CoMBInES
CONFERENCE ON MANAGEMENT, BUSINESS, INNOVATION, EDUCATION AND SOCIAL SCIENCES

Volume 4 No 1 (2024)

Received : Dec 12, 2023
Accepted : Dec 20, 2023
Published : Mar 28, 2024

Conference on Management, Business, Innovation, Education and Social Science
https://journal.uib.ac.id/index.php/combines

The Moderating Effect of Corporate Governance on the Relationship between Sustainability Performance and Financial Performance

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Abstract

This research is intendedto determine the influence of corporate governance on the relationship between sustainability performance and financial performance. The research method used is quantitative data obtained from the BEI (Indonesian Stock Exchange) website. The sample selection procedure used a purposive sampling method from 767 listed companies and only 53 companies met the criteria. Research results using software *statistical program for social science(*spss) and eviews 10 which proves that the size of the board of directors, CEO duality and female top board members have no effect on sustainability performance. The independence of the board of directors has a significant negative effect on sustainability performance. Furthermore, researchers also found that governance cannot moderate the relationship between sustainability and financial performance. Research data was collected using panel data regression analysis using time series data and cross-sectional data. The research findings conclude that the higher the level of governance in a company, the better it can pay attention to sustainability performance issues and can be used as a reference in making policies for the government and helps to use additional references regardingGRI (Global Reporting Initiative) disclosure.

Keywords: Governance, Sustainability Performance, Financial Performance, Moderation

Introduction

In general, companies have long-term goals to optimize company sustainability and finances (Yopie & Robin, 2023). The company's commitment to corporate sustainability performance or usually abbreviated as CSP is a disclosure of the company's sustainability to competitive shareholders and has a significant relationship in knowledge of the corporate governance business model and financial performance.(Manning et al., 2019).

Based on survey results from the Central Statistics Agency (BPS), information was obtained that there was a decrease in workers' income due to working hours policies and policies limiting community activities.(BPS, 2020). The presence of complete corporate governance is very necessary in an organization(Chandra & Junita, 2021). Good governance will provide effective protection for shareholders in recovering investments fairly and efficiently(Mahrani & Soewarno, 2018).

Research revealed byWijaya and Hadiprajitno (2017), where in 2017 the GRI (Global Reporting Initiative) disclosure used the G4 standard which consists of 91 indicators, each indicator consisting of the impact of economic, environmental and social performance(Apriliyani et al., 2019). In CSR.id Magazine(2022)The Sustainability Report publishes the latest GRI standards which are seen as one of the reliable guidelines because they are published globally and supported in annual reports(Caesaria & Basuki, 2017).

PT Kimia Farma Tbk (KAEF) presents financial reports that result in fraud and violations due to inadequate professional ethics. Cases of manipulation of financial reports recorded in company profits amounted to 99.56 billion and the lowest was 32.6 billion or less than 24.7% of the initial reported profit.(Sandria, 2021). This is due to errors in the raw material industry overstating sales and inventory. In 2018, the Lippo group which consists of PT Lippo Cikarag Tbk (LPCK) and PT Lippo Karawaci Tbk (LPKR) experienced corruption which caused a lot of harm to investors and shareholders, at that time shares in the PT fell by around (14.77%) to 1,385 and decreased by 8 percentage points by (2.68%), this shows low awareness of aspects of corporate governance(Pratamaindomitra.co.id 2021).

Companies examine the appropriateness of financial governance as measured by the appropriateness framework of the totality of board size, independence of the board of directors, board women, duality of the CEO who has responsibility for sustainability(Ullah, 2019). Many studies focus on corporate governance and sustainability that contribute to corporate performance for sustainable disclosure as well as considering the mixed results for the relationship of corporate governance and performance as well as the sustainability of financial governance(Ortas et al., 2017).

Capabilities in a company are used as a benchmark for success in terms of financial performance and become a reference point set by investors and shareholders as a policy in evaluating sustainable development improvements. With the help of financial performance, you can find out the level of profit of a company in terms of liquidity and profitability during a certain period(Anita & Amalia, 2021).

Literature review

Agency Theory

Agency theory is a theory put forward by Jensen and Meckling (Agency theory is a theory put forward byJensen and Meckling (1976)states the theory of unequal interests between principals (shareholders) and agents (management). According to researchersHendrianto and Uma (2020),Rahman and Pandey (2020)which discusses public companies that have the potential in several parties to increase company shareholders without involving other stakeholders. According toCherian et al. (2020)AndFrank Li et al. (2016), a cooperative conflict of interest between management and owners to overcome company operational problems. ResearcherGellego et al. (2022)also stated that government actions were largely driven by their own interests, with human nature acting to prioritize their own interests. The conflict compliesVitolla (2020)as a result of control mechanisms that are able to reduce the asymmetry of ownership information and management interests.

