders and other stakeholders evaluate the company's capital utilisation efficiency. The ROE ratio measures how well the company utilises the capital provided by shareholders to generate profits. Thus, the disclosure of financial performance in the SR can provide important information about the efficient use of funds by the company (Needles et al., 2008). Disclosure of economic aspects in the SR with the ROE ratio can increase the credibility and trust of the company in the eyes of shareholders and investors. ROE ratio is essential indicator investors use to evaluate how well the company generates profits relative to the capital invested (Erdogan and Yamaltdinova, 2019). By providing information related to financial performance in SR, companies can increase their transparency and accountability, thereby gaining higher investor trust and interest. Disclosure of economic aspects in SR with an ROE ratio can impact the company's market value. A high ROE ratio indicates the company can generate a reasonable shareholder return rate. This information can be an essential factor in determining the company's share price in the market. Thus, disclosure of positive financial performance in the SR can contribute to an increase in the company's market value. Disclosure of economic aspects in SR can help companies manage risks and maintain business sustainability (Ņikitina et al., 2022). By transparently monitoring and reporting financial performance, companies can identify areas that require improvement and take necessary actions to increase efficiency and profitability. In addition, disclosure of financial performance in SRs also enables companies to present long-term sustainable strategies to stakeholders.

H2: There is a positive relationship between the disclosure of economic aspects in the SR and the company's financial performance as measured using the ROE ratio.

2.3. Sustainability Report (SR) Economic Aspects on Financial Performance Using ROS Ratio

The Sustainability Report (SR) has become essential in disclosing a company's sustainability performance. One of the aspects commonly covered in the SR is the economic aspect, which includes information on the company's financial performance. This study explores the relationship between the disclosure of economic aspects in SR and the company's financial performance measured using the Return on Sales (ROS) ratio (Al-Wattar et al., 2019). The ROS ratio was chosen to indicate financial performance because it reflects the company's ability to generate net income from each sales unit. Disclosure of economic aspects in the SR using the ROS ratio can help stakeholders to evaluate the company's operational efficiency (Bidhari et al., 2013). The ROS ratio measures the company's effectiveness in generating a net income from each sales unit. By presenting information related to financial performance in the SR, companies can provide an overview of the extent to which their operational activities are efficient in generating profits (Myšková and Hájek, 2019). Disclosure of economic aspects in the SR with the ROS ratio can provide an overview of the company's profitability level. The ROS ratio describes the percentage of net profit generated from each sale. A high level of ROS indicates a good level of profitability and can attract investor interest and reflect the company's ability to generate sustainable profits (Lee et al., 2023).

Disclosure of economic aspects in SR with the ROS ratio can affect the perception of the company's competitiveness. The ROS ratio can be used to compare financial performance between similar companies in the same industry (Whetman, 2018). By disclosing solid financial performance in the SR, companies can strengthen their image as competitive and attractive players for investors and potential business partners. The disclosure of economic aspects in SRs with the ROS ratio can assist companies in maintaining their financial sustainability (Goel and Misra, 2017). By regularly monitoring and reporting financial performance, companies can identify trends and changes that may affect their profitability. This information can be used to take necessary actions to improve efficiency and long-term profitability. Disclosure of economic aspects in SR also relates to corporate social and environmental responsibility. Through positive financial performance disclosures in SR, companies can demonstrate their commitment to sustainable business practices that are responsible to society and the environment.

H3: A positive relationship exists between the disclosure of economic aspects in the SR and the company's financial performance as measured using the ROS ratio.

2.4. Sustainability Report (SR) Environmental Aspects on Financial Performance Using ROA Ratio

Sustainability Report (SR) is essential in disclosing corporate sustainability performance, including environmental aspects. This study explores the relationship between the disclosure of environmental aspects in the SR and the company's financial performance measured using the Return on Assets (ROA) ratio. ROA was chosen as an indicator of financial performance because it reflects the rate of return on the company's investment against its total assets (Angelia and Suryaningsih, 2015). Disclosure of environmental aspects in SR using the ROA ratio can help stakeholders evaluate the efficiency of using company resources. Good environmental management, such as waste reduction, energy efficiency, and sustainable raw materials, can help companies optimize the use of their assets (Hasanuddin, 2021). Thus, disclosure of environmental performance in SR can positively impact the company's financial performance, as reflected in the ROA ratio (Ulum et al., 2008).

Disclosure of environmental aspects in SR can help companies manage environmental risks and reduce associated costs. By identifying and mitigating adverse environmental impacts, firms can reduce legal, reputational, and operational risks that may impact financial performance (Murdifin et al., 2019). In addition, companies' efforts in adopting environmentally friendly business practices can also reduce long-term operational costs, for example, through energy efficiency or more efficient use of raw materials. Disclosure of environmental aspects in SRs can help companies comply with applicable environmental regulations (Abdelaal, 2019). Compliance with environmental regulations is essential in maintaining the sustainability of a company's operations and avoiding potential sanctions or litigation. In addition, environmentally responsible business practices can also increase customer satisfaction, which is increasingly concerned with environmental issues. High customer satisfaction can contribute to increased sales and the company's financial performance, as reflected in the ROA ratio (Gera et al., 2022). Disclosure of environmental aspects in SR can affect the company's reputation in the eyes of stakeholders, including investors and financial institutions. Companies with an excellent environmental sustainability reputation tend to be more attractive to investors who consider environmental factors in making investment decisions (Sucapane et al., 2021). In addition, companies with good environmental performance may also have more accessible and cheaper access to capital needed for business growth and expansion. Disclosure of environmental aspects in SRs can encourage companies to adopt more environmentally friendly product innovation and differentiation. Products with clear environmental benefits or meet market demands increasingly concerned with environmental issues can provide a competitive advantage for companies. This can positively impact the company's financial performance, as reflected in the ROA ratio.

H4: There is a positive relationship between the disclosure of environmental aspects in SR with the company's financial performance as measured using the ROA ratio.

2.5. Sustainability Report (SR) Environmental Aspects on Financial Performance Using ROE Ratio

Sustainability Report (SR) is essential in disclosing corporate sustainability performance, including environmental aspects. This study explores the relationship between the disclosure of environmental aspects in the SR and the company's financial performance measured using the Return on Equity (ROE) ratio (Whetman, 2018). ROE ratio is chosen as an indicator of financial performance because it reflects the company's return on investment to shareholders. Disclosure of environmental aspects in SR can positively impact firm growth and value (Buallay, 2019b). In an era where stakeholders increasingly value sustainability and social responsibility, companies that disclose good environmental performance can attract investor interest and increase customer confidence. This can positively impact increasing the company's value, as reflected in the ROE ratio (Buallay, 2019a). Disclosure of environmental aspects in SR can affect the company's reputation and image. Environmentally responsible business practices can provide a competitive advantage and strengthen the company's image in the eyes of customers, investors, and society (Afifah and Asnan, 2015); (Murdifin et al., 2019). A good reputation and positive image can positively impact the company's financial performance, including the level of ROE. Disclosure of environmental aspects in SR can encourage companies to improve operational efficiency. Implementing environmentally friendly business practices, such as energy saving, waste reduction, or resource use efficiency, can reduce long-term operational costs (Pan and Du, 2021). Thus, the disclosure of environmental performance in SR can positively impact the company's profit margin and financial performance, as reflected in the ROE ratio. Disclosure of environmental aspects in SRs can help companies manage environmental risks. By identifying and reducing negative impacts on the environment, companies can reduce legal, reputational, and operational risks that can impact financial performance (Jin et al., 2021). In addition, compliance with strict environmental regulations can reduce the risk of fines and sanctions that can affect the company's financial performance. Disclosure of environmental aspects in SRs can influence shareholders' perceptions and facilitate the company's access to capital. Investors and financial institutions are increasingly considering environmental factors in investment decisions. Companies with good environmental performance can attract potential shareholders and gain easier and cheaper access to capital needed for business growth and expansion.

H5: There is a positive relationship between the disclosure of environmental aspects in SR with the company's financial performance as measured using the ROE ratio.

2.6. Sustainability Report (SR) Environmental Aspects on Financial Performance Using ROS Ratio

Sustainability Report (SR) is essential in disclosing corporate sustainability performance, including environmental aspects. This study explores the relationship between the disclosure of environmental aspects in the SR and the company's financial performance measured using the Return on Sales (ROS) ratio (Goel and Misra, 2017). The ROS ratio indicates financial performance because it reflects the company's operational efficiency in generating profit from each sale. Disclosure of environmental aspects in SR can have a positive impact on the efficiency of the use of company resources. Environmentally friendly business practices, such as waste reduction, energy savings, and the use of sustainable raw materials, can help companies optimize resource use and improve operational efficiency (Santoso and Feliana, 2014). Thus, disclosure of environmental performance in SR can positively impact the ROS ratio. Disclosure of environmental aspects in SRs can help companies manage environmental risks and reduce associated costs. By identifying and mitigating adverse environmental impacts, firms can reduce legal, reputational, and operational risks that may impact financial performance (Cherian et al., 2019). In addition, environmentally responsible business practices can also reduce long-term operational costs, for example, through energy efficiency or the use of more efficient raw materials. Disclosure of environmental aspects in SRs can help companies create product differentiation and gain a competitive advantage. Products that are environmentally friendly or meet market demands increasingly concerned with environmental issues can attract customers and generate higher sales (Yang et al., 2021). Thus, the disclosure of environmental performance in SR can positively impact increasing sales and the company's financial performance, as reflected in the ROS ratio. Disclosure of environmental aspects in SR can affect the company's reputation in the eyes of stakeholders, including customers, investors, and society. Companies with good environmental performance can gain greater stakeholder trust and support. A good reputation can improve the company's image, strengthen customer relationships, and attract investors (Musavengane and Kloppers, 2020). All these factors can positively impact the company's financial performance, as reflected in the ROS ratio.