Resource Dependency Theory

*Resource dependency theory*or resource dependency is a theory that provides a perspective for all humans in the form of resources owned by the company and used as optimally as possible(Pfeffer Jeffrey & Gerald, 1978). According toAdeaba et al. (2018), found that this theory is very necessary from the perspective of women's participation as a resource that companies can rely on in improving sustainability performance. In a complex business environment, financial performance requires advice from shareholders, thus this theory illustrates that providing resources that include gender diversity to support management is less likely to control the uncertainty of external dependencies. In this case, gender diversity is seen as a relationship-oriented attribute that provides predictive power for behavior and attitudes towards performance(Aprilia et al., 2020).

Stewardship Theory

This theory is the attitude of managers who prioritize the interests of the principal's wishes in the organization compared to the interests of individuals who are influenced by the structural situation effectively in the actions taken.(Davis et al. (1997). This theory is intended that managers will behave in accordance with common interests. If the interests of stewards and owners are not the same, then stewards will try to work together to test situations where executives in the company can be motivated to act in the best way in principle.(Murtaza et al., 2021).

HYPOTHESIS DEVELOPMENT

Sustainability Performance (Corporate sustainability performance)

 ISSN: 2776-5644

*Corporate sustainability performance*or abbreviated as CSP is one of the business approaches taken by companies in order to create consumer interest with market conditions and the CSP measurement model as the dependent variable. Companies listed on the Indonesian Stock Exchange are companies that have competitive advantages over other companies(Wati & Malik, 2021). Development company Which sustainable can developed through *Global Reporting Initiative* (GRI) as practice measurement, disclosure, And accountability for holder interest internal And external(Pasko et al., 2021).

Most of the research results focus on descriptive corporate governance disclosures to find a comparative relationship between sustainability performance and company performance in developed and developing countries.(Laskar et al., 2017). Most of the research results focus on descriptive corporate governance disclosures to find a comparative relationship between sustainability performance and company performance in developed and developing countries.(Laskar et al., 2017).

Financial Performance (Corporate Financial Performance)

Financial performance in other terms is corporate financial performance or CFP, which is a condition of financial reports regarding investment, showing the best condition of the company to see the condition or value of the financial statements of the company you want to invest in and invest capital in that company. Good financial performance and continuing to excel in competition so that there is continuous improvement will certainly provide returns to investors with high value, so that investors are interested in investing capital in companies that have high benefits.(Nurmamedova, 2021). Financial performance is very necessary in governance so that a company can survive and be resilient in facing increasingly tight competition(Anita & Amalia, 2021).

The Relationship between Board of Directors Size and Sustainability Performance

One of the main factors in corporate governance is the size of the board of directors. The size of the board of directors is the number of directors on a company's management board in a particular year, used to calculate internal and external size and size varies from one company to another.(Pareek et al., 2019). According to agency theory, the size of the board of directors can be said to mean that a larger board has very high profits and obtains more information(Tanujaya & Anggreany, 2021). The number of board of directors is appropriate to the size of the company in controlling company activities more effectively and forming good networks with external parties(Hafidzi, 2019).

According toEndrikat et al. (2021)explains that the size of the board of directors has a positive relationship with sustainability performance because as directors increase frequently, supervision within the company becomes more effective. The larger the size of the board of directors will enable it to guarantee social responsibility activities. According toMaude et al. (2018)Smaller board size can improve company performance in finding a positive value relationship with small performance measurements compared to large performance measurements that are less effective for a main director to handle in decision making.

H 1a: The size of the board of directors has a significant positive effect on sustainability performance.

The Relationship between the Independence of the Board of Directors and Sustainability Performance

The independence of the board of directors is an unaffiliated party and protects minority shareholders which has a positive impact on environmental disclosure based on its dominant role and position, and is the most important part of corporate governance when the board of directors makes fairer financial judgments(Pareek et al., 2019). According toJuliani and Ventty (2022)there is openness in financial accounts and the value of corporate sustainability with the independence of the board of directors which strengthens the functions and duties of directors, independent directors of directors function in ensuring that the board. directors are certainly able to fulfill their respective roles objectively and responsibly.

ResearcherHardi and NR (2020) which says that the existence of independent directors cannot supervise management in the company's operations in the implementation and disclosure of social responsibility. According toSamudra et al. (2020)AndVivian et al. (2020)said that the large number of independent boards of directors does not have a major impact on the disclosure of sustainability performance. Research findings reveal that agency theory in measuring independence is one measure of the company's continued performance in taking unhealthy corporate risks and has a substantial relationship so that it can have a major impact on company losses.(Younas et al., 2019).

H 1b: The independence of the board of directors has a significant positive effect on sustainability performance

The Relationship between CEO Duality and Sustainability Performance

CEO duality has always been widely debated in academia regarding the impact of corporate CEOs. CEO duality is a dual attribute in corporate governance which is often a reflection of the strength in an organization on company performance(Chandra & Devie, 2017). CEO duality seen from the perspective of stewardship and agency theory occurs when the CEO and chairman of the board are people in the same situation and are responsible for themselves and can give rise to conflicts of interest between shareholders and managers as researched byPasko et al. (2021)to stakeholder needs.