H6: There is a positive relationship between the disclosure of environmental aspects in SR and the company's financial performance as measured using the ROS ratio.

2.7. Sustainability Report (SR) Social Aspects to Financial Performance Using ROA Ratio

Sustainability Report (SR) is essential in disclosing corporate sustainability performance, including social aspects. This study explores the relationship between the disclosure of social aspects in the SR and the company's financial performance measured using the Return on Assets (ROA) ratio (Nugroho and Arjowo, 2014). The ROA ratio was chosen to indicate financial performance because it reflects the efficient use of corporate assets in generating profits. Disclosure of social aspects in SR can affect corporate reputation and brand image (Ching et al., 2017). Socially responsible business practices, such as charitable activities, concern for employees, and community development programs, can increase customer trust and loyalty (Ching et al., 2017). A good reputation and positive brand image can positively impact the company's financial performance, including the level of ROA. Disclosure of social aspects in SR can strengthen the company's relationship with stakeholders, such as employees, customers, and communities (Aifuwa, 2020). The company's active involvement in social activities, human rights protection, and diversity can create greater trust and satisfaction from stakeholders. As reflected in the ROA ratio, good relationships with stakeholders can positively impact the company's financial performance. Disclosure of social aspects in SR can encourage companies to improve operational efficiency (Chantziaras et al., 2020). Socially responsible business practices, such as energy efficiency programs, good waste management, and supply chain sustainability, can reduce long-term operational costs. Thus, the disclosure of social performance in SR can positively impact the level of efficiency of the use of corporate assets and financial performance as reflected in the ROA ratio (Tangngisalu, 2022). Disclosure of social aspects in SR can positively impact employee satisfaction and productivity. Companies that care about employee welfare, development opportunities, and a good working environment can create a positive climate in the workplace. Satisfied employees tend to be more dedicated, productive and contribute positively to company performance. This can affect the company's financial performance, as reflected in the ROA ratio.

H7: There is a positive relationship between the disclosure of social aspects in SR with the company's financial performance as measured using the ROA ratio.

2.8. Sustainability Report (SR) Environmental Aspects on Financial Performance Using ROE Ratio

Sustainability Report (SR) is crucial in disclosing corporate sustainability performance, including environmental aspects. This study explores the relationship between the disclosure of environmental aspects in the SR and the company's financial performance measured using the Return on Equity (ROE) ratio (San Ong et al., 2014). ROE ratio is chosen as an indicator of financial performance because it reflects the rate of return shareholders earn on their invested capital. Disclosure of environmental aspects in SR can positively impact the efficient use of company resources. Environmentally friendly business practices, such as waste reduction, energy savings, and sustainable raw materials, can help companies optimize resource use and improve operational efficiency (San Ong et al., 2014). Thus, disclosure of environmental performance in SRs can positively impact the ROE ratio, as companies can achieve higher rates of return with more efficient use of capital. Disclosure of environmental aspects in SRs can assist firms in managing environmental risks and reducing associated costs (Ching et al., 2017). By identifying and mitigating adverse environmental impacts, companies can reduce legal, reputational, and operational risks that may impact financial performance. In addition, environmentally responsible business practices can reduce long-term operating costs, for example, through energy efficiency or using more efficient raw materials. This can increase the company's net profit and, consequently, increase ROE.

Disclosure of environmental aspects in SRs can help companies create product differentiation and gain a competitive advantage. Products that are environmentally friendly or meet the demands of a market increasingly concerned with environmental issues can attract customers, increase market share, and increase revenue (Achim and Borlea, 2015). Thus, disclosure of environmental performance in SR can positively impact the company's financial performance as reflected in ROE. Disclosure of environmental aspects in SR can affect the company's reputation in the eyes of stakeholders, including customers, investors, and the public. Companies with good environmental performance can gain greater stakeholder trust and support. A good reputation can increase brand value, attract investors, and open new business opportunities. This can positively impact the company's financial performance, as reflected in the ROE ratio.

H8: There is a positive relationship between the disclosure of environmental aspects in SR with the company's financial performance as measured using the ROE ratio.

2.9. Sustainability Report (SR) Social Aspects on Financial Performance Using ROS Ratio

Sustainability Report (SR) is essential in disclosing corporate sustainability performance, including social aspects. This study explores the relationship between the disclosure of social aspects in the SR and the company's financial performance measured using the Return on Sales (ROS) ratio (Ullah et al., 2020). The ROS ratio was chosen as an indicator of financial performance because it reflects the company's efficiency in generating profit from each unit of sales. Disclosure of social aspects in SR can affect the company's reputation in customers' eyes (Erdogan and Yamaltdinova, 2019). When companies demonstrate a commitment to social responsibility, such as concern for employee welfare, environmental sustainability, and contributions to the community, customers tend to have a positive perception of the company. This can increase customer loyalty, sales, and the company's financial performance, as reflected in the ROS ratio. Disclosure of social aspects in SR can meet the expectations of stakeholders, including employees, communities, and governments. Socially responsible business practices can help companies build good relationships with stakeholders, create trust, and avoid adverse reputational risks. In the long run, this can bring benefits through continued support from stakeholders, including support in achieving sales targets and better financial performance (measured by the ROS ratio) (Ullah et al., 2020). Disclosure of social aspects in SR can affect employee productivity and quality. When companies prioritize employee welfare and development, they tend to be more dedicated, creative, and high performing. This can positively impact the company's productivity, the quality of products or services produced, and ultimately on, sales and financial performance reflected in the ROS ratio. Disclosure of social aspects in SR can help companies identify and manage social risks that may affect financial performance (Fan et al., 2021). By dealing with social issues transparently and proactively, companies can avoid financial losses arising from lawsuits, government sanctions, or reputational damage. In the long run, effective social risk management can positively impact the company's financial performance, as reflected in the ROS ratio.

H9: There is a positive relationship between the disclosure of social aspects in SR and the company's financial performance as measured using the ROS ratio.

3. RESEARCH METHOD

Secondary data was collected from the Investment Gallery, Faculty of Economics and Business Building, Universitas Muslim Indonesia, Jalan Urip Sumoharjo KM 5, Makassar, South Sulawesi. This study aims to analyze the relationship between Sustainability Report (SR) disclosure in economic, environmental, and social aspects with the company's financial performance. The dependent variable in this study is the company's financial performance, which will be measured using the ratio analysis of return on assets (ROA), return on equity (ROE), and return on sales (ROS). The independent variable consists of three variables: the disclosure of the Sustainability Report (SR) of economic, environmental, and social aspects.

This research uses quantitative data types, with research data sources derived from secondary data. The data is collected through company reports, namely Sustainability Report (SR) reports and annual reports of companies listed on the Indonesia Stock Exchange (IDX) for 2018-2022. This data was obtained from the official IDX website. The sample selection in this study used purposive sampling, namely by determining the sample based on specific criteria per the research needs. Of the 72 companies that became the research population, 50 were taken as samples.

The analytical method used in this research is multiple linear regression, which will be used to test the research hypothesis. However, before conducting regression analysis, the following steps will be taken to ensure that the data fit the multiple linear regression model and meet the classical assumptions:

1. Normality Test: Conducted to test whether the research data is normally distributed. Commonly used normality tests are the Kolmogorov-Smirnov test or the Shapiro-Wilk test.
2. Multicollinearity Test: Conducted to check the level of correlation between independent variables. This test is essential to ensure no solid linear dependency between the independent variables that may interfere with the regression results. One commonly used method is calculating the VIF (Variance Inflation Factor).
3. Heteroscedasticity Test: Performed to check whether the regression model's residual variance (error) is constant. This test is essential to ensure that the assumption of homoscedasticity is met. Some of the tests used are the Breusch-Pagan test and the White test.
4. Autocorrelation Test: Performed to check whether there is a dependency between the errors in the regression model. This test is essential to ensure that the assumption of error independence is met. The Durbin-Watson test is one of the commonly used tests.

After the above steps are taken, and classical assumptions are met, multiple linear regression analysis can be performed to test the relationship between the disclosure of the Sustainability Report (SR) in environmental aspects with the company's financial performance, which is measured using the Return on Equity (ROE) ratio. This study is expected to understand better the relationship between Sustainability Report (SR) disclosure in economic, environmental, and social aspects with the company's financial performance. The results of this study can make an essential contribution to companies in strengthening sustainability practices and sustainable decision-making.

4. RESULTS

4.1. Normality, Multicollinearity, Autocorrelation, Heteroscedasticity Test

The Kolmogorov-Smirnov (K-S) statistical test is used to test normality. The normality test results showed that the significance is more significant than 0.05, namely 0.000, in the three ratios: return on assets, return on equity, and return on sales. The multicollinearity test shows that the tolerance value of all variables is above 0.10; namely, the tolerance value of the economic aspect is 0.876, the environmental aspect is 0.972, and the social aspect is 0.893 both by using the ratio of return on assets, return on equity and return on sales. At the value of Variance Inflation Factors (VIF) below 10, namely 1,142, 1,029 and 1,119, respectively, from the test results, it can be concluded that there is no multicollinearity in the regression equation.