ResearcherUyar et al. (2021),Adele et al. (2019),Romano et al. (2020),Muange and Kiptoo (2020)AndAhmad et al. (2017) Mubeen et al. (2021),Vasconcelos et al. (2022)various studies find that CEO duality has a significant positive effect on sustainability performance. In the Indonesian context, CEO duality is measured using a dummy variable that is based on the family relationship of the board of directors and commissioners(Nazar, 2016). This is because the two-tier board system has been approved based on the Limited Liability Company Law No. 40 of 2007(Sutedja, 2021).

H 1c: CEO duality has a significant positive effect on sustainability performance

The Relationship of Women's Top Boards to Sustainability Performance

The size and diversity of board components in terms of femininity and the number of outsiders are interpreted in various ways as related to a more varied set of goals(Hussain et al., 2018). The measurement diversity of female boards is associated with a greater orientation towards corporate sustainability performance with differences in background that act to encourage women to be more initiative in sustainability performance.

According to the female resource dependency theory, companies really need this theory, because it can investigate how female diversity, measured as the percentage of female boards, influences the corporate environmentCordeiro et al. (2019), the presence of a female board member in sustainability performance has a significant impact on the willingness to consider company performance. The higher the percentage of female board members on the board of directors, the better the company's sustainability performance will be.

According toReddy and Jadhav (2019),Galleta et al. (2021),Islam et al. (2022),Fakir and Juso (2020)AndPareek et al. (2019)Female directors are an aspect of company sustainability, because female directors have morals and effectiveness which are very important in providing motivation to various aspects of women. Researchers believe that women can provide a positive relationship to sustainability performance, where women can influence company decisions.

H 1d: Women's top boards have a significant positive effect on sustainability performance

The Relationship of Governance to Sustainability Performance

*Corporate Governance*or corporate governance is the most important thing in a company, because governance is needed as a guide for companies that can carry out profitable activities and maintain good relationships with stakeholders.(Bawaneh, 2020). Concepts in corporate governance are very important for the growth and development of high standards of value generation in stakeholder participation suggesting that governance methods can provide statements to claim the relationship between social sensitivity of corporate governance(Aksoy et al., 2020).

According toKusumayani et al. (2019)Governance is believed to have a significant positive impact on sustainability performance because it can reduce costs which can improve performance, efficiency and services to stakeholders to protect against political interference. Good governance can reduce the company's internal and external risks and apply an organizational concept to increase transparency, accountability and goals achieved by relying on resources efficiently.(Siswanti et al., 2021).

H1: Governance has a significant positive effect on sustainability performance

The Moderating Role of Governance on Sustainability and Financial Performance

Corporate governance has been considered as an organization that has maximized profits to improve the company's standard of living the more the company's performance is taken into account in financial results(Robiyanto et al., 2019). It is said that corporate governance has a positive influence which can prove that the large number of intangible assets can add input to the implementation of sustainability performance because the greater the number of sustainability performance measurements can have a positive influence on relationships and the more effective monitoring will be.(Bawaneh, 2020).

Research on the moderating role of governance on the relationship between sustainability and financial performance has been studied by several researchers. According toSuryaningtyas and Rohman (2019), governance can provide benefits for the company's financial performance to become better, due to an increase in profits or rate of return which creates trust and interest among investors.

ResearcherTamimi and Sebastianelli (2017)concluded that many investors consider disclosure of governance and sustainability performance as a proxy in assessing management quality. Furthermore, the influence of governance can support investors' assessments of the company's opportunities, risks and future performance. Thus, apart from the owners, stakeholders also have the power to decide on the correct action by the company(Pieritsz, 2021).

H2: Governance can strengthen or weaken the relationship between sustainability and financial performance

Results and Discussion

The research method is a quantitative method in the steps taken by researchers to collect data and information that has been processed in scientific analysis. This method uses calculations as a means of processing data including basic research to realize concepts that do not have a direct impact, but are expected to support theory development.

The research uses the 2017-2021 Indonesian Stock Exchange (BEI) companies as research objects. Sampling used purposive sampling to filter as research samples: (1) annual reports published on the Indonesia Stock Exchange (BEI) website for 5 years in the 2017-2021 period, (2) publishing a complete sustainability report for the 2017-2021 period using GRI standards as well as complete annual reports within 5 consecutive years (2017-2021).

Table 1. Sample and Research Data

Information	Amount
Companies listed on the 2017-2021 BEI	767
Companies that have not been registered on the IDX for 5 years	(219)
Companies that do not publish sustainability reports and annual reports consecutively during the 2017-2021 period	(495)
Companies used as samples	53 companies
Length of research years	5 years
The amount of data used (53 companies x 5 years)	265 records

Source: Secondary data processed, 2022

From the data above, it shows that of the 767 companies listed on the IDX website as of the end of 2021, there were only 53 companies that met the sample criteria. The sample size began with the elimination of 219 companies that had not been listed on the IDX for 5 years. Furthermore, researchers also eliminated 495 companies that did not publish sustainability reports and annual reports sequentially from 2017-2021. This is based on sustainability reports with GRI and G4 standards. The GRI measurement standard is a measure that can reduce asymmetry problems and improve sustainable reporting practices(Janette & Hendriyeni, 2020). A sustainable report is a report that, in addition to company performance information, contains non-financial reports of the company consisting of social, environmental and economic activities that enable the company to grow sustainably.(Aunga & Nathan, 2018).