The results of the Durbin-Watson value were obtained using the return on assets ratio of 2.008, using the return on equity ratio of 1.935 and the return on sales ratio of 1.737, so it can be concluded that there is no autocorrelation. Test heteroscedasticity by looking at the presence or absence of specific patterns in the Scatter Plot graph. The test results show that the points spread above and below zero (0) on the Y-axis do not form a particular pattern. Based on this, it is concluded that there is no Heteroscedasticity in the regression equation model.

4.2. Regression Analysis Test

The results of the classical assumption test were carried out and the results overall showed that the regression model met the classical assumptions, namely:

From the regression analysis, the equation is obtained:

$$YROA = 3.759 + 0.485\ X1 + 5.873\ X2 + 0.692\ X3$$

The constant of 3.759 indicates that if the independent variables (sustainability report (SR) economic aspects, sustainability report (SR) environmental aspects, and sustainability report (SR) social aspects) are assumed to have no change (constant), then financial performance is 3.759%. The coefficient of the economic aspect SR variable is 0.485, and then financial performance will increase by 4.85%. The coefficient of the environmental aspect SR variable of 5.873 means that financial performance will increase by 58.73%, and the coefficient of the social aspect SR of 0.692 means that financial performance will increase by 6.92%.

From the regression analysis, the equation is obtained:

$$YROE = 7.409 + 0.547\ X1 + 1.944\ X2 + 8.388\ X3$$

The constant of 7.409 indicates that if the independent variables (sustainability report (SR) economic aspects, sustainability report (SR) environmental aspects, and sustainability report (SR) social aspects) are assumed to have no change (constant), then financial performance is 7.409%. The coefficient of the economic aspect SR variable is 0.547, and then financial performance will increase by 5.47%. The coefficient of the environmental aspect SR variable of 1.944 means that financial performance will increase by 19.44%, and the coefficient of the social aspect SR of 8.388 means that financial performance will increase by 83.88%.

From the regression analysis, the equation is obtained:

$$YROS = 6.463 + 0.832\ X1 + 11.685\ X2 + 18.536\ X3$$

The constant of 6.463 indicates that if the independent variables (sustainability report (SR) economic aspects, sustainability report (SR) environmental aspects, and sustainability report (SR) social aspects) are assumed to have no change (constant), then financial performance is 6.463%. The coefficient of the economic aspect SR variable is 0.832, and the financial performance will increase by 8.32%. The coefficient of the environmental aspect SR variable of 11.685 means that financial performance will increase by 11.68%, and the coefficient of the social aspect SR of 18.536 means that financial performance will increase by 18.53%.

4.3. T-Statistical Test

Based on the t-test conducted on the dependent variable of financial performance using the ratio of return on assets, the economic aspect of SR has a t value more significant than the t table (2.044 > 2.011) with a significant level of 0.040 less than 0.05. This means that the hypothesis is accepted so that it can be said that the economic aspect of SR has a significant effect on financial performance, the environmental aspect of SR has a t value smaller than the t table (1.326 < 2.011) with a significant level of 0.086 greater than 0.05. This means the hypothesis is rejected, so the SR of environmental aspects does not significantly affect financial performance. The SR of social aspects has a t value greater than the t table (2.258 > 2.011) with a significant level of 0.017 smaller than 0.05. This means that the hypothesis is accepted so that it can be said that the social aspect of SR has a significant effect on financial performance (Table 1).

In the dependent variable of financial performance using the ratio of return on equity, the economic aspect of SR has a t value more significant than the t table (2.092 > 2.011) with a significant level of 0.027 smaller than 0.05. This means that the hypothesis is accepted, so it is said that the social aspect of SR has a significant effect on financial performance (Table 1). This means that the hypothesis is accepted so that it can be said that the economic aspect of SR has a significant effect on financial performance, the environmental aspect of SR has a t value more significant than the t table (2.089 > 2.011) with a significant level of 0.029 smaller than 0.05. This means that the hypothesis is accepted so that the environmental aspect of SR has a significant effect on financial performance. The social aspect of SR has a t value smaller than the t table (2.007 < 2.011) with a significant level of 0.059 greater than 0.05. This means that the hypothesis is rejected, so the social aspect of SR has no significant effect on financial performance (Table 2).

On the dependent variable of financial performance using the return on sales ratio, the economic aspect of SR has a t value more significant than the t table (2.239 > 2.011) with a significant level of 0.011 smaller than 0.05. This means that the hypothesis is accepted, so it is said that the social aspect of SR has no significant effect on financial performance (Table 2). This means that the hypothesis is accepted so that it can be said that the economic aspect of SR has a significant effect on financial performance, the environmental aspect of SR has a t value smaller than the t table (1.929 < 2.011) with a significant level of 0.054 greater than 0.05. This means that the hypothesis is rejected, so it can be said that the SR of environmental aspects does not significantly affect financial performance. The SR of social aspects has a t value more significant than the t table (2.433> 2.011) with a significant level of 0.016 smaller than 0.05. This means that the hypothesis is accepted so that it can be said that the SR of social aspects has a significant effect on financial performance (Table 3).