Dependent Variable

*Corporate sustainability performance*or can be abbreviated as CSP, is a business approach carried out by every company in order to create the interests of consumers and employees and CSP balances the interests of economic, environmental and social elements.(Kantabutra & Ketprapakorn, 2020). The number of companies that disclose corporate sustainability may increase over time, either as one in their financial reports or reported as a separate report even though this disclosure is still voluntary.

This measurement is based on a total combined score on three dimensions, namely: economic, social, environmental. This research measures the combination scores contained in company sustainability reports that meet the criteria and are measured based on the GRI Standard. Each item that meets the GRI Standard indicators is given the number 1 which is disclosed and the number 0 is an item which is not disclosed. The formula for calculating CSP according to(Ahmad et al., 2017)is:

$$\mathrm{CSP} = \frac{\sum \mathrm{n}_{\mathrm{i}=1}\mathrm{Xi}}{\mathrm{N}}$$

Information:
CSP = *Corporate Sustainability Performance*
∑ni=1 xi = Total number of CSP items disclosed
N = Number of disclosure items based on GRI Standard

In research, financial performance or corporate financial performance (CSP) is measured using Tobin's Q. Tobin's Q is the comparison of the company's market value to the value of the company's assets.(Ali et al., 2020). Tobin's Q is measured by adding the market value of equity to the book value of debt and dividing by the book value of total assets or assets. The market value of equity is obtained by multiplying the closing price of shares by the number of shares on the open market. Tobin's Q data is obtained from annual reports in the form of stock summaries and financial reports. Formula for calculating financial performance according toSingh et al. (2018)is:

$$\text{Tobin's Q} = \frac{(\sum \text{jumlah saham beredar x harga saham penutupan}) + \text{total hutang})}{\text{total aset}}$$

Independent Variable

The size of the board of directors or board size is the total director of the board which is used to determine the size of the board with a large ability to determine how many board directors there are in the company. The size of the board of directors in the company's decision-making process can have a good influence on the size of the board of directors to create efficient and effective management in a company(Alabdullah et al., 2019). The size of the Board can be formulated as follows:

Board of Directors Size = number of directors in the company

The independence of the board of directors or board independence provides control and direction to the board of directors(Pham & Nguyen, 2020)states that a small independent board will improve company performance. The independence of the board of directors functions to monitor whether the directors have fulfilled their roles and responsibilities properly. Consistently research conducted by(Pareek et al., 2019)namely by using indicators for the number of members of the board of directors in a company to make decisions more efficient and effective. Board independence can be formulated as follows:

$$\text{Independensi Dewan Direksi} = \frac{\text{jumlah proporsi dewan direksi independen}}{\text{jumlah anggota direksi secara keseluruhan}}$$

CEO duality or CEO duality is someone who holds the position of CEO and Chairman of the Board in a company. The emergence of CEO duality can weaken the relationship between the company's sustainability performance so that it can have a less effective impact in producing decisions, due to the family affiliation relationship between the board of directors and commissioners in companies in the Indonesian context.(Nazar, 2016). CEO duality can be measured with a dummy variable, namely in this variable, if there is a family relationship between the board of directors and commissioners then it can be given a code of 1" and otherwise if there is no relationship then it can be given a code of 0"(Younas et al., 2019).

A female board is diversity that focuses on the presence of independent board members and female directors in a company which is interpreted in various ways related to a series of further reporting objectives.(Hussain et al., 2018). Diversity in board measures of femininity is associated with a greater orientation toward sustainability performance as well as improving a company's reputation for oversight. The formula used to measure a female board of directors is that if a company adopts female directors, it gives the number 1 for women and zero for men.(Lu, 2021).

Moderating Variables

Governance is a company control and regulation system that can be seen from the relationship mechanisms between various parties. The role of governance in the relationship of sustainability performance is as accountability to stakeholders and as control in monitoring fraudulent financial reporting and set objectives(Teti et al., 2016). Bad corporate governance can result in fraud, whereas good governance can contribute to shareholders. Governance measurements can be carried out using the sample median on the four independent variables consisting of Bsize, Bind, CEO Duality, and Female with calculation conditions from 0 to 4.

Control Variables

Company size is an influential indicator of sustainability performance. Company size is measured by the number of assets that can be used as a basis for determining company size(Toly et al., 2019). The company's total assets are obtained from financial reports in the form of a report of financial position. Company size can be measured using the natural logarithm of the company's total assets. The following is the formula for calculating company size:

$$\boxed{\text{Company Size: Ln (Total assets)}}$$

Leverage(LEV) is the use of assets from company funding sources that have fixed costs to increase shareholder profits in order to obtain greater profits(Cancela et al., 2020). If the company's liabilities are high, creditors have the right to evaluate the company's operational activities. The leverage ratio measurement is calculated by comparing total debt with total assets. Measuring assets financed with debt to increase the level of income for company owners. The formula for calculating leverage according toBhattacharya et al. (2021)is:

$$Leverage = \frac{\text{total hutang}}{\text{total aset}}$$

Company cash flow or operating cash flow is a description of the cash inflow and cash outflow report for a company in a certain period with the company's ability to generate cash from operating activities. The amount of cash flow arising from the entity's operating indicators by generating sufficient cash flow(Ni et al., 2019). Cash flow measurement can be measured by dividing operating cash flow by the ending balance of assets, and can be formulated as follows:

$$\text{Arus kas operasi} = \frac{\text{total arus kas operasi}}{\text{saldo akhir aktiva}}$$