4.4. F-Statistical Test

A simultaneous test (F test) is used to test whether there is an influence of the independent variables as a whole and together on the dependent variable using the F test. The test results are as follows:

Table 4 show the F-test results show the value of the F count of 3.667, and this means that the F-calculated is more significant than the F-estimated (3.667 > 2.70), with a significant level of 0.039 smaller than 0.05 (0.039 < 0.050). It can be concluded that H0 is accepted, and Ha is rejected, meaning that the independent variables, namely SR economic aspects, SR environmental aspects and SR social aspects, can influence the dependent variable, financial performance, using the return on asset ratio.

Table 5 show the F-test results show the value of the F-calculated of 3.195, and this means that the F-calculated is more significant than the F-estimated (3.195 > 2.70), with a significant level of 0.043

Table 1: Linear regression analysis results on financial performance (ROA)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	SE	Beta		
1	(Constant)	3.759	4.498		1.836	0.040
	Economic Aspects	0.485	1.211	0.027	2.044	0.040
	Environmental Aspects	5.873	4.428	0.085	1.326	0.086
	Social Aspects	0.692	2.683	0.017	2.258	0.017

a. Dependent Variable: ROA, Source: Processed primary data, 2023

Table 2: Linear regression analysis results on financial performance (ROE)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	SE	Beta		
1	(Constant)	7.409	22.094		2.335	0.038
	Economic Aspects	0.547	5.950	0.006	2.092	0.027
	Environmental Aspects	1.944	21.749	0.006	2.089	0.029
	Social Aspects	8.388	13.176	0.043	2.007	0.059

a. Dependent Variable: ROE, Source: Processed primary data, 2023.

Table 3: Results of linear regression analysis on financial performance (ROS)

Model		Coefficients[a]				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	SE	Beta		
1	(Constant)	6.463	12.773		2.506	0.613
	Economic Aspects	0.823	3.440	0.016	2.239	0.011
	Environmental Aspects	11.685	12.574	0.059	1.929	0.054
	Social Aspects	18.536	7.617	0.162	2.433	0.016

a. Dependent Variable: ROS, Source: Processed primary data, 2023

Table 4: Simultaneous significant test results on financial performance (ROA)

Model		ANOVA[a]				
		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.026	3	1.675	3.667	0.039[a]
	Residual	618.306	246	2.513		
	Total	623.332	249			

a. Dependent Variable: ROA (Y), b. Predictors: (Constant), Social Aspect, Environmental Aspect, Economic Aspect, Source: Processed primary data, 2023

smaller than 0.05 (0.043 < 0.050). So, it can be concluded that H0 is accepted, and Ha is rejected, meaning that the independent variables, namely SR economic aspects, SR environmental aspects and SR social aspects, can influence the dependent variable, namely financial performance using the return on equity ratio.

Table 6 explain the F-test results show the value of the F-calculated of 3.697, and this means that the F-calculated is more significant than the F-estimated (3.697 > 2.70), with a significant level of 0.046 smaller than 0.05 (0.046 < 0.050). So, it can be concluded that H0 is accepted, and Ha is rejected, meaning that the independent variables, namely SR economic aspects, SR environmental aspects and SR social aspects together, can influence the dependent variable, namely financial performance using the return on sales ratio.

5. DISCUSSION

5.1. The Effect of Sustainability Report (SR) Economic Aspects on Financial Performance (ROA)

Sustainability report (SR) economic aspects significantly affect financial performance using the return on asset (ROA) ratio, with a t-calculated more excellent than the t-estimated and a significant value smaller than the level value. Economic aspects in the company's sustainability report (SR) will increase company transparency and stakeholder and investor confidence to improve financial performance and company image, in this case, ROA profitability. Companies that have a significant influence on improving the micro and macro economy will invite investors and customers to join as financial supporters and users of company products (Bukhori and Sopian, 2017). This research is in line with research conducted by (Manisa and Defung, 2018), which has a significant effect on the company's financial performance; economic performance in SR will increase company transparency which has an impact on increasing investor confidence and company image and financial performance. The higher the level of disclosure of the company's economic performance, the higher the company's financial performance. The company's financial performance has increased along with the increase in disclosure of the company's economic performance.