The growth ratio or sales growth is a ratio that describes the company's ability to maintain its economic position by relying on sales from external parties. Sales have a strategic influence on the company by supporting the amount of assets or assets which have an important role in increasing the company's capital. The growth ratio can be measured by comparing the current year's sales amount and subtracting the previous year's sales and dividing the previous period's sales(Dianova & Nahumury, 2019). The growth ratio can be formulated as follows:

$$\text{Rasio pertumbuhan} = \frac{\text{penjualan}_t - \text{penjualan}_{t-1}}{\text{penjualan}_{t-1}}$$

Information:
Sales t = Current sales
Sales t-1 =Previous year's sales

Capital intensity can reflect how much assets are used to generate income for the company by describing how much company capital is in the form of current assets and non-current assets. Capital intensity plays an important role for company management because it can determine the amount of company assets in generating income(Lannelongue et al., 2017). The formula used in calculating capital intensity is:

$$\text{Intensitas modal} = \frac{\text{penjualan}}{\text{aset}}$$

Newness of fixed assets or newness according to PSAK no. 16. Fixed assets are assets that are long-term and permanent in nature and are assets owned by the company that are purchased rather than sold. The newness of fixed assets is presented based on the value of the book value or book value and the value of the carrying value divided with depreciation expense in that period. Each type of fixed asset such as land, buildings, investments and so on is included in the financial statements in detail in the notes to the financial statements(Darmawan, 2021). So the results obtained from the newness of fixed assets are that the older the fixed assets are, the newer the assets are. The measurements used to calculate newness are:

$$Newness = \frac{book\ value \text{ dari aset}}{\text{beban depresiasi}}$$

RESEARCH RESULTS AND DISCUSSION

Data testing was carried out on all companies listed on the Indonesian Stock Exchange in 2017-2021. The data sources used in this research are secondary and quantitative data. Data collection was carried out using secondary data sourced from annual financial reports and sustainability performance. The secondary data used is in the form of company annual reports in the form of documents as informants for annual report information that can be obtained from the website*www.idx.co.id* and financial and non-financial reports. The research uses the panel regression method to analyze data and test research hypotheses. The data research steps consist of descriptive statistical analysis, outlier testing, selecting the best model and hypothesis testing using Eviews. The regression equation for the research model is as follows:

Model 1= CSPit = β0 + β1Bsizeit+ β2 Bindit+ β3 CeoDualit+ β4 Femaleit+ β5 Sizeir+ β6 Lev it+ β7 CFOit + β8 SGit + β9 Newnessit + β10 Capinit

Model 2= CFPit = β0 + β1CSPit-1 + β2 CGOV it+β3CSPit-1 *CGOV it + B4 Sizeir+ β5 Lev it+ β6 CFOit + β7 SGit + β8 Newnessit + β9 Capinit

Descriptive statistics

Descriptive statistics is a form of data analysis that is used to analyze and test data by describing and depicting the object being studied more clearly so that it is easy to understand.(Rostami et al., 2016). This procedure provides a number of information regarding how the data is presented which is expressed in the form of averages (mean, maximum, minimum and deviation).

Table 2. Descriptive Statistical Test for Ratio Variables

	N	Minimum	Maximum	Mean	Std. Deviation
CSP	265	0.0130	0.8701	0.321882	0.1475230
TOBINS_Q	265	0.1679	23.2858	1.637801	2.5418921
BSIZE	265	3,0000	17,0000	6.867925	2.4435888
BIND	265	0.0000	0.3333	0.044168	0.0820511
CSPXCGOV	265	0.0000	2.0260	0.501495	0.3729454
SIZE (In Millions)	265	IDR 2,510,078,000,000,0000	IDR 1,725,611,128,000,000,0000	IDR 147,946,131,438,231,500000	IDR 311,337,529,010,459.9000000
LEV	265	0.0480	1.8495	0.628103	0.2576397
CFO	265	-1.7968	3.9499	0.375338	0.5627009
S.G	265	-0.9660	15.9611	0.293635	1.5225180
NEWNESS	265	1.9266	84.5696	13.620015	10.1282182
CAPIN	265	0.8468	567.3452	18.923915	48.1902540
Valid N (listwise)	265				

Source: Secondary data processed, 2022

Based on the results of descriptive statistical analysis of the ratio variable, it can be concluded that as many as 265 samples contain N valid data. As the dependent variable of this research, sustainability performance (CSP) has a minimum value of 0.0130, a maximum value of 0.8701 and an average value of 0.321882 with a standard deviation of 0.1475230. This illustrates that most companies in Indonesia have disclosed sustainability reports with different indices. Even though the sustainability performance disclosure score in IDX companies is still quite low (<50%), it is quite good in Indonesia itself because there are no strict regulations governing these requirements or criteria.