5.2. The Effect of Sustainability Report (SR) Economic Aspects on Financial Performance (ROE)

Sustainability report (SR) economic aspects significantly affect financial performance using the return on equity (ROE) ratio, with a calculated t-value greater than the t-estimated and a significant value smaller than the level value. This is because the company's owner, in this case, shareholders, is one of the essential stakeholders in a company's business. Therefore, as part of a stakeholder, shareholders need information transparency regarding the company's economic performance. With information about the company's economic performance, shareholders can provide policies. From the policies taken by shareholders, the company is required to increase its net profit level so that shareholders do not withdraw their shares. The trust of shareholders will encourage companies to increase their net profit level from existing total assets. The same research results also put forward by Insani (2019) show that economic performance in sustainability reports (SR) has a significant relationship with financial performance (Return on Equity). This shows that the fulfilment of the index of disclosure of economic performance aspects will have a good image in the eyes of the public.

5.3. The Effect of Sustainability Report (SR) Economic Aspects on Financial Performance (ROS)

Sustainability report (SR) economic aspects have a significant effect on financial performance using the return on sales (ROS) ratio, with a calculated t-value greater than the t-estimated and a significant value smaller than the level value. Companies need to show their existence and participation in handling economic problems as a form of corporate responsibility to show all of that to obtain certainty that the company has operated in accordance with applicable norms, rules, and regulations. Along with increasing consumer loyalty for a long time, the company's sales will improve, and in the end with the implementation of sustainability reports (SR) it is expected that the level of profitability and corporate image will also increase.

5.4. The Effect of Sustainability Report (SR) Environmental Aspects on Financial Performance (ROA)

Sustainability report (SR) environmental aspects have no effect and are not significant on financial performance using the ratio of return on assets (ROA), with a calculated t value smaller than

Table 5: Simultaneous significant test results on financial performance (ROE)

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.448	3	8.816	3.195	0.043[a]
	Residual	14914.978	246	60.630		
	Total	14941.426	249			

a. Dependent Variable: ROE (Y), b. Predictors: (Constant), Social Aspect, Environmental Aspect, Economic Aspect, Source: Processed primary data, 2023

Table 6: Simultaneous significant test results on financial performance (ROS)

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	163.961	3	54.654	3.697	0.046[a]
	Residual	4984.857	246	20.264		
	Total	5148.818	249			

a. Dependent Variable: ROA (Y), b. Predictors: (Constant), Social Aspect, Environmental Aspect, Economic Aspect, Source: Processed primary data, 2023.

the t table and a significant value greater than the level value; this is because the disclosure of environmental performance does not affect the company's profitability. After all, the disclosure of environmental performance affects the company's profitability indirectly but through stages. The first stage of environmental performance disclosure affects the company's value, after which the disclosure of environmental performance affects the market response and the company's financial performance. All of that happens in the long term so that the disclosure of environmental performance does not significantly affect corporate profitability in the short term. An increase in the disclosure of environmental aspects will result in a decrease in the financial performance of the company and vice versa. This shows that responsibilities related to the environment are still considered additional costs that will reduce the opportunity to obtain maximum profit. The results of this study align with research conducted by (Widati and Gunawan 2021), which shows that there is no significant influence between sustainability reports in disclosing environmental performance. Sustainability reports (SR) are considered a burden on companies that have the potential to reduce company performance.

5.5. The Effect of Sustainability Report (SR) Environmental Aspects on Financial Performance (ROE)

Sustainability report (SR) environmental aspects significantly affect financial performance using the ratio of return on equity (ROE), with a calculated t-value greater than the t-estimated and a significant value smaller than the level value. Companies must maintain relationships with their stakeholders by accommodating the wants and needs of their stakeholders. Therefore, it is necessary to disclose sustainability reports to answer the demands of stakeholders. So that stakeholders can find out the performance of companies that care about the environment and can provide a positive response by providing funding for companies that will be used to increase production and sales to increase company profitability. This study's results align with the results of research conducted by Wijayanti (2016), which states that there is a relationship between environmental performance reports on stock prices and stock returns. This provides an explanation that the company's environmental performance has an impact on the company's financial performance, which is reflected in the company's annual return level, which increases compared to industry returns which, of course, will have an impact on the company's image, which is reflected through the company's value which can also affect the company's profitability.

5.6. The Effect of Sustainability Report (SR) Environmental Aspects on Financial Performance (ROS)

Sustainability report (SR) environmental aspects have no effect and are not significant on financial performance using the ratio of return on sales (ROS), with a calculated t value smaller than the t table and a significant value greater than the level value. The insignificant results indicate that the disclosure of sustainability report environmental aspects in developing countries, such as Indonesia, still needs to be more concerned than developed countries, so its disclosure does not affect financial performance. This also shows that investors have responded more to the disclosure of environmental performance than to its economic performance (Simbolon, 2016). This is not following the signalling theory in which the disclosure of sustainability reports provides a positive signal given by the company to parties outside the company which stakeholders and shareholders will respond to through sales profits and changes in the company's stock price, and changes in company profits (Radiman, 2019).