Tobin's Q is the dependent variable in measuring financial performance which has an average value of 1.637801. This average indicates that the average value of the company is higher than the value of its assets or is overvalued. The minimum BSIZE value is 3 while the maximum is 17, this reflects that the size of the board of directors has complied with regulation number 60/POJK.04/2016, namely with a minimum of 3 directors in the company. The average BIND value is0.044168, indicating that the company on average has fulfilled the requirements for the number of independent board members regulated in regulation No. 33/POJK.04/2014, provided that the number of independent members of the board of directors is no more than 30% of the number of independent members of the board of directors.

Moderation in this research is a combination of sustainability performance variables and governance. The combination of sustainability performance variables with governance is 265 samples which can be seen in table 2 with an average of 0.501495, so it can be concluded that the influence of governance is very important in research on sustainability performance related to finance. Company size is seen from the total assets of the company which has the lowest asset value of IDR 2,510,078 (millions) and the highest asset value of IDR 1,725,611,128 (millions), as well as the average value in company size of IDR 147,946,131 (millions) indicating that the company has the ability to survive well and it is considered that the bigger a company, the greater the resources it has. Apart from that, there is also a standard deviation value of company size of 311,337,529 (millions) which indicates that the standard deviation varies widely.

The total company used in calculating the total debt ratio is divided by total assets to produce a leverage value. The average leverage value of 0.2576397 indicates that many companies in Indonesia have a liability component of 25.76% compared to the company's total assets. Based on the table obtained by operating cash flow, it shows a minimum result of -1.7968, a maximum value of 3.9499 and an average of 0.375338, this occurs due to an increase or decrease in net cash flow from each of the company's operating activities. Apart from that, there is also a standard deviation value of operating cash flow of 0.5627009 or the equivalent of 56%, which indicates that the standard deviation varies widely and improves financial performance.

The minimum value in the growth ratio is 0.9660, the maximum is 15.9611 and the average value is 0.293635. A higher growth ratio value shows the company's ability to measure the general economy which has an impact on investors or other parties. The variable newness of fixed assets shows an average value of 13.62, indicating that the result of newness of fixed assets, the longer the life of the fixed assets, the newer the assets obtained will be. The capital intensity variable from the results of descriptive statistics shows a minimum value of 0.8468 and a maximum value of 567.3452. Meanwhile, the average value of the entire sample is 18.923915 with a standard deviation reaching 48.1902540.

Table 3. Descriptive Statistical Test of Dummy Variables

Variable	Description	Frequency	Percent
CEO duality	0 = The Board of Directors and Commissioners have no family relationship	233	87.9
	1=The Board of Directors and Commissioners Have Family Relations	32	12.1

Variable	Description	Frequency	Percent
Female Director	0=Doesn't Have a Female Director	110	41.5
	1=Have a Female Director	155	58.5

Variable	Description	Frequency	Percent
Governance (CGOV)	,0000	28	10.6
	1,0000	92	34.7
	2,0000	102	38.5
	3,0000	32	12.1
	4,0000	11	4.2

Source: Secondary data processed, 2022

Table 3 also shows descriptive statistics but specifically for dummy variables. Data with dummy variables, namely the duality variable of CEO and female director. The information in the dummy variable data can be given a value of 1, if in a duality company the CEO has a family relationship between the board of commissioners and directors and the company has a female board member, and conversely the number 0 is given if in a duality company the CEO has no family relationship between the board of commissioners and directors and does not embrace a female board within the company itself. The results of the table above show that 12.1% of companies have CEO duality. This is because as many as 87.9% of companies consisting of management and official representatives are not related by family ties. Meanwhile, from the table above, there are also companies that have 58.5% female directors, this is because the company shows that many women rather than men dominate the company.

Then, table 3 also shows descriptive variables for governance variables. Where the governance calculations use the median figures for the size of the board of directors (BSIZE), board independence of directors (BIND), CEO duality (CEODUAL), female directors(FEMALE) with a number range starting from 0-4 and adding up all governance calculations to get the value. If the value of a median exceeds the number 4 then it can be given a value of 0, and conversely, if it does not exceed the number 4 then it can be given the number 1. It can be seen that the results above show that the median results vary between variables.c

Outlier Test

The outlier test is observation data used to identify deviations and avoid excessive values. Data deviation can be in the form of data that has significant differences compared to other data sets. Outlier data deviations really depend on the level of data analysis intended to use the z-score. Z-score is a standardization value for each data that shows the size of the data deviation from the average. Outlier data research has a range of results between -3.00 to 3.00. Deviations occur if the test results produce numbers outside the specified range(Ghozali et al., 2022).

Table 4. Outlier Test

Model	Total Data	Outlier Data	Total Data Tested
I	265	27	238
II	265	30	235

Source: Secondary data processed, 2022

Table 4. Shows the results of the outlier test. The outlier test results in model 1 show as many as 27 outlier data using the z-score method from 265 companies to 238 data. The outlier test results in model 2 show as many as 30 outlier data using the z-score method from 265 companies to 235 data.

Selection of the Best Model

Table 5. Best Model Test Results

Model	Test Chow	Hausman test	Conclusion
	Prob	Prob	
I	0.0000	0.0172	*Fixed Effect Model (FEM)*
II	0.0000	0.0002	*Fixed Effect Model (FEM)*

Source: Secondary data processed, 2022

The next step is selecting the best model between pooled least squares (PLS), fixed effect model (FEM) and random effect model (REM). In the Chow Test, PLS is the most appropriate model result by showing a probability value greater than 0.05 and FEM if vice versa. The probability value of the results of the Chow test and Hausman test shows good results with a probability value of less than 0.05, which means the FEM model is the best model between PLS and FEM.

Hypothesis test

A hypothesis is a statement of opinion regarding a condition whose truth is still uncertain. To ensure this is true, several tests need to be carried out using data samples. Hypothesis testing consists of the t test, F test, and R-Squared test.

Table 6. F Test Results

Model	**Prob** *(F-Statistics)*	**Conclusion**
CSP	0.0000	Significant influence
CFP	0.0000	Significant influence

Source: Secondary data processed, 2022

The F test is a test to see all the effects of the independent variables and the dependent variable simultaneously. Table 6. F test results with probability values showing the results of this test. A probability value of less than 0.0500 explains that the independent variable influences the dependent variable simultaneously and the model used at the same time. A probability value of more than 0.0500 explains that the independent variable does not affect the dependent variable.The F test carried out using Eviews 10 aims to reveal the combined impact of the independent variables on the dependent. If the probability value in the F-Statistic does not exceed 0.05, then the independent variable simultaneously has a significant effect on the dependent variable. Conversely, if the probability value in the F-Statistic exceeds 0.05, then the independent variable has no significant effect on the dependent variable. The probability value in table 6 shows a result of less than 0.05, namely 0.0000. This shows that all independent, control and moderating variables influence CSP and CFP.

Table 7. t test results

	MODEL 1		**MODEL 2**	
	Coefficient	**Prob**	**Coefficient**	**Prob**
CSP			-0.5087	0.0455
CGOV			0.0445	0.4354
CSP X CGOV			0.1446	0.3304
BSIZE	0.002785	0.7785		
BIND	-0.369385	0.0283		
CEODUALITY	0.069431	0.4169		
FEMALE	0.087215	0.0296		
SIZE	0.095608	0.1043	-0.4073	0.0002
LEV	-0.040014	0.8206	1.1161	0.0006
CFO	0.047886	0.2328	0.2479	0.0005
S.G	-0.003669	0.8378	-0.0889	0.0058
NEWNESS	-0.001310	0.5810	-0.0006	0.8879
CAPIN	0.001149	0.2059	-0.0019	0.2148

Source: Secondary data processed, 2022

Based on the test results in Table 7, seen from the t test regression model, the results of the model 1 variables tested are not significant. The results of the discussion of the t test are the independent variables betweenThe size of the board of directors indicated that the t test results do not have a significant impact on sustainability performance.This is because BSIZE, measured by the number of board of directors, does not have a significant relationship, causing a low level of sustainability performance disclosure. The test results are consistent with researchJanang et al. (2020),Orozco et al. (2017)AndSatwinder et al. (2017).

BIND shows the results of tests carried out with significance values0.0283 and a coefficient of 0.369385 which shows that board independence is significantly influenced by sustainability performance.This is because BIND,calculated by the number of boards, the independence of directors appears to be widely disclosed in sustainability reports. These results were revealed byMeng et al. (2022),Rashid and Hossain (2022), AndKosyuk et al. (2020). Hypothesis 1b is accepted because the number of board directors' independence appears to be widely disclosed in sustainability reports.

CEO DUALITY shows test results with a significance value of 0.4169 and a coefficient of 0.069431 which shows that dualityCEO is not significantly influenced by sustainability performance. This is because not many companies disclose the affiliation relationship between the board of directors and commissioners, so the hypothesis 1c test is rejected. These results were revealed byMaude et al. (2018),Ahmad et al. (2017)found that the results were not significant for sustainability performance.

FEMALE shows test results with a significance value of 0.0296 and a coefficient of 0.087215 which shows that women are significantly influenced by sustainability performance, so that the hypothesis 1d test is accepted. These results were revealed byReddy and Jadhav (2019),Galleta et al. (2021)AndPareek et al. (2021)that women's top boards have a good relationship towards disclosure of sustainability reports. This is because women have morals and effectiveness which are very important in providing motivation to various aspects of women and influencing decision making.

Governance or CGOV as a moderator cannot strengthen or weaken the relationship between BSIZE, BIND, FEMALE and CEO DUALITY with sustainability and financial performance based on the significance values in table 7. These results are not significant, identifying the rejection of hypotheses 1a-1d, this is in accordance with theory s*tewardship*that explainsthe attitude of managers who prioritize the interests of the organization compared to individual interests(Ariani & Pratiwi, 2021). The implementation of governance has a very good impact on managing company operations, as well as providing support in achieving goals and objectives.