5.7. The Effect of Sustainability Report (SR) Social Aspects on Financial Performance (ROA)

Sustainability report (SR) social aspects significantly affect financial performance using the ratio of return on assets (ROA), with a calculated t value greater than the t table and a significant value smaller than the level value. The higher the company's financial performance in generating net profit on sales, the more it will increase, which will impact increasing the income that shareholders will receive. This follows the stakeholder theory in which the company carries out full responsibility in disclosing the sustainability report (SR) and gets support from the company's stakeholders; disclosure of sustainability reports can fulfil the wishes of stakeholders so that it will result in a harmonious relationship between the company and stakeholders and can achieve sustainability in the future and the implementation of sustainability report disclosure will influence the image and image for the company (Manisa and Defung, 2018). This statement follows the results of the research (Widati, 2017). Disclosure of sustainability reports (SR) in social aspects significantly positively affects the company's financial performance. This shows that the more disclosure of social aspects, the higher the profitability of the company, showing its existence and participation in social issues as a form of moral corporate responsibility for the society in which the company operates.

5.8. The Effect of Sustainability Report (SR) Social Aspects on Financial Performance (ROE)

Sustainability report (SR) social aspects have no effect and are not significant on financial performance using the ratio of return on equity (ROE), with a calculated t value smaller than the t table and a significant value greater than the level value. This is because the disclosure of social aspects gradually influences the value of the company itself. So that after affecting the value of the company gradually, it then affects the market stock price response, which in turn will affect the company's financial performance. Gradually, it occurs in a short period so that the disclosure of sustainability reports on social aspects does not affect the company's financial performance. These aspects include employment, labour/management relations, occupational health and safety, training and education, diversity and equal opportunity, non-discrimination incidents, freedom of association and collective bargaining, risks to child labour incidents, forced/compulsory labour, security practices, indigenous peoples' rights, human rights assessments, operations with local communities, supplier social assessments, public policy, customer health and safety, marketing and labelling and customer privacy. This can also mean that if the disclosure of the social dimension does not change and increase, the company's performance will not increase (Erkanawati, 2018).

5.9. Effect of Sustainability Report (SR) Social Aspects on Financial Performance (ROS)

Sustainability report (SR) social aspects significantly affect financial performance using the return on sales (ROS) ratio, with a calculated t value greater than the t table and a significant value smaller than the level value. The social dimension in the sustainability report (SR) concerns the impact of organizations on the communities in which they operate. It explains the risks of interactions with other social institutions they manage. Disclosure of social aspects of the sustainability report (SR) will impact stakeholder perceptions of the company's treatment of surrounding human resources. Implementing and reporting social responsibility (SO) to stakeholders can increase the company's average stock sales price, improve employee welfare and loyalty, and reduce employee turnover rates, leading to increased company productivity. The results of the study align with research conducted by Sasongko, Puspawati and Wijayanto (2020), which states that the sustainability report (SR) social aspect positively influences company performance. Disclosure of social performance is considered capable of improving company performance, where stakeholders feel that they get attention from the company regarding corporate social issues and can manage existing assets effectively and efficiently.

6. CONCLUSION

Based on the results of the research that has been done, several conclusions can be drawn as follows: (1) Sustainability report (SR) economic aspects affect and significant to financial performance using the ratio of return on assets (ROA), (2) Sustainability report (SR) economic aspects affect and significant to financial performance using the ratio of return on equity (ROE), (3) Sustainability report (SR) economic aspects affect and significant to financial performance using the ratio of return on sales (ROS), (4) Sustainability report (SR) environmental aspects do not affect and are not significant to financial performance using the ratio of return on assets (ROA), (5) Sustainability report (SR) environmental aspects affect and are significant to financial performance using the ratio of return on equity (ROE), (6) Sustainability report (SR) environmental aspects have no effect and are not significant to financial performance using the return on sales (ROS) ratio, (7) Sustainability report (SR) social aspects have an effect and are significant to financial performance using the return on assets (ROA) ratio, (8) Sustainability report (SR) social aspects have no effect and are not significant to financial performance using the return on equity (ROE) ratio, (9) Sustainability report (SR) social aspects have an effect and are significant to financial performance using the return on sales (ROS) ratio,

Thus, some suggestions given in connection with the research conducted are for companies, companies that have published sustainability reports (SR) are expected to consistently publish SR every year because it can reduce the negative impact of the environment by identifying additional costs related to natural resources, and other environmental costs contained in SR. In addition, it is also expected to increase the number of items reported in the SR so that it is clear that the company pays attention to SR disclosure by continuing to increase the number of items reported. For Investors, Investors who want to invest in a company should be wiser in investing so that they are not concerned with profit alone but also see the impact caused by the company's operations on society and consumers to create sustainable company development in the future so that they get attention and a good image in front of the community so that investors will be more comfortable in investing.

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