Based on Table 7, it can be seen that SIZE as a control variable shows results of no significance and significance in both models, identifying that SIZE in sustainability performance has no significant effect. This is because in theory large resource dependency can influence operational activities(Lestari & Solikhah, 2019). Meanwhile, the influence of SIZE on financial performance shows significant results, this is because SIZE has sufficient funding dependence on the sector and company risk.

Based on Table 7, it can be seen that LEV as a control variable shows results of no significance and significance in both models, identifying that LEV in sustainability performance has no significant effect. This is because LEV uses assets from company funding sources which have very large fixed costs(Cancela et al., 2020). LEV in finance has a significant effect because this variable can see the ratio of share owners in improving company finances which is done by issuing debt capital.

Based on Table 7, it can be seen that CFO as a control variable shows results of no significance and significance in both models, identifying that CFO has no significant effect on sustainability performance. This is because the CFO has a very big influence on operational sustainability performance, so that the company reduces agency costs and leads to improved stakeholder relations and causes investment to be very low(Jarboi, 2017). CFO has a significant effect on financial performance because in this variable the company can control the company's operational costs and distribute finances in capital expenditures, economic growth, payments to stakeholders in the form of dividends. That the greater the operating cash flow available in the company, the healthier the company is in having available cash(Angela, 2020).

Based on Table 7, it can be seen that SG as a control variable shows results of no significance and significance in both casesmodel, identified that SG has no significant effect on sustainability performance. This is because SG in developed countries is related to very short-term sustainability performance which affects company profitability(Lindawati et al., 2021). SG has a significant effect on financial performance, because SG is a sale to generate a profit, where the products being bought and sold can influence sales activities on capital, company conditions and market conditions on a regular basis.(Silalahi et al., 2022). The existence of SG indicates that a company has succeeded in managing investments much better than before.

Based on Table 7, it can be seen that NEWNESS as a control variable shows no significant results in both models, indicating that NEWNESS in sustainability and financial performance has no significant effect. This is because NEWNESS does not yet have proper clarity regarding what is new, so it shows weak indicators and is an element with a very long fixed asset depreciation life.(Lassen & Laugen, 2017). In the research, the final t test table is the control variable CAPIN, CAPIN also does not have a significant effect on sustainability performance and financial performance. This is because CAPIN in the company does not utilize depreciation costs and reduces the number of taxable profit companies which instead utilize fixed assets for investment activities in the company's operations.(Suryarini et al., 2021).

Table 8. Adjusted R2 Test Results

Model	Adjusted R2	Percentage
I	0.469935	46.9935
II	0.955561	95.5561

Source: Secondary data processed, 2022

Table 8 shows the Adjusted R-Square, if the coefficient of determination shows a value of 0 or close to it then the independent variable cannot be explained by the independent variable and vice versa if it shows a number equal to 1. The results of the coefficient of determination in Table 7 in model I and model II are worth 0.469935 and 0.955561 or equivalent to 46.9% and 95.5% which are able to explain that the moderating and control variables are able to explain the dependent variable, namely the sustainability performance and financial performance variables. Meanwhile, the remaining 53.01% and 4.5% were influenced by other variables not studied.

CONCLUSIONS AND RECOMMENDATIONS

This research aims to identify the influence of governance in moderating effects related to the sustainability and financial performance of companies listed on the Indonesia Stock Exchange during the 2017-2021 period. According to the results of this research, the author concludes that the size of the board of directors and CEO duality have an insignificant effect on sustainability performance. Other independent variables such as board independence and board women have significant positive and negative results on sustainability performance. These results may occur because other variables are related to the characteristics or other individual factors of the board members themselves on sustainability performance. In addition, the results of the model II test indicate that governance as a moderating variable is able to weaken the negative relationship between board size, board independence, CEO duality and female board members. However, financial performance is not able to strengthen or weaken the relationship between governance and sustainability performance.

The findings also found in the research provide theoretical implications in enriching theories consisting of agency theory, stewardship and resource dependence. These theoretical findings also provide practical implications for governments, companies and investors. The findings indicate that female board members do not have a significant effect on the company's sustainability performance, so there is a need for good corporate governance monitoring in overcoming problems in improving sustainability performance. To be able to issue relevant regulations in tightening regulations related to governance. Moreover, sustainability performance is one of the factors considered by investors in assessing the smoothness of a company's business.

The next findings also found that governance can strengthen the relationship between financial performance and sustainability. These results indicate that companies can pay attention to good governance in overcoming stewardship issues in order to improve sustainability and financial performance, which is a form of corporate responsibility and commitment. The findings also help investors to be more selective in investing.

The limitation in the research was that it only found several significant variables between each board of directors' independence and female boards with financial performance, whereas there were several significant variables between company size, leverage, operating cash flow and growth ratios with financial performance. Secondly, there are limitations on the Indonesian Stock Exchange for sustainability reports from 2017-2021, because many companies have not published them consistently. Thus, the suggestion in this research is to add other specific variables that have a significant relationship or influence on other variables, expanding them by using research subjects not only from the Indonesian stock market and expanding the sampling population that does not only come from the Indonesian capital market.

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